

BUZZING

STOCK

## Star Paper Mills Ltd.

CMP – Rs.33

## Analyst

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## Key Stock Data

Sensex	13308
Nifty	3876
Sector	Paper - Large
Bloomberg	STPM.BO
Reuters	STPM IN
No. of shares (m)	16
Market Cap (Rs m)	519
Market Cap (US\$ m)	12
52-week H/L	Rs.70/31

## Shareholding Pattern (%)

Promoters	54.81
Mutual Funds	12.78
FII's	0.43
Corporate Bodies	6.88
Pubic & Others	25.1

**Star Paper Mills Ltd. (SPML)**, a part of Goenka group is all set to attain burgeoning size with its planned paper capacity expansion. SPML's unit is located at Saharanpur, Uttar Pradesh having paper manufacturing capacity of 75,000 TPA. SPML produces wide range of products ranging from industrial paper to writing and printing paper along with constantly innovating new products.

**Expansion:** SPML is expanding its paper manufacturing capacity from 75,000TPA to 150,000TPA alongwith enhancing its existing pulping line with new bagasse based pulping unit with capacity of 100 TPD. The total capital expenditure for the project is estimated to be Rs.5bn. Alongwith expansion, SPML is undertaking modernization activity with investment of around Rs.850m. This is expected to result in higher efficiency, production of better quality pulp alongwith value added innovative products.

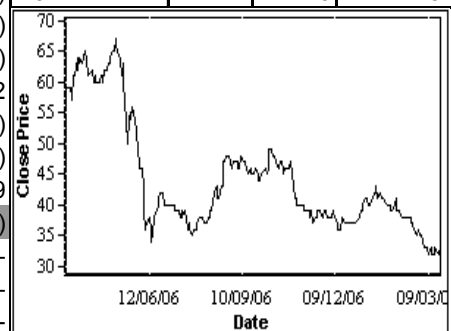
**Power Plant:** The company is planning to set up 5MW captive power plant expandable further to 10MW to meet the power requirement of its plant in UP. The plant's power requirement is approximately 14MW. SPML also has an existing cogeneration plant of 5MW. The power plant project is expected to result in cost savings, as energy costs accounts for 30% of total expenditure.

**Clonal Farming:** SPML has begun forestation activity through application of clonal technology under social and farm forestry program. SPML has developed two types of genetically modified varieties in Eucalyptus, which have proved successful in field performances. SPML is commercializing those varieties for which it has already setup the required infrastructure for clonal multiplication.

**Valuation:** SPML reported subdued results reeling under increasing raw material cost. But going forward, SPML's measures such as modernization, setting up bagasse based plant and captive power plant is expected to result in significant cost savings and better margins. In Q3FY07, revenues at Rs.544m was up by 2% YoY. But EBIDTA margins declined by 159 bps YoY to 10.9% leading to decline in PAT by 55% YoY to Rs.11m. The current market price discounts the 9MFY07-annualized EPS of 3.1 by 10.6x.

## Financial Snapshot

Star Paper Mills Ltd.	Rs.m			Ratios (%)						
	Q3 FY07	Q3 FY06	Chg. (%)	FY06	FY05	Chg. (%)	FY06	FY05	Chg. (%)	
<b>Financial Year End: March</b>										
Net Sales	544	535	2	1879	1816	4	Debt -Equity	0.53	0.56	(5)
Other Income	9	7	32	40	44	(9)	PBIDTM	13.6	21.3	(36)
Total Income	553	541	2	1919	1860	3	PBDTM	18	11	65
Total Expenditure	485	468	4	1628	1420	15	RoCE	26	13	102
PBIDT	68	73	(7)	291	439	(34)	RoNW	22	9	145
Interest	13	13	2	56	63	(12)				
PBDT	55	61	(9)	235	376	(37)				
Depreciation	26	23	13	89	74	22				
Tax	(6)	8	(177)	19	49	(62)				
Reported Profit After Tax	11	24	(55)	93	202	(54)				
Extra -ordinary Items	0	(6)	(100)	(6)	(7)	9				
Adj. Profit After Extra-ordinary item	11	31	(64)	99	208	(53)				
No. of shares (m)	16	16	-	16	16	-				
EPS (annualised.) (Rs.)	2.8	6.3	-	5.9	12.9	-				
P/E	11.7	5.3	-	5.6	2.6	-				



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