



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Satia Industries FY24 consolidated revenues came in at ₹1721 Cr, down 8.5% YoY.
- PBIDT (Ex-OI) for FY24 stood at ₹419 Cr, up 1.7% YoY.
- PBIDTM (Ex-OI) for FY24 came at 24.3%, +550 bps YoY.
- PAT for FY24 stood at ₹211. Cr, up 9.9% YoY.
- Revenue Mix for FY24:  
North: 51%, West: 18%, East: 12%, Central: 8%, South: 7%, Export: 4%
- For FY24, capacity utilization stood at ~98% with total installed capacity of 2,19,000 MTPA.

### 2. MANAGEMENT COMMENTARY:

- Currently, have a strong order book covering more than one month of revenues. These orders provide a buffer against adverse industry impacts.
- Normalized tax rates will come to fruition until the end of next year as they still have accumulated losses, after which taxes will be ~25%.
- During Q4FY24, observed a decline in both paper and raw material prices. Notably, the prices of wheat straw and agro pulp dropped significantly, positively impacting profitability this quarter.
- Capitalized on this by increasing the use of agro pulp, further enhancing their savings and margins. While wood pulp prices rose, their existing inventory cushioned the impact on current quarter's performance.

### 3. CONCALL SUMMARY

- Have successfully commissioned 75 TPH multi fuel boiler.
- During FY24, have prepaid term loans of INR 467 Mn over and above the repayment of INR 1,283 Mn.
- Has initiated the application for capacity expansion from 600 to 700 tons per day and have already filed the necessary paperwork and anticipate a hearing within the next month or so.
- With the planned capacity expansion, company expected to increase production by almost 15% from the current level of 2,10,000 tons to reaching almost 2,50,000 tons by FY25
- Believe to maintain an EBITDA margin of 25% and if market is good, company might even achieve some exceptional results.

### 4. OTHER UPDATES:

- Timber prices are currently stable. In the northern belt, prices for eucalyptus wood range from Rs 7000 to INR 8000. However, in the southern belt, prices tend to be lower.
- In the northern region, sales account for approximately 25-30%. The freight cost to the port from mill site is approximately INR 5000 per ton.
- They are currently in the process of planning the renovation of their PM three, which is presently operating at almost 600 meters per minute.

### 5. VALUATION AND OUTLOOK:

Satia Industries' earnings grew at a CAGR ~18% over FY19-23. Going forward, we are positive on the future growth prospects of the company which is mainly on the back of its strong order book, capacity expansion, national education policy benefits and focus on increasing margins. It aims to further enhance its capacity utilization with focus on new AKD plant which is an essential chemical in paper sizing.

With a strong growth outlook, we initiate a "BUY" rating on the stock and value the stock at **6.2x FY26 EPS to arrive at the target of 153.**

## RECOMMENDATION - BUY

**CMP – 127**
**TARGET –153 (+15.6%)**

Industry	Consumer Food
NSE CODE	SATIA
BSE CODE	539201
Market Cap (₹ Cr)	1313.5
Shares Outstanding (in Cr)	10
52 wk High/Low (₹)	155/100
P/E	6.22
P/BV	1.41
Face Value (₹)	1.00
Book Value (₹)	93.22
EPS (FY24) (₹)	21.12
Dividend Yield (%)	0.8
Debt / Equity	0.3
Interest Coverage	6.22

## SHAREHOLDING PATTERN

	Mar 24	Dec 23	Sept 23
Promoters	52.46	52.46	52.46
MF/ DII	0.00	0.08	0.1
FII/FPI	8.95	8.83	8.75
Retail & Others	45.47	44.62	43.65
Promoter Pledging	0.00	0.00	0.00

