

Ruchira Papers Ltd.

Performance Update

Y/E March (₹ cr)	3QFY18	3QFY17	% yoy	2QFY18	% qoq
Net sales	118	102	15	104	13
EBITDA	23	16	39	16	41
EBITDA margin (%)	19.3	15.9	3.4	15.4	3.9
Adjusted PAT	11.9	8.1	48	8.4	42

Source: Company, Angel Research

During 3QFY2018, Ruchira Papers (RPL) posted results in-line with our expectations on top-line and bottom-line fronts. Revenue grew by 15% yoy to ₹118cr, driven by strong realisation growth of ~15%. On the operating front, margins expanded by 340bps yoy due to lower raw material cost and other expenses. This led to an increase in PAT by 47.7% yoy to ₹11.9cr.

Top-line driven by strong realisation growth: Revenue grew by 15% yoy to ₹118cr, driven by strong realisation growth of ~15%. On the segmental front, sales volume of writing & printing paper segment fell by 2.5%, while that of kraft paper increased by 3.5%.

Higher revenue, better operating performance propelled profitability: On the operating front, margins expanded by 340bps yoy due to an increase in sales and lower raw material cost and other expenses as compared to the year ago quarter. This led to PAT growth of ~48% yoy to ₹11.8cr.

Outlook and Valuation: We forecast RPL to report healthy top-line CAGR of ~13% over FY17-20E on the back of healthy demand in printing & writing paper and kraft paper segments. On the bottom-line front, we estimate ~16% CAGR over FY17-20E owing to strong improvement in operating performance. Further, enhanced manufacturing efficiencies and benefits from increasing global finished paper prices would aid margins. **We maintain our Buy recommendation on the stock with a target price of ₹244 (11x FY2020E EPS).**

Key financials

Y/E March (₹ cr)	FY2016	FY2017	FY2018E	FY2019E
Net Sales	363	416	470	532
% chg	4.6	14.8	12.9	13.3
Net Profit	19.4	32.1	36.9	42.5
% chg	51.0	64.9	15.2	15.0
OPM (%)	13.1%	15.2%	15.6%	15.6%
EPS (₹)	8.7	14.3	16.5	19.0
P/E (x)	21.7	13.1	11.4	9.9
P/BV (x)	3.5	2.8	18.8	1.9
RoE (%)	16.1	21.0	164.8	19.2
RoCE (%)	19.6	23.6	56.9	22.8
EV/Sales (x)	1.4	1.2	1.1	0.9
EV/EBITDA (x)	10.4	7.7	6.8	5.9

Source: Company, Angel Research, Note: CMP as of February 15, 2018

BUY

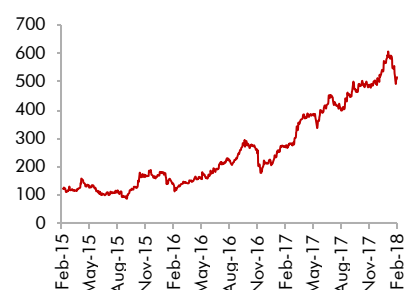
CMP	₹188
Target Price	₹244
Investment Period	12 Months

Stock Info	
Sector	Paper
Market Cap (₹ cr)	419
Net Debt (₹ cr)	70
Beta	1.0
52 Week High / Low	220/122
Avg. Daily Volume	28,947
Face Value (₹)	10
BSE Sensex	34,300
Nifty	10,540
Reuters Code	RCHR.NS
Bloomberg Code	RUCP.IN

Shareholding Pattern (%)	
Promoters	61.1
MF / Banks / Indian FIs	0.0
FII / NRIs / OCBs	1.5
Indian Public / Others	37.3

Abs.(%)	3m	1yr	3yr
Sensex	3.8	21.4	18.1
RUCHIRA	17.0	49.7	466.3

3-year price chart



Source: Company, Angel Research

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Exhibit 1: 3QFY2018 Consolidated Performance

