

PAPER

26 March 2025

Indian paper industry: Margin recovery on the horizon

- We expect the paper industry's EBITDAM to recover in the near future on bottoming of global pulp prices, weak rupee and stable timber prices
- The industry is likely to operate at a high utilisation rate in future due to limited capex, despite material improvement in balance sheet position
- Initiate coverage on JKPAPER with a BUY rating on strong market share gain prospects, healthy return ratios and reasonable valuations

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Indian paper industry's margin fell to its lowest level since FY05: The Indian paper industry's EBITDA margin fell to its lowest level (6.9% in Q3FY25 vs 20Y average of 16.6%) compared to the past two decades on (a) weak pricing power due to a sharp slowdown in domestic demand and rising cheap imports pressure from China and Indonesia; and (b) a steep rise in timber prices (due to the sharp increase in demand from the MDF and particleboard industry).

Indian paper industry margin to improve to 16-20% over the next 4-6 quarters: on the back of (a) high operating rate of domestic paper industry; (b) anticipation of price hikes due to bottoming of global pulp prices in Dec'24 and weak rupee; and (c) expectations of moderation in timber prices over the next four to six quarters due to increased plantation activities from wood-based industries.

How is the current environment different from previous weak cycles? Net debt /EBITDA of the top 10 listed paper companies in India improved sharply to 0.3x in FY24 from 4.6x in FY14. However, we do not envisage large capacity additions over the next three to four years (as seen during FY11-FY14) due to (a) the weak balance sheets of a few large players (BILT [Not Rated], TNPL [Not Rated]); (b) change in management focus towards other businesses (Century); and (c) inability of small paper companies to undertake large capex (as minimum capex size is Rs 20bn-25bn for a brownfield 200ktpa paper plant).

Initiate coverage on JKPAPER with a BUY rating and TP of Rs 450: as we believe (a) it could undertake large capex via the organic and inorganic routes (unlike most of its peers) due to strong balance sheet positions and large size of operations; (b) its business risk profile has improved due to rising share of fast-growing packaging revenue; (c) it could likely generate superior return ratio profiles due to cost leadership in a commoditised product due to a diversified manufacturing base, efficient operations and low dependency on expensive imported pulp; and (d) it has reasonable valuations (trades at a 1Y forward P/BV of 1.0x vs 5Y average of 1.1x). We have valued the stock at an EV/EBITDA multiple of 6.0x on FY27E (which is near to its 5Y avg of 5.8x).