## FINANCIAL SNAPSHOT (₹ Cr)

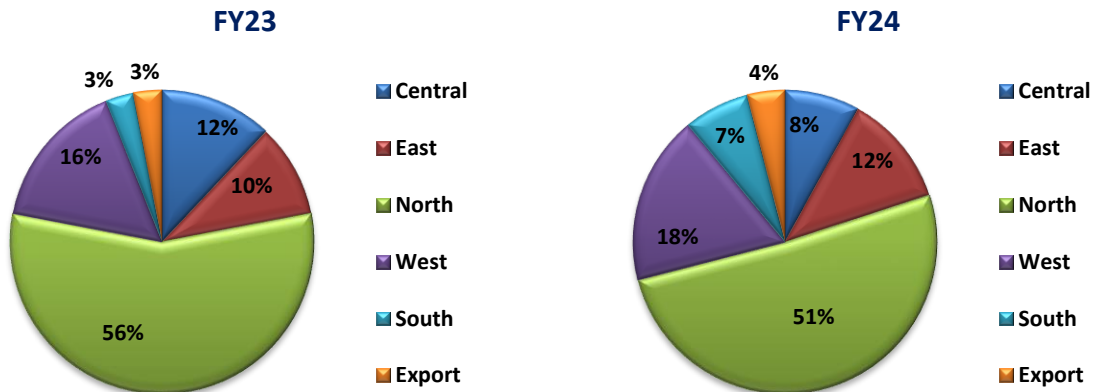
Y/E March	2024	2025E	2026E
<b>Crore</b>			
Sales	1721	2065	2478
Sales Gr. (%)	-8.7	20	20
EBITDA	418	516	620
EBITDA %	24.3	25	25
PAT	211.2	237	283
EPS (₹)	21.1	23.7	28.2
EPS Gr. (%)	9.9	12.1	19.3
<b>Valuation</b>			
P/E (x)	5.98	6.2	5.4

## Historical & Industrial Val Ratios

Historical P/E	5.5
Industry P/E	8.95
Historical P/B	1.4
Industry P/B	2.2



## Product Mix:



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23			FY24				FY25	FY24	FY25E*
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1E*		
<b>Net sales</b>	<b>459.3</b>	<b>486.8</b>	<b>520.6</b>	<b>481.2</b>	<b>373.4</b>	<b>435.7</b>	<b>430.6</b>	<b>516</b>	<b>1721</b>	<b>2064</b>
YoY change (%)	145.9	125.0	75.3	15.4	-18.7	-10.5	-17.3	7.2	-8.5	20
<b>Total Expenditures</b>	<b>366.3</b>	<b>375.0</b>	<b>384.5</b>	<b>331.9</b>	<b>286.9</b>	<b>343.5</b>	<b>339.8</b>	<b>387</b>	<b>1302</b>	<b>1548</b>
<b>EBITDA</b>	<b>93.0</b>	<b>111.7</b>	<b>136.2</b>	<b>149.3</b>	<b>86.4</b>	<b>92.2</b>	<b>90.7</b>	<b>129</b>	<b>419</b>	<b>516</b>
YoY growth (%)	161.5	185.8	136.5	113.7	-7.1	-17.5	-33.4	-13	23	23
Margins (%)	20.2	23.0	26.2	31.0	23.1	21.2	21.1	25	24	25
Depreciation	31.7	32.5	112.3	32.6	33.5	38.2	47.1	43.5	151	174
Interest	9.0	8.5	10.0	7.8	7.4	7.5	7.3	12.4	30	49.6
Other income	4.8	2.5	2.8	3.5	5.8	-2.4	8.4	4.3	15	17
<b>PBT</b>	<b>57.1</b>	<b>73.3</b>	<b>16.7</b>	<b>112.4</b>	<b>51.4</b>	<b>44.0</b>	<b>44.9</b>	<b>73</b>	<b>253</b>	<b>293</b>
Rate (%)	11.1%	11.5%	-177%	25.2%	6.7%	9.9%	12.0%	25	16	25
Tax	6.3	8.5	-29.6	28.3	3.5	4.4	5.4	18.3	42	73
<b>Adjusted PAT</b>	<b>50.8</b>	<b>64.8</b>	<b>46.3</b>	<b>84.2</b>	<b>47.9</b>	<b>39.6</b>	<b>39.4</b>	<b>54</b>	<b>211</b>	<b>237</b>
<b>EPS in Rs</b>	<b>5.08</b>	<b>6.48</b>	<b>4.63</b>	<b>8.42</b>	<b>4.79</b>	<b>3.96</b>	<b>3.94</b>	<b>5.48</b>	<b>21.12</b>	<b>23.7</b>

