



Farsight

## MORNING FARSIGHT

Wednesday, November 21, 2018

**SHREYANS INDUSTRIES**

**CMP:RS 153**

**TRGT:RS 180**

**TIME HORIZON: 1 YEAR**

Shreyans Industries has declared good earning for Q2FY19 and stock price correction post the results is offering a buying opportunity, given debt free balance-sheet, PE of as low as 6.1x, EV/EBITDA of sub 2.5x and EV/tonne of Rs 21,000 with capacity of 93,000 TPA (lowest compared to smaller peers having similar capacity of near 1 lakh TPA). Writing & Printing Paper Prices averaged at about Rs 59,950/tonne in Q2FY19 and prices have risen to Rs 61,450/tonne in October and Rs 64,000/tonne in November, which is sharply higher on QoQ and YoY basis. Kraft Paper prices have also risen to Rs 27,500/tonne from Rs 25,800/tonne seen in Q2FY19. Given rising cost of Soft Wood (pulp) internationally and rising demand from domestic market due to seasonal pick up, which is creating strong environment for domestic players and sooner or later, market will take note of the same. For Q2FY19, Shreyans Industries reported an income of Rs 135 cr, a growth of over 24% YoY, leading to PBT of Rs 12.3 cr(+15% YoY). EPS is placed at Rs 6.24 for Q2FY19 (despite higher power & fuel costs, which will come down in H2) and at Rs 13.08 for H1FY19. With continuous rise in prices of WPP and higher domestic demand (H2 being seasonally stronger), Shreyans Industries is very well placed to report an EPS of over Rs 25 for FY19, which offers attractive risk reward. Shreyans Industries is operating 2 paper plants in Ludhiana (Punjab), both backed by captive power supply (11.6MW) and chemical recovery plants and it manufactures writing and printing (W&P) paper, in the 44-200 GSM range, from agro based inputs, such as wheat straw, which is found in plenty in Punjab and surrounding areas, placing it on a strong footing with integrated set up. Share ruling at Rs 153 can move to Rs 180 in 1 year. Buy as an investor only.

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Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.