Recommendation snapshot

Ticker	Price	Target	Rating
JKPAPER IN	320	450	BUY

Price & Target in Rupees | Price as of 26 Mar 2025

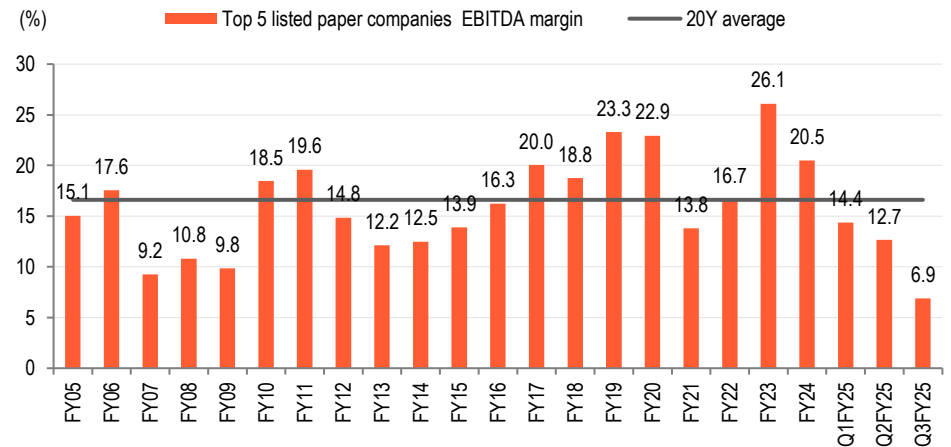


Industry overview

Industry’s margin fell to its lowest level since FY05

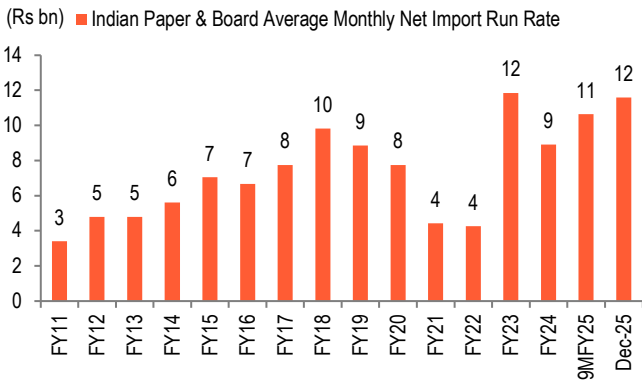
The Indian paper industry’s EBITDA margin fell to its lowest level (6.9% in Q3FY25 vs 20-year average of 16.6%) in the past two decade on account of (a) weak pricing power due to a sharp slowdown in domestic demand and rising cheap imports pressure from China & Indonesia; and (b) steep rise in timber prices (due to sharp increase in demand from MDF and particleboard industry).

Fig 1 – Indian paper industry margin fell to its lowest level since FY05 due to a sharp slowdown in domestic demand...



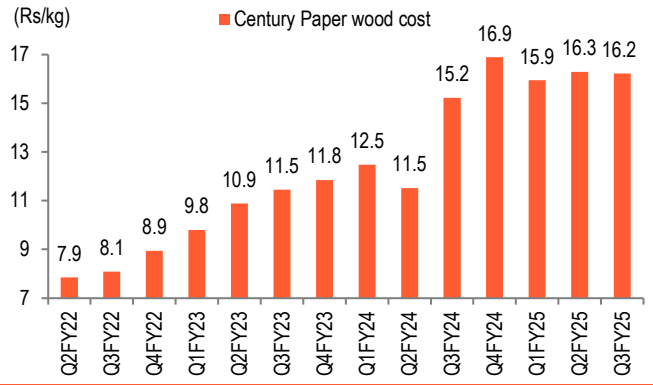
Source: Company, BOBCAPS Research

Fig 2 – ... cheap paper imports rising to record high levels...