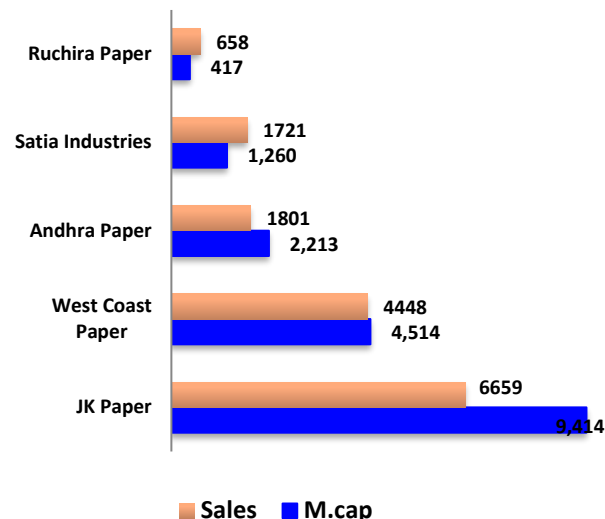
Source: Company, Hem Securities Research.



## INDUSTRY OVERVIEW

- According to the IPMA, paper consumption in India will likely reach 30 million tons by March 2027. There is growing demand from sectors such as FMCG and retail for innovative packaging solutions as they reduce dependency on plastics. Paper industry can also benefit from the rising e-commerce shopping as well as ready-to-eat and packaged foods.
- There is a lot of plastic substitution happening with the single-use plastic ban. The substitution will create an additional demand of 2-3 lakh TPA.
- Since the New Curriculum is being developed after a gap of 15 years, it would eliminate sale of second-handbooks and would lead to strong growth for at least 2-3 years. Completely replacing second hand textbooks can be a huge opportunity for paper companies with a higher realization.
- Now with the softening of international demand, the quantities available for the Indian markets from China and Indonesia have considerably increased. Furthermore, international pulp prices have moderated considerably which has aided the drop in prices of finished paper. In this background, we are currently witnessing a surge in imports of wood free grades in large volumes.
- This trend is likely to continue as there is a low down in demand internationally and there seems to be no immediate upward correction in pulp prices. Further, the Indian industry did not make price corrections at the appropriate time which made the imported wood free grades attractive for an Indian convertor/market.

