

**Company Name:- Seshasayee Paper & Boards (SPB)**

**Address:- Pallipalayam, Erode -638007**

**Industry:- Paper**

**Established Date:- 1960**

**Website: <http://www.spbltd.com>**

**CMP: Rs. 176**

**52 week High/low: 270/160**

**PE Ratio: 5.5**

**Dividend yield %: 0.5%**

**Market Cap: Rs 1127 crs**

## Company Background

1. Seshasayee Paper and Boards Limited (SPB), the flagship company belonging to 'ESVIN GROUP'.
2. The Company is engaged in the manufacture of printing and writing papers. The Company is also engaged in the manufacture of paper and paper boards at its unit at Erode and Tirunelveli.

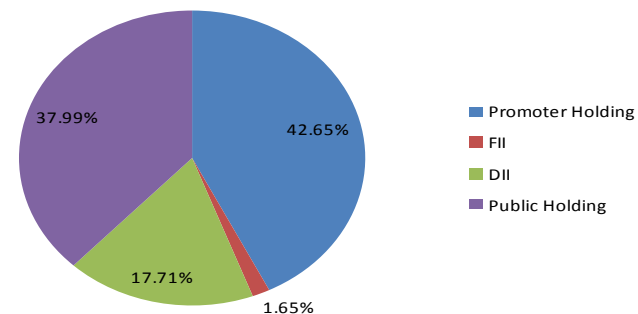
## a) Key financial ratios

Particulars	2015	2016	2017	2018	2019
PE Ratio	14	8	7	9	6
Debt-equity ratio	0.8	0.68	0.28	0.21	0.11
Gross Profit Margin (in %)	58	59	63	65	67
Gross block	1090	1053	681	748	781
Non-current investments	43	47	93	108	107
Book value per share (in Rs)	328	351	479	575	708
EV/EBITDA	6	5.2	5.1	4.9	3.01
Sales (in Rs. crs)	1014	1025	1108	1105	1325
EBITDA (in Rs. crs)	92	111	226	222	321
PAT (in Rs. crs)	16	36	132	123	192
Dividend Payout %	30.87	18.4	4.8	10.2	9.8