Source: Ministry of Commerce, BOBCAPS Research

Fig 3 – ... and surge in local timber prices

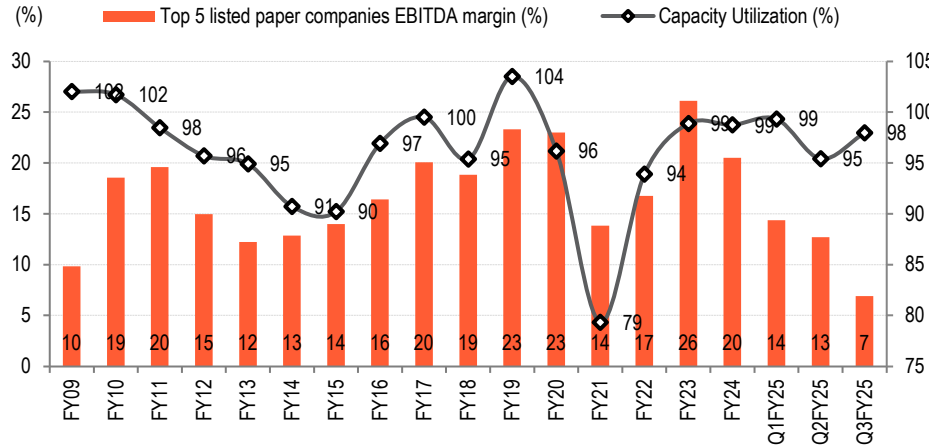


Source: Company, BOBCAPS Research

Industry margin to improve to 16-20% over the next 4-6 quarters

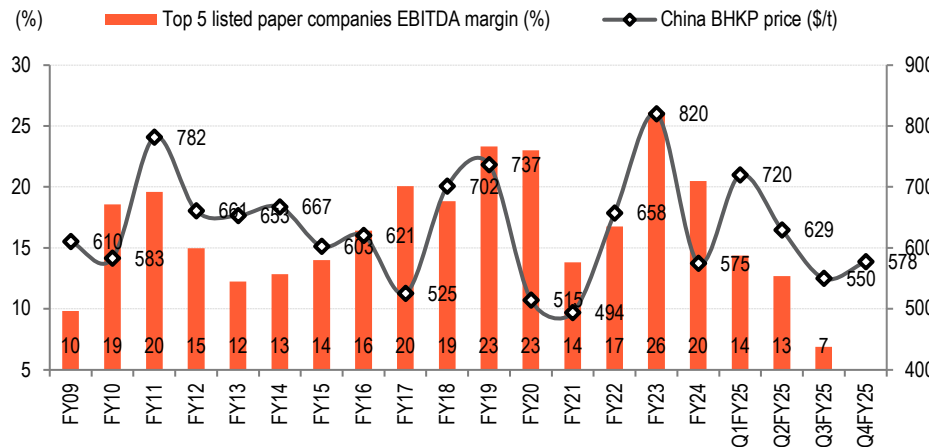
We believe the Indian paper industry’s EBITDA margin is likely to improve gradually to historical levels of 16-20% over the next four to six quarters on (a) the domestic paper industry’s high operating rate; (b) anticipation of price hikes due to bottoming of global pulp prices in Dec’24 (as domestic paper prices are positively linked to global pulp prices whereas local paper mills are not dependent on imported pulp) and weak rupee (as domestic paper prices are based on import parity level); and (c) expectations of moderation in timber prices over the next four to six quarters due to increased plantation activities from wood-based industries.

Fig 4 – Indian paper industry margin to improve to 16-20% over the next 4-6 quarters supported by the high operating rate of the domestic paper industry



Source: Company, BOBCAPS Research

Fig 5 – Global pulp prices bottomed in Dec'24 and started moving up from Jan'25, which is likely to boost local paper prices



Source: Company, Bloomberg, BOBCAPS Research | EBITDA margin represents the data of the top 5 listed paper companies in India

How is the current environment different from the previous weak cycles?

We observe that the current environment for the Indian virgin-grade paper industry is different from previous weak cycles in terms of (a) a higher degree of industry consolidation due to the aggressive expansion strategy of a few large players (JKPAPER acquired Sirpur Paper in Aug'18; WCPM [Not Rated] acquired APM [Not Rated] in May'19) through the inorganic route over the past one decade; and (b) improved balance sheet position (net debt/EBITDA of the top 10 listed paper companies improved to 0.3x in FY24 from 4.6x in FY14).

Fig 6 – Indian paper industry has become highly consolidated compared to previous bear cycle (i.e. FY11-FY14)

Revenue share of top 10 paper companies (%)	FY09	FY14	FY19	FY24
BILT Graphic Paper (BILT)	28.1	21.1	13.5	15.3
ITC (paper segment)	17.1	18.6	17.8	18.4
Tamil Nadu Newsprint (TNPL)	10.9	13.0	16.9	13.2
JK Paper (JKPAPER)	10.7	9.9	13.5	18.8
Century (paper segment)	9.3	9.8	11.0	9.5
Andhra Paper Mills (APM)	6.3	6.2	5.9	12.5
West Coast Paper Mills (WCPM)	6.2	8.9	8.2	
Seshasayee Paper	5.3	5.7	5.5	5.1
Kuantum Paper	2.0	2.7	3.3	3.4
Ruchira Paper	1.6	1.8	2.0	1.9
Shreyans Industries	2.6	2.3	2.4	2.0
Total	100.0	100.0	100.0	100.0