## KEY PLAYERS in Paper Sector



## PEER PERFORMANCE

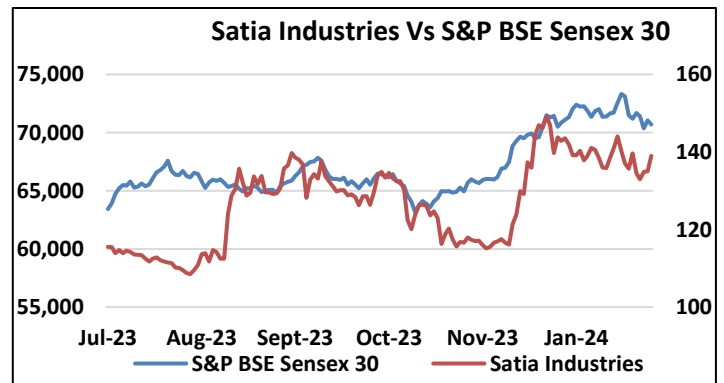
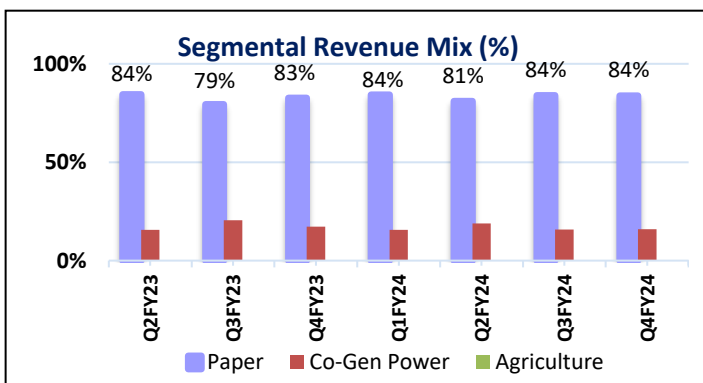
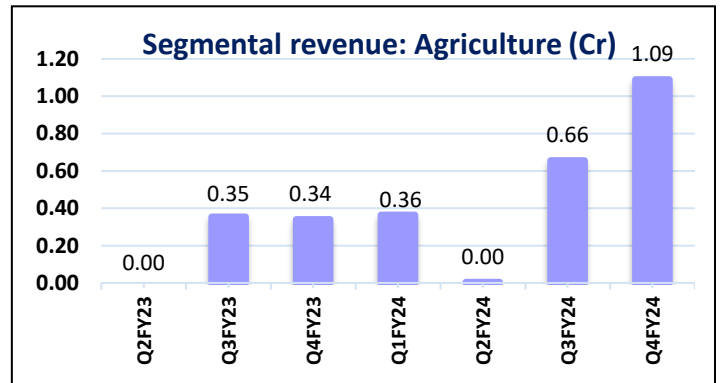