## b) Shareholding pattern

### Shareholding pattern (as on June, 19)

Promoter Holding	42.65%
FII	1.65%
DII	17.71%
Public Holding	37.99%



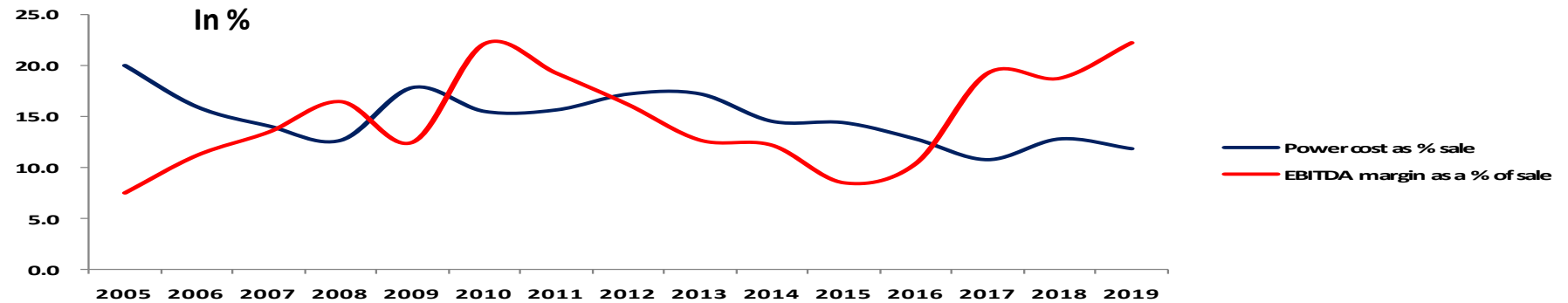
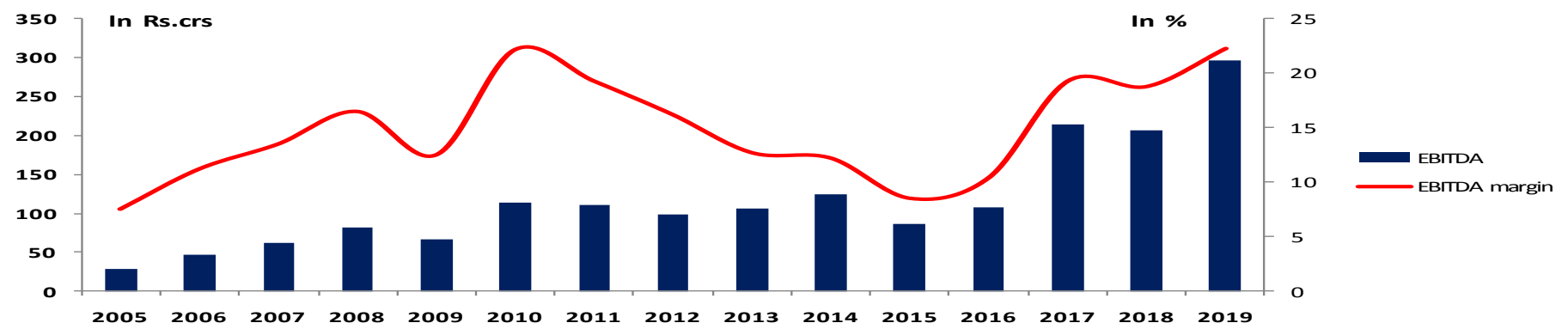
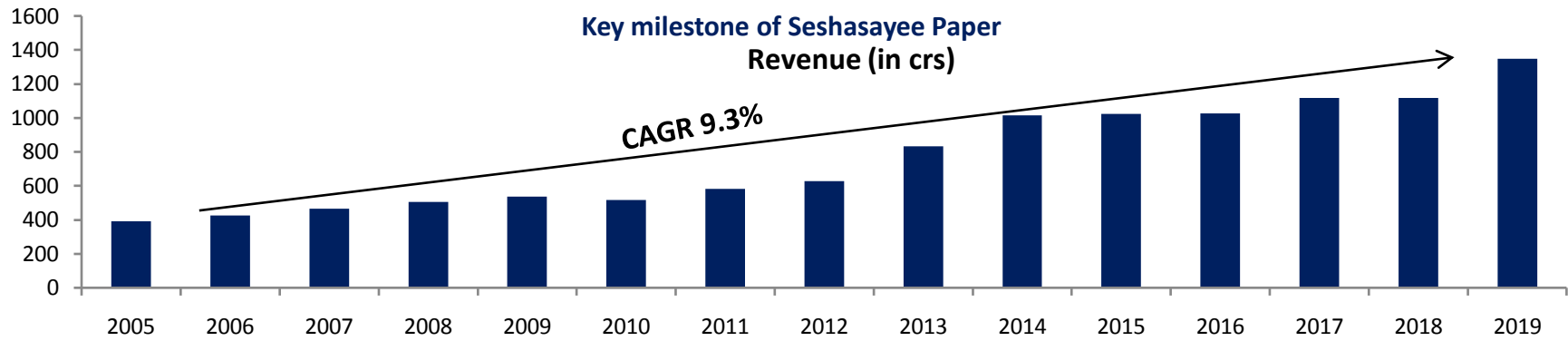
## Key managerial personnel

Name	Designation	Prior experience
Sri N Gopalaratnam	Chairman.	He is a B.Sc., B.E.,(Mechanical Engg.). Long and varied experience in management of projects, operations and overall management of diverse industries engaged in Pulp, Paper, Sugar and Batteries. He served as the Project Specialist for SPB Projects and Consultancy Limited.
Sri K S Kasi Viswanathan	Managing Director & CEO	He is a Chemical Engineer (Bahelor of Technology from the Regional Engineering College, Trichi) and Master of Medical Science from University of Madras. He has to his credit nearly 36 years of industrial experience, majority of which has been spent in Esvin Group companies. He has gained excellent exposure in management of integrated paper mills, besides project implementation. He is largely responsible for the efficient operations of the Mill He is in charge of production operations, Project implementation and Human Resources Development. He reports to the Chairman and Managing Director.
V. Pichai	Chief financial officer (CFO)	Shri. V. Pichai is Director - Finance, Compliance Officer, Deputy Managing Director, Secretary, Whole-time Non Independent Director of Seshasayee Paper & Boards Ltd. He is a Chartered Accountant and a Company Secretary. His qualifications are B.Com., ACA, ACS and CAIIB. He has to his credit nearly 41 years of experience. After a short stint of 7 years in a nationalised Bank, he joined the Company in 1980. He has completed nearly three decades of service in the Company. He has managed admirably various functional areas of the Company, viz., Accounts, Finance, Legal, Taxation, Secretarial, etc. He is in charge of the Finance, Accounts, Taxation, Legal and Secretarial functions of the Company.
Venkatesan Sridar	Non-exceutive Independent director	Shri. Venkatesan Sridar is Non-Executive Independent Director of Seshasayee Paper & Boards Ltd., since June 04, 2009. He is a Science Graduate and a Chartered Accountant. He has to his credit more than three decades (1975 to 2007) of service in public sector nationalised banks. In 1975 he joined Union Bank of India in the Officer's Cadre and rose to positions of Chief Manager, Regional Manager, Assistant General Manager, Deputy General Manager and finally was the General Manager of the Bank between 1996 and 2000. He was elevated and transferred as Executive Director of UCO Bank in 2000. In 2002, again he was promoted and transferred as Chairman and Managing Director of National Housing Bank. He served in that position till 2004.

