

25th July, 2007**ACCUMULATE**

Price	Target Price
Rs463	Rs560
Sensex	15,795

Price Performance

(%)	1M	3M	6M	12M
Absolute	22	3	(16)	25
Rel. to Sensex	11	(9)	(25)	(19)

Source: Capitaline

Stock Details

Sector	Cement
Reuters	ORPP.BO
Bloomberg	OPI@IN
Equity Capital (Rs mn)	193
Face Value (Rs)	10
52 Week H/L	639/348
Market Cap (Rs bn)	8.9
Daily Avg Vol. (No of shares)	37805
Daily Avg Turnover (US\$mn)	0.4

Shareholding Pattern (%)

(31 st Mar 07)	
Promoters	31.7
FII/NRI	4.6
Institutions	30.5
Private Corp.	18.2
Public	15.1

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Orient Paper & Industries Ltd.**Q1FY08 results marginally below expectations**Result
Update

Orient paper & Industries Ltd (OPIL) Q1FY2008 net profit at Rs446 millions is marginally below our expectations primarily because of lower than expected profit of the paper division. Revenues for the quarter grew by 13.4% to Rs2.93 billion driven by 20.5% growth in revenues of cement division. The operating profit for the quarter grew by 45.6% to Rs777 million driven by 55% growth in EBIT of cement division. Paper division however reported a massive 60% decline in its EBIT primarily because of 8 day plant shutdown and rising costs. Other income grew by 45% yoy. With repayment of debt during the end of FY2007 OPIL's interest charge for the quarter decline by a huge 40% and hence its net profit for the quarter grew by a smart 73% yoy to Rs446 millions. The stock is currently trading at 5.5X its FY2008 earnings and 5.1X its FY2009 earnings. We believe the valuation for OPIL are undemanding and we maintain our ACCUMULATE rating on the stock with a SOTP price target of Rs560.

Result highlights

- OPIL's revenues for Q1FY08 grew by 13.4% to Rs.2.9 billion which is higher than our expected revenues of Rs.2.89 billion. The growth in revenue was driven by a 20.5% rise in revenues of cement division.
- Operating profit at Rs.777.3 mn showed a yoy increase of 45.6%. The growth was driven by 55% increase in EBIT of cement division. However, there was a huge decline of 60% in EBIT of paper division. The decline was on account of a 8 day plant shutdown and rising cost. Operating profit margin has increased by 586 bps to 26.5%.
- Operating profit margin improved by 586 bps to 26.5% primarily on account of a excellent performance by the cement division.
- Other income showed a rise of 45% yoy to Rs20.3mn, where as Interest charge for the quarter showed a huge fall of around 41% primarily on account of debt repayment during the end of FY2007.
- The fall in interest costs resulted in a 73% increase in net profit to Rs.446 mn.
- Company's capex plans where the cement capacity would be expanded from current 2.4 million tonne to 5 million tonne by March 2009 are on schedule. Also the company would be setting up 50 MW captive power plants, which would be operational by October 2008.
- We maintain our earnings estimate of Rs.83.8 for FY2008E and Rs90.6 FY09E. The stock is currently trading at undemanding valuations of 5.5X its FY2008 earnings and 5.1X its FY2009 earnings. We maintain our ACCUMULATE rating on the stock with a revised SOTP price target of Rs560.

Result Table

Rs million	Q1FY08	Q1FY08	Var(%)
Net Sales	2930.6	2584.0	13.4%
Total Expenditure	2153.3	2050.1	5.0%
Operating Profit	777.3	533.9	45.6%
Other Income	20.3	13.8	47.1%
PBIDT	797.6	547.7	45.6%
Interest	55.6	92.0	-39.6%
PBDT	742.0	455.7	62.8%
Depreciation	64.1	64.0	0.2%
PBT	677.9	391.7	73.1%
Tax	232.0	134.2	72.8%
PAT before extra ordinary items	446.0	257.5	73.2%
EPS	30.1	17.4	73.2%
Margins			
OPM	26.5%	20.7%	
EBIDTA	27.0%	21.1%	
EBDT	25.1%	17.5%	
PBT	23.0%	15.1%	
PAT	0.0%	0.0%	
Tax rate	34.2%	34.3%	

Segmental Table

Rs million	Q1FY08	Q1FY08	Var(%)
Revenue			
Paper & Board	620.7	681.0	-8.8%
Cement	1706.0	1416.0	20.5%
Electric Fans	591.4	487.0	21.4%
Know-How & Service Fees	12.2	0.0	
EBIT			
Paper & Board	34.0	88.0	-61.3%
Cement	736.0	475.0	55.0%
Electric Fans	21.0	-8.0	-356.1%
Know-How & Service Fees	-1.4	5.0	-125.9%
EBIT margin			
Paper & Board	5.5%	12.9%	
Cement	43.1%	33.5%	
Electric Fans	3.6%	-1.7%	
Know-How & Service Fees	-11.5%		

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