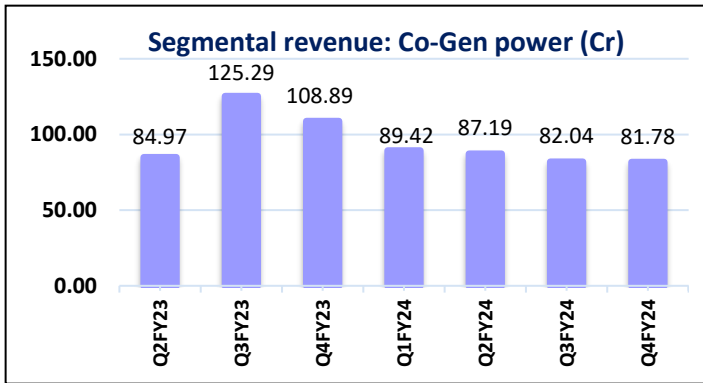
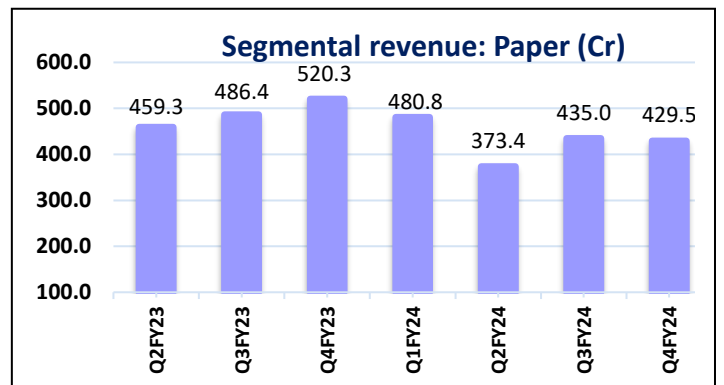
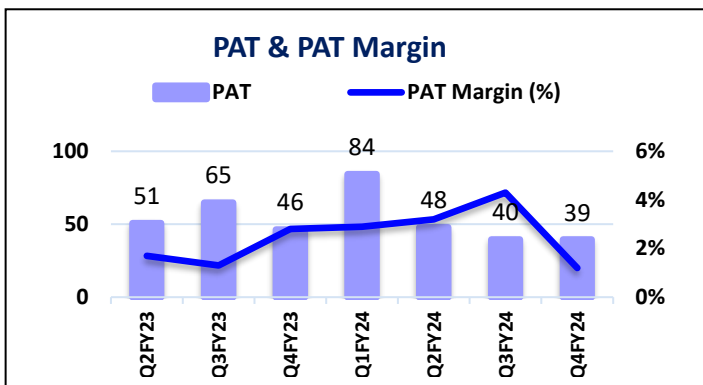
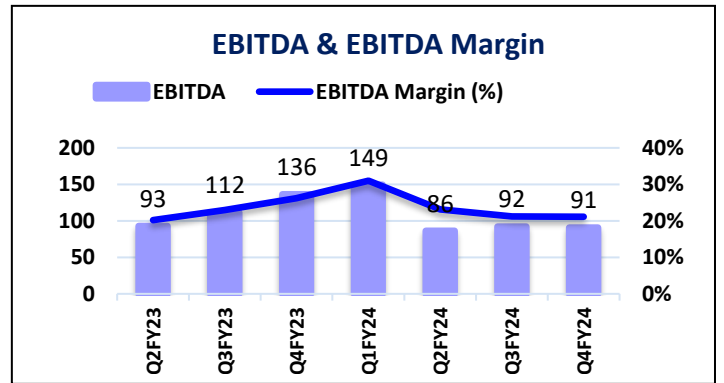
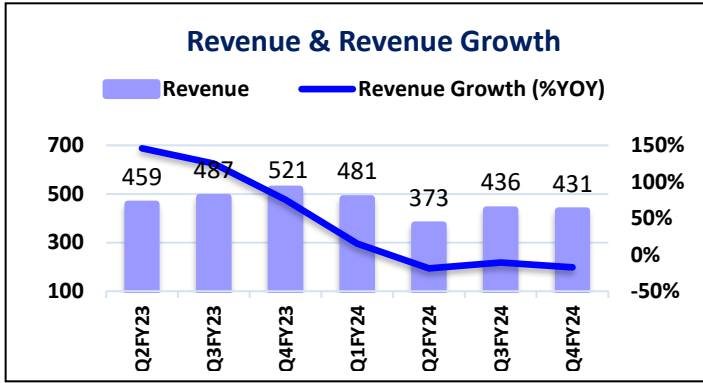
(₹ Cr)

