

**POSITIONAL CALL - WEST COAST PAPER MILLS**

**CMP 198 TARGET 240 STOP LOSS N/A TENURE 3 MONTHS**

*Dated: 25<sup>th</sup> July 2017*

**BUY**

Price ₹	198
Target Price	240
Upside	21%
Div Yield	1.26%
Tenure	3 Months
Stop Loss	N/A
Sensex	32216.49
Nifty	9959.1
Group/Index	B / S&P BSE Small cap

**Investment Rationale**

*Company recorded a significant improvement in business performance through strong operational performance, better revenue management and generating better cash flow & continued to execute initiatives for reducing the cost of production, improve the customer satisfaction, continued focus on safety environment and productivity. These initiatives will also create long-term value for the stakeholders and help position the Company as a leading supplier of premium grade products in the domestic market.*

Further, with the installation of the world's most renowned **Bielomatik** online cut-pack converting line, the quality standards of copier papers have been elevated to the level of global benchmarks. The overwhelming success of Copier grades viz. **Documate, B2B, Copy Gold and Copy Plus** have created an unprecedented upswing in the market for cut size papers, in a record short time.

Across the globe, approximately 400 million metric tons of pulp, paper and board are produced. Global annual per capita paper & board consumption is about 56 kgs. Paper consumption is forecasted to increase to 490 million metric tons by 2020. **In India, paper consumption is poised for a big leap forward in sync with growing emphasis on education and literacy, along with the expected resurgence in the economy and is estimated to touch 13.95 million metric tons by 2017-18.** Demand for paper and newspaper is rapidly increasing. There are vast demands in area of teabags, filter paper, tissue paper, medical-grade coated paper, light weight online coated paper, etc.

**Coinciding with a marginal decline in raw material prices**, the realignment of production facilities has started yielding results. Production costs have started moderating in the last few quarters. **The sentiment has improved in the last few quarters with a marginal decline in bamboo prices.** The trend is likely to continue in the coming quarters as well.

**Stock Details**

M.cap (₹ in cr)	1310.76225
Equity (₹ In cr)	13.21
52 wk H/L ₹	211.85/81.15
Face Value ₹	2.00
NSE code	<b>WSTCSTPAPR</b>
BSE code	<b>500444</b>

IN ₹ Crores

**Results Update**

Particulars	Q4 FY 17	Q3 FY 17	Q4 FY 16
Revenue	509.82	465.54	497.83
EBITDA	98.40	88.78	72.98
PBT	63.38	48.03	22.66
PAT	50.73	37.42	8.26
EPS	<b>7.68</b>	<b>5.67</b>	<b>1.25</b>

IN ₹ Crores

**Financial Highlights**

Particulars	FY 2017	FY 2016	% Change
Revenue	1879.09	1812.26	3.69
EBITDA	340.22	257.20	32.28
PBT	177.88	13.79	1189.92
PAT	128.51	(0.46)	Turn around
EPS	19.46	(0.07)	Turn around

**Robust Performance.....**

Strong balance sheet with strong financial position

Strong margin recovery at EBITDA level i.e. 18.11% in FY 2017 compared to 14.19% FY 2016.

Strong growth of PAT from **(0.46cr)** to **₹128.51cr.** in FY2016 to FY 2017 respectively, thereby increase in EPS to ₹19.46.

With stellar performance during Q4 FY 2017, **WEST COAST PAPER MILL is expected to deliver a good set of numbers & robust performance in the coming years.**

**Tamil Nadu government restrict water usage- led to a rise in shares of rival firms.**

As the Tamil Nadu government instructed to restrict water usage from the Cauvery river due to severe drought, this has led to a rise in shares of rival firms. Higher paper prices have led to rise in the paper firms. Paper stocks have been rising since the beginning of the year after drought affected production of South India-based companies. The shut down of two Ballar pur Industries' plants last year due to financial woes also led to an increase in paper prices.

**Moreover, the company is likely to be debt-free within the next two years. However, the company is also contemplating capacity expansions which might mean fresh debt could come on books.**



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