



Farsight

MORNING FARSIGHT

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KUANTUM PAPERS

CMP:RS 615

TRGT:RS 700

TIME HORIZON: 1 YEAR

Kvantum Papers, an integrated paper company, is looking a good buy, as Paper prices are increasing globally, and domestic integrated paper manufacturers will earn super profits in the coming quarters. The major raw materials used by Kvantum Papers include Kana grass, wheat straw and bagasse, with plant located in the agriculture belt of Punjab, which makes the availability of raw material in abundance. Company also has captive power generation plant of 16.5 MW, where it uses the bio mass fuel (rice husk, forest stock, etc.) and coal. Further, has been sanctioned coal linkage (one rake per month) by Coal India and has chemical recovery plant, which has enabled the company to recover caustic soda from black liquor, the effluent generated in the pulp production process. Currently, company is undertaking a new project to modernize & upgrade its existing manufacturing facilities to bring down the costs, improve operating efficiency and produce high quality paper. The estimated project cost of Rs.192 cr, and project is expected to start commercial operations by December-2018. Kvantum Paper manufactures a wide range of WPP paper with GSM range of 49-140, used for printing of books, note books, calendars, diaries, newspaper supplements, pamphlets, computer stationary, etc. The company has also started manufacturing multi-color high end printing and photocopier paper, which are fetching higher margins. Company has over 100 distributors spread across the country, with majority in Delhi, UP, MP, Punjab, Haryana, Maharashtra and Rajasthan, while it also participates in tenders and takes orders from Government agencies like State Textbook Boards and Printing & Stationery Departments. For Q1 FY19, company earned PAT of Rs. 19 cr with an EPS of Rs. 21.75 and on an estimated EPS of Rs. 88 for FY19, stock is trading at PE of 7x, which is seen attractive. Share ruling at Rs.615 can move to Rs. 700 in 1 year

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