Y/E March (₹ cr)	3QFY18	3QFY17	% yoy	2QFY18	% qoq	9MFY18	9MFY17	% chg
Net Sales	118	102	14.8	104	13.0	340	302	12.6
Consumption of RM	70	65	8.0	63	11.2	205	193	6.4
(% of Sales)	59.6	63.4		60.6		60.3	63.8	
Staff Costs	11	8	34.1	11	(1.2)	31	23	31.0
(% of Sales)	8.9	7.7		10.2		9.0	7.7	
Other Expenses	14	13	6.4	14	(0.3)	43	38	13.8
(% of Sales)	12.2	13.1		13.8		12.8	12.6	
Total Expenditure	94.9	86	10.1	88	7.8	279	254	9.8
Operating Profit	22.66	16	39.4	16	41.3	61	48	27.4
OPM	19.3	15.9		15.4		18.0	15.9	
Interest	2.1	2.0	2.5	1.5	41.8	5	7	(18.2)
Depreciation	3.0	2.7	10.8	2.8	4.6	9	8	10.1
Other Income	0.82	0		1		2	0	682.1
PBT (excl. Ext Items)	18	12	59.0	13	43.7	49	34	45.7
Ext (Income)/Expense								
PBT (incl. Ext Items)	18	12	59.0	13	43.7	49	34	45.7
(% of Sales)	15.7	11.3		12.3		14.5	11.2	
Provision for Taxation	7	4		4		17	11	
(% of PBT)	35.5	30.6		34.7		35.0	32.9	
Reported PAT	11.89	8.05	47.7	8.38	41.9	32	23	41.0
PATM	10.1	7.9		8.1		9.4	7.5	
Minority Interest After NP								
Extra-ordinary Items	0					0	0	
Reported PAT	11.88	8.05	47.6	8.38	41.8	32.06	22.77	40.8

Source: Company, Angel Research

Key investment arguments

Healthy demand in paper segment to drive growth: Indian paper industry is estimated to grow at a CAGR of 7.6% over the next couple of years, in-line with India's GDP growth. Further, Kraft paper segment is also growing at a faster rate due to strong demand from packaging industry (owing to increasing e-commerce and FMCG demand). We believe that the company has diversified product portfolio in both the segments, which would assist in capturing growing demand.

Ban in China to boost paper prices: The Chinese Government has banned the import of waste paper, which is the primary raw material for finished paper. Thus, the production of finished paper would be impacted in China. This in turn, would lead to an increase in the prices of finished paper. Eventually, the paper manufacturing companies like RPL would witness volume growth and also benefit due to the increase paper prices.

Upgradation of existing units to improve production efficiency: Company has planned a capex of ₹42cr (funded by term loan of ₹27cr and balance through internal accruals) for upgradation and modernization of existing units. This will facilitate RPL to introduce new range of value added products in its Kraft paper unit coupled with an increase in Paper Machine speed from 640 meters/minute to 700 meters/minute in writing and printing paper unit. This modernization plan will be implemented in January 2018 and company will start reaping its benefits from 1QFY2019 onwards. Further, RPL has plans to setup a green field project in the state of Punjab

Outlook and Valuation

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Company Background

Ruchira Papers Limited (RPL) is an India based company, which manufactures paper and paper products. The company is engaged in the process of manufacturing writing and printing paper and Kraft paper. RPL's white writing and printing paper is used to make notebooks and writing material, while the colored paper is used in the fabrication of spiral notebooks, wedding cards, shade cards, children's coloring books, colored copier paper and bill books. Its Kraft paper is utilized in the packaging industry for making corrugated boxes/cartons and for other packaging requirements. The company's writing and printing paper is manufactured by using agricultural residues like wheat straw, bagasse, sarkanda and other materials. Its semi Kraft paper is manufactured by using agriculture residues like bagasse, wheat straw, rice straw, sarkanda and indigenous materials, etc. The company offers its products to customers in India and overseas.

Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018E	FY2019E	FY2020E
Total operating income	363	416	470	532	603
% chg	4.6	14.8	12.9	13.3	13.3
Total Expenditure	315	353	397	449	509
Raw Material	233	265	298	338	382
Personnel	30	34	39	44	49
Others Expenses	53	54	60	68	77
EBITDA	47	63	73	83	94
% chg	21.4	33.3	15.9	13.3	13.3
(% of Net Sales)	13.1	15.2	15.6	15.6	15.6
Depreciation & Amortisation	10	11	12	13	13
EBIT	38	53	61	70	81
% chg	28.6	38.7	16.0	14.6	15.2
(% of Net Sales)	10.5	12.7	13.0	13.1	13.4
Interest & other Charges	7	8	8	9	9
Other Income	1	1	1	1	1
(% of PBT)	3.8	2.2	1.8	1.6	1.4
Share in profit of Associates	-	-	-	-	-
Recurring PBT	32	46	54	62	73
% chg	55.4	44.0	18.7	15.0	17.0
Tax	12	14	17	20	23
(% of PBT)	38.7	30.0	32.0	32.0	32.0
PAT (reported)	19	32	37	42	50
Minority Interest (after tax)	-	-	-	-	-
Profit/Loss of Associate Company	-	-	-	-	-
Extraordinary Items	0	(0)	-	-	-
ADJ. PAT	19	32	37	42	50
% chg	51.0	64.9	15.2	15.0	17.0
(% of Net Sales)	5.4	7.7	7.9	8.0	8.2
Basic EPS (₹)	8.7	14.3	16.5	19.0	22.2
Fully Diluted EPS (₹)	8.7	14.3	16.5	19.0	22.2
% chg	51.0	64.9	15.2	15.0	17.0

