



Report Date	January 23, 2008.
Company Name	Tamil Nadu News Print Ltd.
Recommendation	BUY

CMP – Rs. 102.20	Target Price – Rs. 150.	Mkt. Cap. Rs. 709 crore
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Investment Rationale

- TNPL, one of the largest producers of Bagasse-based paper in India, reported encouraging performance for Q3 FY2008. Net Sales were up by 9.6% to Rs.235.14 crore. OPM% improved significantly to 25.3% (20.4%) mainly due to sharp reduction in repairs maintenance cost. However, decline in other income to Rs.3.72 crore (Rs.7.59 crore) and higher interest cost, restricted growth in PBT (before extraordinary items) to 19.2% at Rs.37.01 crore. After accounting for extraordinary income of Rs.4.44 crore (nil) on account of Certified Emission Reduction sale, in respect of wind mill, PBT (after extraordinary items) grew @ 33.5% to Rs.41.45 crore and PAT grew @ 27.7% to Rs.28.48 crore.
- For 9 months ended December 2007, Net Sales was up by 9.4% to Rs.688.31 crore (Rs.629.22 crore). OPM % improved significantly to 25.9% (21.7%). Consequently, PBT (after extraordinary items) grew @ 37.9% to Rs.126.03 crore and PAT grew @ 32.8% to Rs.85.44 crore.
- The benefits of the implementation of the Mill Development Plan in the form of increased pulp capacity, rise in paper manufacturing capacity from 2,30,000 mtpa to 2,45,000 Mtpa and an increase in power generation capacity from 61.12 MW to 81.12 MW, will start accruing April 2008 onwards. Seeing the growth potential, the company has allocated its surplus cash flow towards further enhancement of capacity. The Mill Expansion Plan for increasing the paper production capacity from 2,45,000 tpa to 4,00,000 tpa is expected to be implemented by March 2010.
- The company continues to enjoy its relatively lower reliance on wood as it makes paper primarily from Bagasse- a sugarcane waste product, which is abundant and cheap, as compared to wood which is scarce and expensive. In order to further de-risk the company's exposure to volatile wood pulp prices, TNPL has raised its pulpwood plantation in 19349 acres through farm forestry and captive plantation schemes and this would be extended to another 12000 acres during the current year.
- TNPL is already self-reliant for entire power needs including additional power requirements for anticipated growth for the next few years.
- TNPL is also setting up a mini cement plant having a capacity of 400 tpd at capex of Rs.40-45 crore for producing high grade cement using the lime sludge and fly ash generated in the process of manufacture of paper. TNPL will be the first mill from Paper Industry to produce high grade cement from the lime sludge and fly ash, the waste materials in paper manufacturing. Company is also proposing to construct an IT Park in the surplus land (63.5 grounds) it holds on the outskirts of Chennai.

Valuation

- At CMP of Rs. 102, share (Rs. 10/- paid up) is trading at 6.4 times FY 2008 expected EPS of Rs.16 and 4.6 times FY 2009 expected EPS of Rs. 22-. In view of excellent future prospects, we recommend to "BUY" the share at CMP.

Financial Summary

Rs.Crore

	FY 2008	FY 2007	%	FY 2008	FY 2007	%	2007 A
Rs. Crore	Q3		Change	9 months		Change	12 mths
Net Sales	235.14	214.45	9.6%	688.31	629.22	9.4%	854.84
Total Expenses	175.67	170.65	2.9%	509.99	492.47	3.6%	665.85
EBITDA	59.47	43.80	35.8%	178.32	136.75	30.4%	188.99
EBITDA (%)	25.3%	20.4%		25.9%	21.7%		22.1%
Interest Expenses	7.49	4.11	82.2%	17.09	15.03	13.7%	20.52
Depreciation	18.69	16.22	15.2%	54.81	48.11	13.9%	66.73
Other Income	3.72	7.59	-51.0%	15.17	17.78	-14.7%	25.56
P.B.T. before Extra Ord. Items	37.01	31.06	19.2%	121.59	91.39	33.0%	127.30
Extra Ordinary Items	4.44	-		4.44	-		(2.27)
P.B.T. after Extra Ord. Items	41.45	31.06	33.5%	126.03	91.39	37.9%	125.03
Net Profit	28.48	22.30	27.7%	85.44	64.34	32.8%	86.06
Equity Capital (Rs 10/-)	69.38	69.38		69.38	69.38		69.38
EPS for the period (Rs)	3.67	3.21	14.0%	11.88	9.27	28.1%	12.63

Disclosures

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