## Key Information

- 1) With sharp increase in oil prices in 1970-71, the Company shifted over to the use of hardwood, at the time of its expansion undertaken in 1978. Raw material mix underwent a substantial change, with bamboo and hardwood forming 60% and 40%, respectively, of its raw material consumption
- 2) Company's exports are nearly 20% of its production and is a significant exporter in the Indian Paper Industry. Due to its excellent export performance, SPB has been awarded 'Golden Export House' status
- 3) Half of the fiber used for paper today comes from wood that has been purposely harvested. The remaining material comes from wood fiber from sawmills, recycled newspaper some vegetable matter, and recycled cloth.

## Key milestone of Seshasayee Paper Revenue (in crs)



## Industry outlook.

Increasing imports from global mills is driving efficiency in India

HSN	Paper type	Imported qty (in '000 tons)			5 year CAGR (FY13-18)	10 year CAGR (FY08-18)	Proportion of FY18 total paper imports	Largest exporter in FY18
		FY08	FY13	FY18				
4801	Newsprint	895	1241	1448	3.1%	4.9%	39%	Russia - 35%
4811	Coated with plastic and other inorga	53	240	251	1.0%	16.8%	6.7%	USA - 22%
4810	Coated paper & board - China Clay	250	491	1110	17.7%	16%	29.8%	China - 37%
4802	Uncoated Paper & board	45	84	349	32.8%	22.7%	9.4%	Indonesia - 50%
4804	Uncoated Kraft Paper & board	57	153	226	8.1%	14.7%	6.1%	USA - 37%
		81	180	340	13.5%	15.5%	9.1%	
		<b>1381</b>	<b>2389</b>	<b>3724</b>	<b>9.30%</b>	<b>10.4%</b>	<b>100%</b>	

## Fixed asset turns

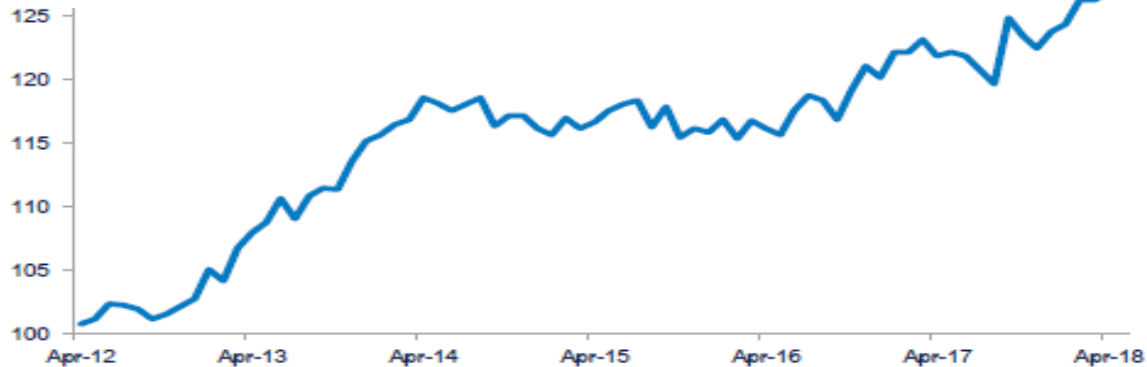
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Consumer Autos	3.9	2.8	3.5	3.4	3.5	3.2	2.9	3.0	3.0	3.1
Consumer Staples	2.9	2.8	2.9	2.7	2.8	3.0	3.0	3.0	2.7	2.7
Cement	1.4	1.2	1.3	1.1	1.2	1.2	1.1	1.1	1.1	1.1
IT	5.6	5.5	5.5	3.7	3.6	3.7	3.8	3.7	4.2	4.2
Paper	1	1	0.8	1	1	1	1	0.9	0.8	0.9
Chemicals	2.1	2.5	2.2	2.1	2.4	2.2	2.2	2.2	2.0	1.9