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (₹ cr)	FY2016	FY2017E	FY2018E	FY2019E	FY2020E
SOURCES OF FUNDS					
Equity Share Capital	22	22	22	22	22
Reserves & Surplus	98	130		199	243
Shareholders Funds	121	153	22	222	266
Minority Interest	-	-	-	-	-
Total Loans	73	70	85	85	85
Deferred Tax Liability	27	29	29	29	29
Total Liabilities	221	252	136	335	379
APPLICATION OF FUNDS					
Gross Block	274	290	320	332	342
Less: Acc. Depreciation	101	112	124	137	151
Net Block	173	178	196	195	192
Capital Work-in-Progress	-	3	3	3	3
Investments	-	-	-	-	-
Current Assets	94	123	157	193	244
Inventories	41	55	66	77	91
Sundry Debtors	34	44	55	66	78
Cash	2	2	5	13	30
Loans & Advances	17	22	31	37	45
Other Assets	0	0	0	1	1
Current liabilities	47	54	59	58	61
Net Current Assets	47	69	98	136	183
Deferred Tax Asset	1	1	1	1	1
Mis. Exp. not written off	-	-	-	-	-
Total Assets	221	252	298	335	379

Source: Company, Angel Research

Consolidated Cashflow Statement

Y/E March (₹ cr)	FY2016	FY2017E	FY2018E	FY2019E	FY2020E
Profit before tax	32	46	54	62	73
Depreciation	10	11	12	13	13
Change in Working Capital	2	(18)	(26)	(30)	(30)
Interest / Dividend (Net)	6	7	0	0	0
Direct taxes paid	(8)	(11)	(17)	(20)	(23)
Others	(0)	0	0	0	0
Cash Flow from Operations	40	33	23	26	33
(Inc.)/ Dec. in Fixed Assets	(33)	(20)	(30)	(12)	(10)
(Inc.)/ Dec. in Investments	1	1	0	0	0
Cash Flow from Investing	(32)	(19)	(30)	(12)	(10)
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	2	(3)	15	0	0
Dividend Paid (Incl. Tax)	(3)	(3)	(5)	(6)	(6)
Interest / Dividend (Net)	(7)	(8)	0	0	0
Cash Flow from Financing	(9)	(14)	10	(6)	(6)
Inc./(Dec.) in Cash	(0)	0	3	8	17
Opening Cash balances	2	2	2	5	13
Closing Cash balances	2	2	5	13	30

Source: Company, Angel Research

Key Ratios

Y/E March	FY2016	FY2017E	FY2018E	FY2019E	FY2020E
Valuation Ratio (x)					
P/E (on FDEPS)	21.7	13.1	11.4	9.9	8.5
P/CEPS	14.5	9.9	8.6	7.6	6.7
P/BV	3.5	2.8	18.8	1.9	1.6
Dividend yield (%)	0.7	0.8	1.2	1.3	1.3
EV/Sales	1.4	1.2	1.1	0.9	0.8
EV/EBITDA	10.4	7.7	6.8	5.9	5.1
EV / Total Assets	2.2	1.9	1.7	1.5	1.3
Per Share Data (₹)					
EPS (Basic)	8.7	14.3	16.5	19.0	22.2
EPS (fully diluted)	8.7	14.3	16.5	19.0	22.2
Cash EPS	12.9	19.0	21.9	24.8	28.2
DPS	1.3	1.5	2.3	2.5	2.5
Book Value	53.8	68.1	10.0	98.8	118.5
Returns (%)					
ROCE	19.6	23.6	56.9	22.8	23.0
Angel ROIC (Pre-tax)	19.8	23.8	59.4	23.8	25.1
ROE	16.1	21.0	164.8	19.2	18.7
Turnover ratios (x)					
Asset Turnover (Gross Block)	1.3	1.4	1.5	1.6	1.8
Inventory / Sales (days)	41	49	51	53	55
Receivables (days)	35	38	43	45	47
Payables (days)	15	17	15	14	14
Working capital cycle (ex-cash) (days)	61	70	79	84	88

Source: Company, Angel Research

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