Particulars	Satia Industries Ltd.	JK Paper Ltd.	Ruchira Paper Ltd.	West Coast Paper Ltd.	Andhra Paper Ltd.
Market Cap	1260	9414	417	4514	2213
Net Sales	1721	6659	658	4448	1801
EBITDA	419	1616	82	1092	431
PAT	211	1133	49	786	340
EBITDA MARGIN %	24	24	12	25	24
PAT MARGIN %	12.3	17.01	7.4	17.7	18.9
ROCE %	23.4	21.2	15.8	29.2	25.2
ROE %	25.4	24.6	12.4	23.8	19.6
P/E TTM	5.98	8.4	8.47	6.52	6.51
P/B TTM	1.4	1.86	1.0	1.4	1.17
Dividend Yield %	0.8	1.5	3.58	1.46	2.25
M.Cap/Sales	0.74	1.4	0.63	1.01	1.23

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- The company has a capacity of over 600 ton per day and the pulp requirement is almost 85% of this production, so approximately it needs 480 ton of pulp. It has a wood pulping capacity of approximately 180 tons per day. Additionally, waste paper recycling and de-inking pulp making capacity amounts to 150 tons per day.
- It possesses an in-house power generation capacity of about 40 megawatts, utilizing biomass as the sole fuel source. Notably, approximately 70% of biomass fuel comprises rice straw, which is among the most cost-effective raw materials available. The cost of production of power in their power segment is approximately 3-5 rupees per unit.
- The company is putting up a new AKD plant in house. AKD chemical is essential for paper sizing, which ensures that ink does not spread when writing on paper with an ink pen.
- Last year, the company achieved a turnover of over 18000 mn with a production volume of almost 2,10,000 tons and it anticipate exceeding those figures. However, due to the decline in prices compared to last year, the turnover may be slightly lower this year.
- The company specializes in the production of writing and printing paper, with approximately 40-50% of paper being supplied for textbook board use. It caters to nearly 15 textbook boards across India. The company's exports account for approximately 5-10% of total production.
- Company is currently in the process of planning the renovation of our PM three, which is presently operating at almost 600 meters per minute.
- It has initiated the application for capacity expansion from 600 to 700 tons per day and have already filed the necessary paperwork and anticipate a hearing within the next month or so.
- With the planned capacity expansion, company is expected to increase production by almost 15% from the current level of 2,10,000 tons to reaching almost 2,50,000 tons by FY25

## RISK / NEGATIVE FACTORS:

- Paper price volatility. This remains a risk even though they have proved they could remain profitable even during lockdown period which was probably the worst time for the paper industry ever, in recent decades.

## COMPANY RECAP

- Satia Industries Limited (SIL), is one of the largest Wood and Agro-based paper manufacturer in India. It was incorporated by Dr. Ajay Satia in 1980 and commenced its operations in 1984 with a small capacity of 4,950 tonne per year. It surprisingly overtook many of its peers in production achieve, to 2,13,804 MT in FY24 implying a capacity utilization of ~98%.
- The company has successfully commissioned their PM 4 and has augmented its total installed capacity to 219,000 MTPA. In last three decades, it has witnessed a complete transformation in its operations, and it has become fully backward integrated having integrated pulping, chemical recovery, and power self-sufficiency.
- The company has 540 acres of eucalyptus plantations, developed as per Karnal Technology, consumes total treated water discharge, and compliments the future wood raw material requirements.
- Satia Industries has a strong Pan-India distribution network with 100+ dealers and three branch offices located in Delhi, Chandigarh & Jaipur with total employee strength of 2,300+.



## ANNUAL PERFORMANCE

### Financials & Valuations

#### Income Statement

Y/E March	2021	2022	2023	2024	2025E	2026E	(₹ Cr)
<b>Revenue from operations</b>	<b>588.4</b>	<b>890.9</b>	<b>1883.7</b>	<b>1720.8</b>	<b>2064.9</b>	<b>2477.9</b>	
Growth YoY (%)	-27.2	51.4	111.4	-8.7	20.0	20.0	
<b>Total Expenditure</b>	<b>453.4</b>	<b>709.9</b>	<b>1472.0</b>	<b>1302.1</b>	<b>1548.7</b>	<b>1858.4</b>	
(%) of sales	77.0	79.7	78.1	75.7	75	75	
<b>EBITDA</b>	<b>135.1</b>	<b>181.0</b>	<b>411.8</b>	<b>418.7</b>	<b>516.2</b>	<b>619.5</b>	
EBITDA Growth (%)	-24.9	47.3	102.3	1.7	23	20	
EBITDA Margin (%)	20.4	20.0	18.8	24.3	25	25	
Depreciation	58.4	65.9	207.1	151.4	173.5	208.1	
<b>EBIT</b>	<b>84.4</b>	<b>144.6</b>	<b>218.7</b>	<b>267.3</b>	<b>342.8</b>	<b>411.3</b>	
EBIT Growth (%)	-37.7	71.2	51.3	22.2	28	20	
Net Interest Expenses	17.6	21.9	35.2	30.0	49.6	59.5	
Other Income	7.8	29.5	14.1	15.4	16.9	18.6	
<b>Earnings before Taxes</b>	<b>66.8</b>	<b>122.7</b>	<b>183.5</b>	<b>237.3</b>	<b>293.2</b>	<b>351.9</b>	
EBT Margin (%)	9.5	11.6	8.1	13.8	14.2	14.2	
Tax-Total	17.3	22.0	-8.7	41.5	73.3	88.0	
Rate of tax (%)	25.9	17.9	-4.7	17.5	25.0	25.0	
<b>Net Profit</b>	<b>49.5</b>	<b>100.7</b>	<b>192.2</b>	<b>211.2</b>	<b>236.8</b>	<b>282.5</b>	
PAT Growth (%)	-46.0	103.2	90.9	9.9	12.1	19.3	
PAT Margin (%)	7.1	9.6	8.5	12.3	11.5	11.4	
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Adjusted PAT</b>	<b>49.5</b>	<b>100.7</b>	<b>192.2</b>	<b>211.2</b>	<b>236.8</b>	<b>282.5</b>	
<b>EPS</b>	<b>5.0</b>	<b>10.1</b>	<b>19.2</b>	<b>21.1</b>	<b>23.7</b>	<b>28.2</b>	
EPS Growth (%)	-46.0	103.2	90.9	9.9	12.1	19.3	