## Industry trend.

Paper prices have gone up by 30% in last six years

(India WPI - Paper for Printing & Writing)

### India paper price Index



Multiple capacity announcement (to be completed in 3-4yrs)

Company	Capacity Additions announced (in TPA)
ITC	Value Added Paperboard - 150,000, Specialty paper - Decor 20,000
JK Paper	Paperboard - 200,000, Pulp - 160,000
Trident Group	WPP - 182,500
TNPL	WPP - 165,000, Pulp - 146,000*
Emami Paper	Paper board - 180,000, WPP - 142,000
Seshasayee	Paper - 88,000, Pulp - 30,000
Ruchira	WPP - 125,000, Pulp - 110,000
Genus Paper	Leased Kraft Paper - 75,000, Greenfield - 300,000

\*400 TPD

## Peer Comparison.

Company Name	JK PAPER			West Coast Paper Mills			TNPL		
Amount in crs	FY17	FY18	FY19	FY17	FY18	FY19	FY17	FY18	FY19
<b>Net sales</b>	<b>2764</b>	<b>2877</b>	<b>3256</b>	<b>1769</b>	<b>1710</b>	<b>1980</b>	<b>2957</b>	<b>3098</b>	<b>4082</b>
Raw material cost	1520	1529	1627	1256	1163	1366	1207	1637	2037
<b>Gross profit</b>	<b>1243.7</b>	<b>1348</b>	<b>1629</b>	<b>513</b>	<b>547</b>	<b>614</b>	<b>1750</b>	<b>1461</b>	<b>2045</b>
Employee cost	218	232	263	119	120	143	246	246	267
Other expenses	407	465	498	57	62	75	775	853	1127
<b>EBITDA</b>	<b>619</b>	<b>651</b>	<b>868</b>	<b>337</b>	<b>362</b>	<b>509</b>	<b>729</b>	<b>362</b>	<b>651</b>
Depreciation	120	122	127	111	116	286	227	221	207
Interest cost	187	143	124	53	51	59	252	244	233
Tax	69	115	241	50	0	-29	41	14	0
<b>PAT</b>	<b>243</b>	<b>271</b>	<b>376</b>	<b>123</b>	<b>194</b>	<b>193</b>	<b>264</b>	<b>-42</b>	<b>94</b>
Dividend per share (in Rs)	1.5	2.5	3.5	2.5	4	5	7.5	5	7.5
PE ratio	8.6	9.1	5.9	9	7.1	5.9	8	0	15
Market Cap (in crs)	1478	2373	2547	1157	1581	1774	2179	2386	1425



## Key Strength.

1. Reduced raw material and power prices will be positive for profit growth
2. Government's thrust for improving education and literacy levels in the Country.
3. Production of wide variety of Paper and recyclability of Waste Paper

## Key Risk.

1. Failure of Monsoon and absence of water flow in the River Cauvery, from where the Company draws its water requirements, had created anxious moments to the Company in the past.
2. The Company depends entirely on imported coal for operating its Captive Power Plant.
3. Undue haste in reducing tariffs, for imports from countries covered by Government of India's RTAs / FTAs, will likewise expose the Industry to inexpensive imports from low cost producers of paper.

## Conclusion.

1. At the current market price of Rs 171, the stock P/E ratio is at 5.5x FY19 EPS and 3x EV/EBITDA FY19.
2. Role of paper in promotion of literacy and education, propagation of information and Knowledge and in packaging of commodities of commercial value, makes it an indispensable product.
3. While the market size and per capita consumption are relatively low, they have exhibited a rising trend over past several years, from 9.3 million tonnes in 2008 to 17.37 million tonnes in 2016.(Grown at a CAGR OF 6.4% from 2008 to 2016).
4. We expect Seshasayee Paper to participate in paper consumption story of India. At current valuation stock looks attractive.

Thanks & regards,  
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Contact No: 8108951226



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