

Pudumjee Industries Ltd.

Key Stock Indicators

NSE Ticker :	PDUMJEIND	CMP as on 06 Jun 2011-Rs/share :	20.0	Shares outstanding (mn) :	18.0
Bloomberg Ticker :	PDAI:IN	52 week range up to 06 Jun 2011 (Rs)(H/L) :	32.2/16.6	Free Float (%) :	31.0
Face value per share :	2.0	Market Cap as on 06 Jun 2011 (Rs mn) :	360	Average daily volumes (12 months) :	3,854
Div.Yield (%) :	1.0	Enterprise Value as on 06 Jun 2011 (Rs mn) :	991	Beta (2 year) :	0.7

Pudumjee Industries Limited (PIL), formerly know as Pudumjee Agro Industries Ltd (PAIL), is an India-based manufacturer of papers such as crepe tissue, hygiene tissue, MG kraft, carbon based tissue, wrappers for fruit, flowers and food, kraft paper and poster papers, etc. The company has its paper manufacturing plant and registered office at Thergaon in Pune district of Maharashtra.

KEY HIGHLIGHTS

Operations closely linked with associate company PPPML

PIL draws financial and operational support from Pudumjee Pulp & Paper Mills Ltd (PPPML), which also produces speciality paper. PIL gets need-base funding support from PPPML in the forms of inter-convertible deposits. Also, PPPML caters to more than 40% of PIL's pulp requirement on a conversion basis, converting waste paper to pulp for PIL for a fixed payment. PIL also shares common facilities with PPPML. The financial and operational inter-linkage between PIL and PPPML ensure that temporary fund mismatches are managed optimally.

Established position in domestic speciality paper segment

PIL has an established market position in the domestic speciality paper industry in the MG poster, MG tissue and crepe tissue segment. The company's market position is enhanced by the complimentary product mix of PPPML. The two companies have a combined share of ~15% of the domestic market, despite the intensely competitive nature of the industry and the fact that around 50% of the domestic requirement for speciality paper is met through imports. As of FY10, PIL had an installed capacity of 22,500 tonnes of paper. In FY10, it produced 15,636 tonnes of paper.

KEY RISKS

- Volatility in wood pulp and waste paper prices
- Exposure to a real estate project in which PIL and PPPML are involved
- Intense competition from organised/ unorganised, new/ small players
- High power cost and small capacity constrain EBITDA margin

Stock Performances vis-à-vis market

	Returns			
	YTD	1-m	3-m	12-m
PDUMJEIND	24	-2	13	14
NIFTY	5	0	1	10

Note:

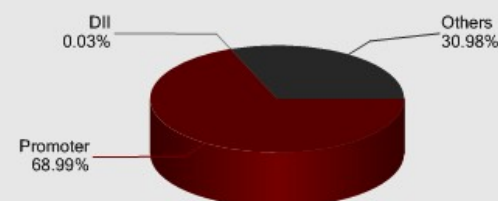
- 1) YTD returns are since Apr 1, 2010 to Jun 6, 2011.
- 2) 1-m, 3-m and 12-m returns are up to Jun 6, 2011

Key Financial Indicators

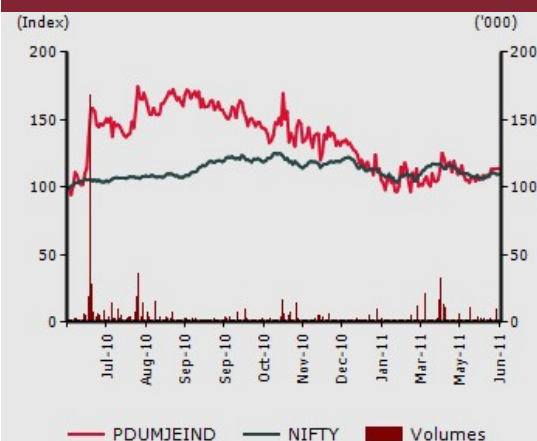
	MAR-08	MAR-09	MAR-10
Revenue (Rs mn)	1,486.9	1,493.9	1,325.6
EBITDA margins (%)	2.0	1.3	2.9
PAT (Rs mn)	-1.0	-15.6	22.9
PAT margins (%)	-0.1	-1.0	1.7
Gearing (x)	1.1	1.1	2.4
EPS (Rs/share)	-0.1	-0.9	1.3
PE (x)	n.m.	n.m.	15.7
P/BV (x)	1.9	0.6	1.3
RoCE (%)	6.5	8.2	8.2
RoE (%)	n.m.	n.m.	8.8
EV/EBITDA (x)	28.4	21.5	26.0

n.m. : Not meaningful

Shareholding (As on March 31, 2011)



Indexed price chart



Pudumjee Industries Ltd.