Source: Company, BOBCAPS Research

Fig 7 – Net debt /EBITDA of top 10 listed paper companies improved to 0.3x in FY24 from 4.6x in FY14

Companies	EBITDA (Rs bn)				Net Debt/EBITDA (x)			
	FY09	FY14	FY19	FY24	FY09	FY14	FY19	FY24
BILT Graphic Paper	6.4	6.8	6.0	14.0	5.6	5.4	8.9	2.7
ITC (paper segment)	7.0	11.9	15.7	17.4	NA	NA	NA	NA
TNPL	-1.6	5.1	6.5	8.2	-5.0	2.9	2.9	2.1
JK Paper	1.8	1.1	8.7	16.2	3.6	14.6	1.0	0.7
Century (paper segment)	1.5	1.6	7.3	4.3	NA	NA	NA	NA
West Coast Paper Mills (SA)*	1.2	2.1	5.1	6.6	7.4	4.1	0.2	-0.4
Andhra Paper (SA)*	1.2	0.7	3.8	4.3	4.6	8.1	-0.1	-2.2
Seshasayee Paper	0.7	1.2	3.0	3.4	4.6	2.9	-0.7	-1.7
Kuantum Paper	0.4	0.8	1.6	3.3	4.2	1.9	2.1	1.3
Ruchira Paper	0.1	0.5	0.8	0.8	9.4	1.8	0.9	0.5
Shreyans Industries	0.4	0.4	0.8	1.0	1.6	0.7	-0.5	-2.0
Average	-	-	-	-	8.4	4.6	1.0	0.3

Source: Company, BOBCAPS Research | SA: Standalone

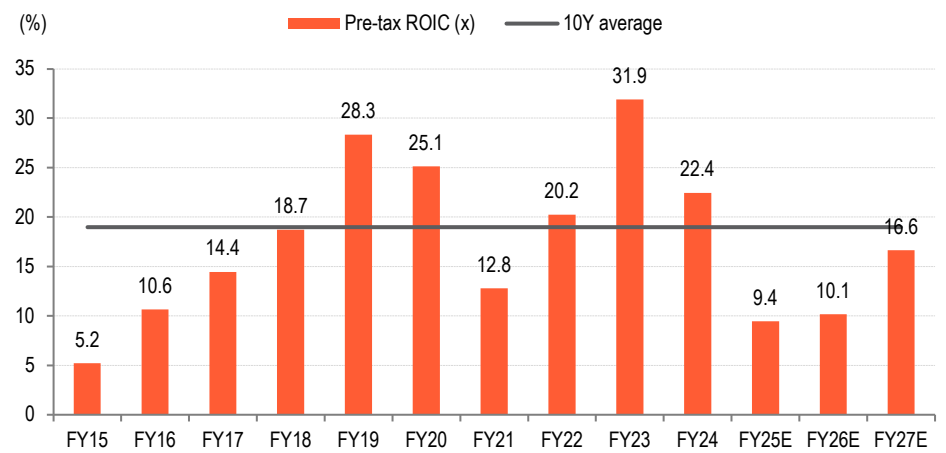
Is large industry capex on the cards based on strong balance sheet?

Despite a material improvement in the balance sheet position and the industry operating at a high utilisation rate, we do not envisage significant capacity addition over the next three to four years (as seen in the FY11-FY14 period) as we believe (a) large paper companies (JKPAPER, WCPM [Not Rated]) would target to grow their market share in slow-growing paper segments through the inorganic route and tap the fast-growing paperboard market through the organic route; and (b) others would lose market share due to weak balance sheet positions (BILT [Not Rated], TNPL [Not Rated]), change in management focus towards other businesses (Century), and inability of small and mid-size paper companies to undertake large capex due to requirements (as minimum capex size is Rs 20bn-25bn for a brownfield 200ktpa paper plant).

