

Stock Idea

Ballarpur Industries (BILT)

November 5, 2009

Leader in Indian Paper Industry

Stock data

Market Cap	1165 Cr
Equity	111 Cr
Year High	29.50
Year Low	13.25
EPS	3
PE ratio	7
Book Value	25

Shareholding pattern

Promoters	40%
FII & MFs	41%
Public	19%

- **Ballarpur Industries Limited**, part of the US\$ 3 bn. Avantha Group, is India's largest paper company with market share of 18%. The 60 year old company is very dynamically managed by Mr.Gautham Thapar and it is moving towards achieving 26% market share by next year.
- **BILT acquired Sabah Forest Industries**, Malaysia's largest integrated paper & pulp manufacturer. This US \$ 261 million acquisition, which brings 144,000 mt paper mill, 120,000 mt pulp mill unit, captive power plant & jetty and 289,000 hectare forest area & plantation, provides BILT a low cost, stable supply of raw materials.
- **BILT has five paper mills** strategically spread across the country in the states of Orissa, Haryana, Maharashtra and Andhra Pradesh. It has a massive network of 126 dealers across the country, which widens its geographic reach all over the country.
- **Company's expanded capacity of a million ton** would be fully operational from 2010-11. It is about to achieve Rs.5000 Cr turnover with increased profitability soon. BILT had gone through major restructuring of finance and operations during 2007-08, preparing itself to go a major global player.
- Market does not fancy paper stocks since quite some time and BILT quoting at Rs.21 gives an impression that it is a penny stock. It is Rs.2 paid up and commands a market cap of Rs.1165 cr. BILT used to be part of SENSEX and highly sought after blue chip in the market few years ago.
- **Valuation:** The stock is trading below Book Value and at lower single digit PEx on expected Rs.6 to 7 EPS for FY 10-11. Thapar management had not been considered investor friendly earlier. But the current management team under Gautham Thapar talks about creating long term value for shareholders and the developments in the company last couple of years are confirming that. BILT has **potential to give 50 to 100% return** in next one year!