BACKGROUND

PIL, formally known as PAIL, was incorporated in December 1965 as a private limited company. Initially, it operated a paper mill at Mumbai under the name F Pudumjee & Co Pvt Ltd. The name of the company was changed to its present name on March 2008. The company operates in three segments i.e. paper, commodities and hygiene products. In paper segment, it is into manufacturing and marketing of paper and processing activity. It manufactures speciality paper and a range of paper such as crepe tissue, hygiene tissue, M.G. tissue, carbon tissue, wrappers for fruits, flowers and food, poster paper and kraft paper. The commodities segment relates to trading in steel and other items. In FY10, paper segment contributed ~52.54% to total revenue, hygiene products ~46.07% and commodities trading ~1.38% to total sales. PIL also manufactures and supplies writing and printing paper. As of FY10, the company had an installed capacity of 22,500 tonnes of paper. In FY10, it produced 15,636 tonnes of paper. Pudumjee Hygiene Products Ltd is a subsidiary of the company.

The company is also partner along with PPPML, in Pudumjee G-Corp Developers, a joint venture that is constructing over 650 mid-size flats in Thergaon aggregating ~930,000 sq ft.

COMPETITIVE POSITION

Peer Comparison

	Pudumjee Industries Ltd. Mar-10	Archidply Industries Limited Mar-10	Rainbow Papers Ltd. Mar-10	West Coast Paper Mills Ltd. Mar-10
Revenue (Rs mn)	1,325.6	1,525.1	2,680.7	6,294.6
EBITDA margins (%)	2.9	13.5	24.0	18.5
PAT (Rs mn)	22.9	79.0	190.5	547.0
PAT margins (%)	1.7	5.2	7.1	8.7
Gearing (x)	2.4	0.7	1.5	2.4
EPS (Rs/share)	1.3	3.6	10.9	8.7
PE (x)	15.7	3.9	5.8	10.1
P/BV (x)	1.3	0.3	0.5	1.0
RoCE (%)	8.2	11.0	7.9	5.1
RoE (%)	8.8	8.3	12.5	10.5
EV/EBITDA (x)	26.0	4.6	5.0	14.9

n.m: Not meaningful

FINANCIAL PROFILE

Top line drops, EBITDA margin and bottom line recover in FY10

Top line de-grew by 11.3% to Rs 1.32 bn in FY10 from Rs 1.49 bn in FY09, on account of decrease in contribution from paper by ~27%, commodities by ~86% and exports by ~83% over FY09.

EBITDA margin increased by ~160 basis points to 2.9% on account of decrease in material cost and power & fuel cost as a percentage of sales.

The company reported PAT of Rs 22.9 mn in FY10 against net loss of Rs 15.6 mn in FY09. Recovery was mainly on account of increase in operating profit coupled with lower interest cost. Also, in FY09, the company had reported a foreign exchange loss of Rs 13.9 mn, while in FY10, it reported a gain of Rs 5.3 mn.

INDUSTRY PROFILE

Writing and Printing Paper

The writing and printing (W&P) paper segment is less fragmented than other segments in the paper industry. Hence, domestic players in this segment enjoy a fair degree of pricing flexibility. Further, most large players have introduced value-added products to command higher prices.

W&P paper can be sub-divided into coated and uncoated paper. Uncoated paper comprises creamwove, maplitho and copier paper. Coated paper consists of coated chrome paper, art paper and art board. Creamwove is a low quality, low value product, whereas coated paper is a high quality, high value product. Uncoated paper accounts for bulk of the market (creamwove with 47%, maplitho and copier together with 39%) with coated paper holding the remaining share. Greater emphasis on education and literacy, coupled with growth in organised retail and demand for better quality paper, has pushed up demand for W&P paper. The factors that affect demand for W&P paper include printing of books and stationery for education, usage for office printing and stationery, and printing of company-published statutory documents such as annual reports, share issue forms, etc. Therefore, growth in the industrial and services sectors augurs well for W&P paper demand.

