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STOCK BROKING PVT. LTD.

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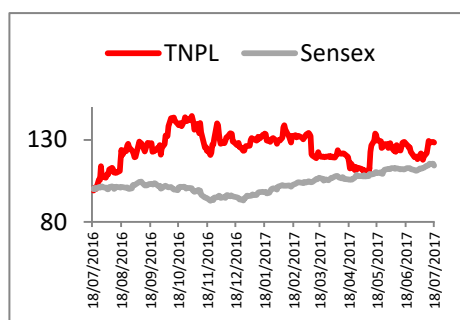
BUY

| | |
|-----------------|---------------|
| Current Price | 343.80 |
| Target Price | - |
| Upside/Downside | - |
| 52 Week Range | 392.45/259.80 |

Key Share Data

| | |
|-----------------------------------|---------|
| Market Cap (Rs.bn) | 23.79 |
| Market Cap (US\$ mn) | 368.90 |
| No of o/s shares (mn) | 69.19 |
| Face Value | 10 |
| Monthly Avg. vol(BSE+NSE) Nos'000 | 2087.75 |
| BSE Code | 531426 |
| NSE Code | TNPL |
| Bloomberg | TNNP:IN |

Price performance



Tamil Nadu Newsprint and Papers Limited (TNPL) is promoted by the Government of Tamil Nadu in the year 1979 to produce Newsprint and Printing & Writing Paper (PWP) using bagasse as the primary raw material. In 2016 the company has set up a state-of-the-art Multilayer Double Coated Board Plant with an annual capacity of 200,000 MT per annum as a green field project in Mondipatti village, Manaparai taluk, Trichy District. TNPL has enhanced the capacity to 6, 00,000 tonnes and has emerged as the third largest player in the Indian Paper Industry.

Total revenue for the year ended 31st March 2017 is 3093.96 Crore against 2531.51 Crore in the corresponding previous year. Profit after Tax (PAT) is 264.56 Crore against 259.80 Crore in the previous year. Printing & Writing Paper production during the year was 403261 Mts. Packaging Board production was 83742 Mts. Packaging Board quality is well accepted in the market. Packaging Board production and sales are being stepped up.

TNPL has experienced severe water shortage since February 2017. This has affected the production of in house pulp, paper, and packaging board. With the onset of south-west monsoon and expected water flow in the river, the company is poised to get back to the normal production of pulp, paper and packaging board from early June 2017. This will help the sales volume to go up in coming years.

Continued efforts towards backward integration and cost efficiencies are expected to drive in margin sustainability as well as return ratios. With no major capex program on its radar, the company should generate significant free cash flow from FY19 onwards. At the CMP of Rs 345, TNPL trades at 6.9x FY18E EPS of Rs. 50 and 5.6x FY19E of Rs. 61. On EV/EBITDA basis, the company currently trades 6.5x FY18E and 4.5x FY19E. We maintain **BUY** with a target of Rs. 570

| % Shareholding | June-17 | Mar-17 |
|----------------|--------------|--------------|
| Promoters | 35.32 | 35.32 |
| Public | 64.68 | 64.68 |
| Others | 0 | 0 |
| Total | 100.0 | 100.0 |

Key Financials

| Year | Revenue | %growth | PBDT | PBDT % | PAT | %growth | EPS | PE(x) | RoE(%) | ROCE(%) |
|------|-----------|---------|----------|--------|----------|---------|-------|-------|--------|---------|
| 2015 | 21,357.30 | - | 3674.30 | 17.2 | 1,667.30 | - | 24.09 | 14x | 21% | 17.8% |
| 2016 | 24,175.40 | 11.65 | 4,567.00 | 18.9 | 2,539.20 | 57.7 | 36.69 | 9.5x | 23.7% | 16.3% |
| 2017 | 30,939.60 | 25.3 | 3,062.10 | 10.3 | 2,645.70 | 4.1 | 38.22 | 9x | 24.2% | 18.9% |



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