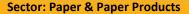
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RESULT REVIEW Q4&FY22 West Coast Paper Mills Limited

RECOMMENDATION SNAPSHOT											
*CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)						
Rs348	Rs240	Rs400	15%	Buy	23.0						

*as on 03rd June, 2022

About the Company:

West Coast Paper Mills Limited (WCPM); flagship company of S.K. Bangur group, is one of the oldest and the largest producers of paper for printing, writing and packaging in India. The global quality paper produced by the company serves the need of innumerable industries in printing, writing, publishing, stationary, notebooks and packaging sectors in India. The company operates in two major business segments namely Paper/Paperboard (including Duplex Board) at Dandeli and Telecommunication cables at Mysore, besides having wind mills of 1.75MW capacity in Tamil Nadu for power generation. WCPM sells its products across India through its dealer network. Mr. S.K. Bangur is the Chairman and Managing Director of the company.

Results: Quick Glance:

- The total revenue for the quarter grew by 13.9%; Rs10,674mn as compared to Rs9,370mn in the same quarter last year
- The EBITDA margin for the quarter under review stood at 21.6% as against 17.4% in the corresponding quarter of last year
- The company reported a net profit of Rs1,405mn as against Rs873mn in the comparative quarter
- The EPS for the quarter under review stood at Rs18.8
- On the segmental, Paper and Paper Board segment clocked growth of 14.5% while the Telecom Cables de-grew by 6%
- The board has recommended dividend of Rs6 per share on equity shares of FV of Rs2 subject to approvals

Performance (Q4&FY22)												
Q4&FY22 Result (Rs mn)	Mar-22	Mar-21	у-о-у	Dec-21	q-o-q	FY22	FY21	у-о-у	FY23E			
Total Revenue	10674	9370	13.9%	8722	22.4%	33777	22445	50.5%	37154			
EBITDA	2310	1628	41.9%	1603	44.2%	6334	2526	-	7022			
Other Income	218	76	-	109	-	582	247	-	582			
Interest	174	101	71.9%	116	50.2%	587	701	(16.3%)	469			
Depreciation	526	615	(14.4%)	537	(2.1%)	2125	2294	(7.3%)	2197			
Exceptional Items	0	0	-	0	-	0	40	-	0			
Тах	423	115	-	174	-	745	(218)	-	840			
Net Profit	1405	873	61.0%	884	58.9%	3459	(44)	-	4099			

Financials:

<u>Outlook and Recommendations:</u> After the gloomy phase that the paper sector had been witnessing for quarters now, finally there was some spark seen on the back of shortages which led to the price hikes. One of the beneficiaries of the same was WCPM. There was acute shortage that was witnessed as the prices for the waste paper, critical raw material for recycled paper, had shot up as many offices, courts, and schools remained shut for almost two years on account of the pandemic, leading to lower collections. On the flip, with the opening up offices and schools, demand shot up which led to shortage of paper. WCPM benefitted as it has in-house supply of raw materials and use wood pulp as a key input. The price increases of wood pulp have been moderate. This has given the much needed uptick to demand which was catered through the price hikes. The quarter numbers reflect this well for the company. Also the input costs are met through the increase in paper prices. With the demand getting back to pre-covid levels/reopening of the economy there should be spurt in the requirement going forward as well. Also the capacity utilization of domestic paper mills is inching towards pre-pandemic levels. The sector is expected to continue to operate at near full capacity for the next three years due to limited capex in the printing and writing (P&W) paper segment, and healthy demand growth rate seen in packaging board and tissue paper segment. Improving industry fundamentals, they say, is likely to result in improved pricing discipline for the sector in future. We feel that the prospects remain to be positive for the industry and the company as well. We maintain Buy on the stock for a target of Rs400.



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