#### Balance Sheet

Y/E March	2021	2022	2023	2024
Share Capital	10	10	10	10
Reserves	435	535	723	922
<b>Net Worth</b>	<b>445</b>	<b>545</b>	<b>733</b>	<b>932</b>
Borrowings	345	443	435	319
Other Liabilities	211	249	204	153
<b>Total Liabilities &amp; Equity</b>	<b>1,001</b>	<b>1,237</b>	<b>1,372</b>	<b>1,404</b>
Fixed Assets	432	814	704	855
CWIP	318	81	138	16
Investments	4	7	7	0
Other Assets	248	335	524	533
<b>Total Assets</b>	<b>1,001</b>	<b>1,237</b>	<b>1,372</b>	<b>1,404</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>				
<b>Y/E March</b> (Basic (INR))	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Profitability and return ratios</b>				
Net profit margin (%)	7.1	9.6	8.5	12.3
EBITDA margin (%)	23	21	22	24
EBIT margin (%)	12.0	13.7	9.6	15.5
ROE (%)	11.8	20.3	30.1	25.4
ROCE (%)	11.6	16.4	20.6	23.4
<b>Working Capital &amp; liquidity ratios</b>				
Payables (Days)	80	102	45	32
Inventory (Days)	147	135	65	87
Receivables (Days)	56	44	37	35
Current Ratio (x)				1.7
<b>Valuations Ratios</b>				
EV/sales (x)	2.0	1.6	0.8	0.9
EV/EBITDA (x)	8.0	6.8	3.4	3.6
P/E (x)	16.4	10.2	5.5	6.0
P/BV (x)	1.8	1.9	1.4	1.4
Dividend Yield (%)	0.1	0.2	0.4	0.8
Return on Assets (%)	5.4	9.0	14.9	15.2
<b>Leverage Ratio</b>				
Debt/Equity (x)	0.8	0.8	0.6	0.3

### Cash Flow Statement

<b>Y/E March</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>CF from Operating activities (A)</b>	<b>154</b>	<b>160</b>	<b>282</b>	<b>362</b>
<b>CF from Investing Activities (B)</b>	<b>-224</b>	<b>-202</b>	<b>-194</b>	<b>-171</b>
<b>CF from Financing Activities (C)</b>	<b>69</b>	<b>43</b>	<b>-88</b>	<b>-192</b>
Net Cash Flow	-1	0	-1	-1
Add: Opening Bal.	22	7	7	6
<b>Closing Balance</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>5</b>

Source: Company, Hem Securities Research.





## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
28/6/24	BUY	153(++15.6%)

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9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.