Key Financial Indicators

	Units	Mar-08	Mar-09	Mar-10
Revenue	Rs million	1,486.9	1,493.9	1,325.6
EBITDA margins	Per cent	2.0	1.3	2.9
PAT	Rs million	-1.0	-15.6	22.9
PAT margins	Per cent	-0.1	-1.0	1.7
Revenue growth	Per cent	55.7	0.5	-11.3
EBITDA growth	Per cent	346.3	-34.5	97.2
PAT growth	Per cent	n.m.	n.m.	n.m.
Gearing	Times	1.1	1.1	2.4
RoCE	Per cent	6.5	8.2	8.2
RoE	Per cent	n.m.	n.m.	8.8

ANNUAL RESULTS

Income statement

(Rs million)	Mar-08	Mar-09	Mar-10
Net Sales	1,483.6	1,491.0	1,324.3
Operating Income	1,486.9	1,493.9	1,325.6
EBITDA	29.5	19.3	38.1
EBITDA Margin	2.0	1.3	2.9
Depreciation	10.2	11.2	12.9
Interest	23.3	56.8	29.1
Other Income	15.5	39.5	34.2
PBT	11.3	-9.1	31.9
PAT	-1.0	-15.6	22.9
PAT Margin	-0.1	-1.0	1.7
No.of shares(Mn No.)	18.0	18.0	18.0
Earning per share(EPS)	-0.1	-0.9	1.3

Cash flow

(Rs million)	Mar-08	Mar-09	Mar-10
Pre-tax Profit	11.4	-9.1	30.2
Total tax paid	-14.0	-7.3	-4.5
Depreciation	10.2	11.2	12.9
Change in working capital	-133.5	80.4	-276.5
Cash flow from operating activities	-125.9	75.2	-237.9
Capital expenditure	-27.3	-40.8	-121.4
Investments and others	0.0	0.0	0.0
Cash flow from investing activities	-27.3	-40.8	-121.4
Equity raised/(repaid)	0.0	0.0	0.0
Debt raised/(repaid)	153.6	-23.0	356.8
Dividend (incl. tax)	0.0	0.0	-4.2
Others (incl extraordinary)	0.3	0.4	1.8
Cash flow from financing activities	153.9	-22.6	354.4
Change in cash position	0.7	11.8	-4.9
Opening cash	6.6	7.4	19.2
Closing cash	7.4	19.2	14.4

n.m.: Not meaningful

QUARTERLY RESULTS

Profit and loss account

(Rs million)	Mar-11	% of Rev	Mar-10	% of Rev	Dec-10	% of Rev
No of Months	3		3		3	
Revenue	284.7	100.0	226.8	100.0	256.7	100.0
EBITDA	-5.8	-2	12.6	5.6	-10.8	-4.2
Interest	3.0	1.1	1.0	0.4	0.6	0.2
Depreciation	4.2	1.5	3.8	1.7	4.1	1.6
PBT	-13.0	-4.6	7.8	3.4	-15.5	-6
PAT	-7.4	-2.6	5.2	2.3	-10.2	-4

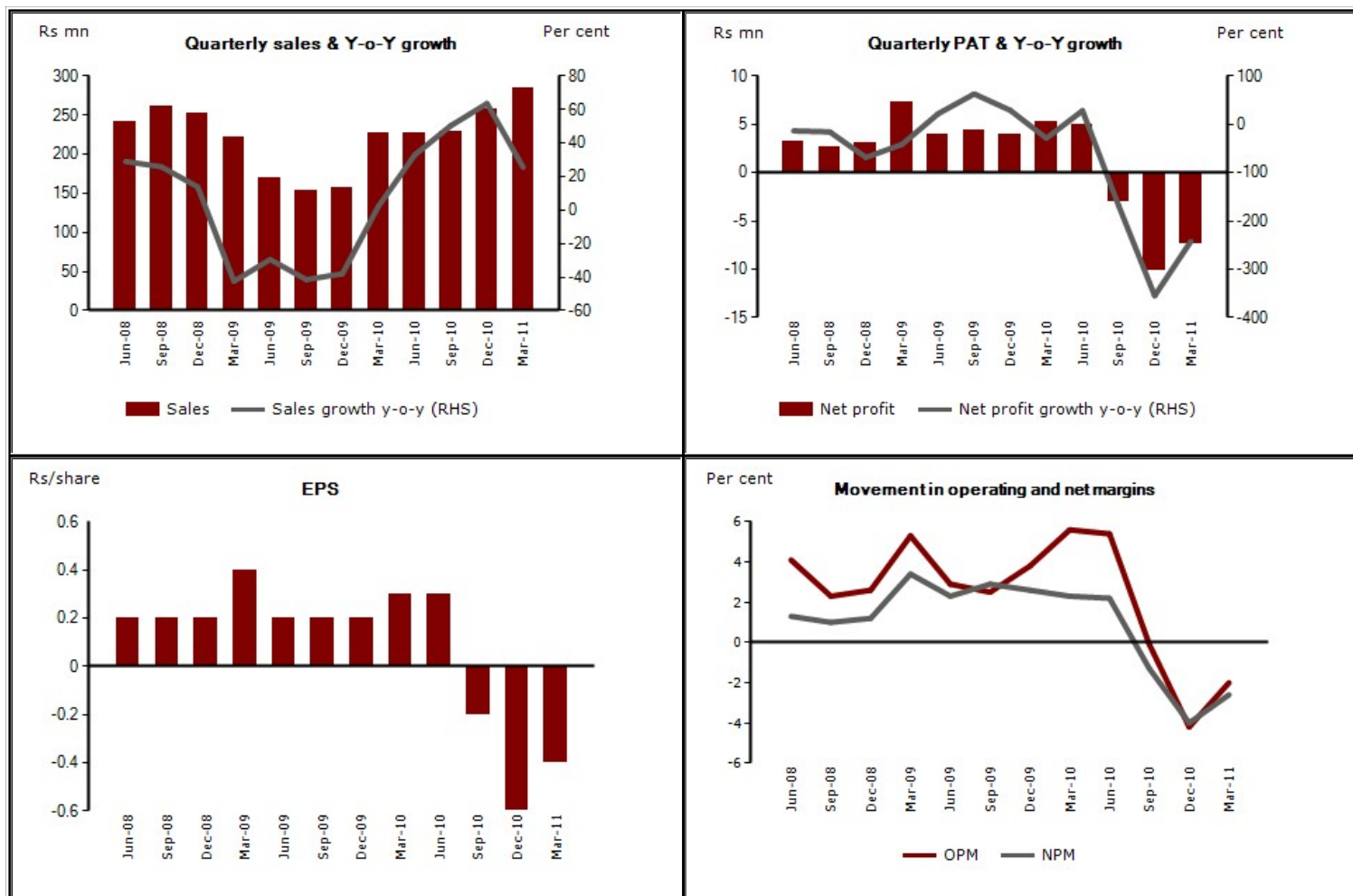
Balance Sheet

(Rs million)	Mar-08	Mar-09	Mar-10
Equity share capital	36.0	36.0	36.0
Reserves and surplus	249.1	217.1	234.8
Tangible net worth	285.1	253.1	270.8
Deferred tax liability: asset	14.3	13.5	18.0
Long-term debt	12.7	0.0	77.4
Short-term-debt	298.6	288.2	567.6
Total debt	311.2	288.2	645.0
Current liabilities	151.5	199.4	116.5
Total provisions	8.0	9.3	17.0
Total liabilities	770.1	763.5	1,067.3
Gross block	269.3	285.6	415.4
Net fixed assets	140.1	152.9	260.2
Investments	26.8	26.8	26.8
Current assets	603.2	583.8	780.3
Receivables	237.2	201.2	241.6
Inventories	197.3	134.4	272.5
Cash	7.4	19.2	14.4
Total assets	770.1	763.5	1,067.3

Ratios

	Mar-08	Mar-09	Mar-10
Revenue growth(%)	55.7	0.5	-11.3
EBITDA growth(%)	346.3	-34.5	97.2
PAT growth(%)	n.m.	n.m.	n.m.
EBITDA margins(%)	2.0	1.3	2.9
Tax Rate(%)	123.3	n.m.	14.1
PAT margins(%)	-0.1	-1.0	1.7
Dividend payout(%)	-	-	15.7
Dividend per share(Rs)	-	-	0.2
BV(Rs)	15.8	14.1	15.0
Return on Equity(%)	n.m.	n.m.	8.8
Return on Capital employed(%)	6.5	8.2	8.2
Gearing(x)	1.1	1.1	2.4
Interest coverage(x)	1.3	0.3	1.3
Debt/EBITDA(x)	10.6	14.9	16.9
Asset turnover(x)	5.4	5.4	3.8
Current ratio(x)	1.1	0.8	0.9
Gross current assets(days)	122	98	169

FOCUS CHARTS AND TABLES



Shareholding pattern (Per cent)

	Jun 2010	Sep 2010	Dec 2010	Mar 2011
Promoters	69.0	69.0	69.0	69.0
FII	-	-	-	-
DII	0.1	-	-	-
Others	30.9	31.0	31.0	31.0

Board of Directors

Directors Name	Designation
Shyam Mahabirprasad Jatia	Executive Chairman & Managing Director, Wholetime Director, Promoter-Director
Atul Shantikumar Dayal	Non-Executive Director
Gautam Nandkishore Jajodiya	Non-Executive Director
Rajendra Chiranjilal Saraf	Non-Executive Director
Rushabh Pradeep Shroff	Non-Executive Director
Arvind Kumar Somany	Non-Executive Director

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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