Initiate coverage on JKPAPER with a BUY rating and TP of Rs 450

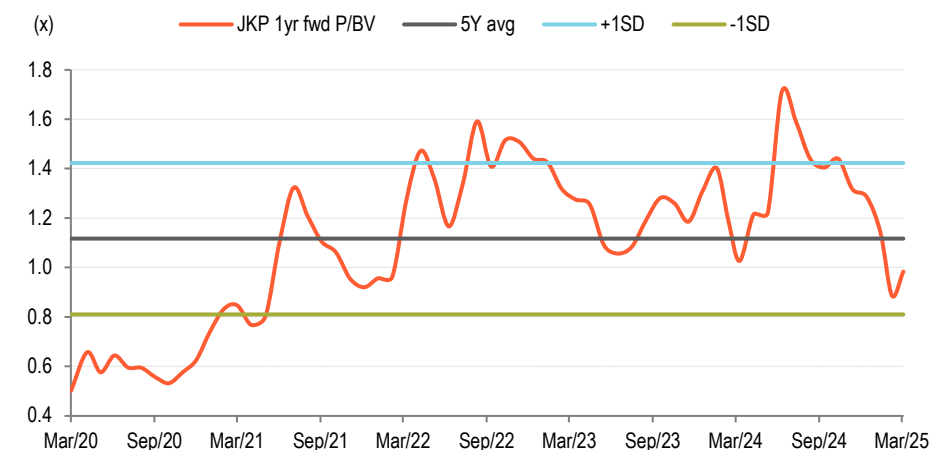
We initiate coverage on JKPAPER with a BUY rating and TP of Rs 450 as we believe (a) it could undertake large capex via the organic and inorganic routes (unlike most of its peers) due to strong balance sheet positions and large size of operations; (b) its business risk profile has improved due to the rising share of fast-growing packaging revenue; (c) it could likely generate superior return ratio profiles due to cost leadership in a commoditised product on account of diversified manufacturing base, efficient operations and low dependency on expensive imported pulp; and (d) it has reasonable valuations (trades at a 1Y forward P/BV of 1.0x vs 5Y average of 1.1x). We have valued the stock at an EV/EBITDA of 6.0x on FY27E (which is near to its 5Y average of 5.8x). Key risks include sharp fall in global pulp prices, steep increase in local timber prices, pressure of cheap imports on a sustained basis and strong rupee.

Fig 8 – JKPAPER operated at a healthy pre-tax ROIC of 19% over FY15-FY24, but...



Source: Company, BOBCAPS Research

Fig 9 – ... its stock trades at a 1Y forward P/BV of 1.0x vs 5Y average of 1.1x



Source: Bloomberg, BOBCAPS Research

Fig 10 – Paper sector – Relative valuation

Companies (Currencies)	Revenue (bn)			EBITDA margin (%)			EPS (per share)			Net debt/EBITDA (x)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Global pulp & paper producers												
Suzano (BRL)*	47.4	54.3	58.6	50.3	43.9	40.7	(5.6)	9.8	9.3	3.3	2.5	2.0
International Paper (USD)*	18.6	24.6	26.1	10.7	13.4	15.2	1.1	2.8	3.6	3.5	1.8	1.5
Sylvamo Corp (USD)*	3.8	3.4	3.5	16.8	17.3	18.4	7.4	6.7	7.4	1.0	0.8	0.5
UPM Kymmene (EUR)*	10.3	10.7	11.2	16.8	18.8	22.0	1.7	1.9	2.5	1.7	1.4	0.8
Stora Enso (EUR)*	9.0	9.7	10.3	13.5	13.9	16.6	(0.6)	0.6	0.9	3.0	2.7	2.0
Svenska Cellulosa SCA (SEK)*	20.2	22.1	23.2	35.3	36.7	39.4	5.2	6.4	7.5	1.8	1.5	1.2
Global average	-	-	-	18.6	20.0	22.3	-	-	-	2.2	1.6	1.2
Indian paper producers												
JKPAPER (Rs bn)	67.3	71.6	76.5	13.2	13.5	18.6	23.9	26.6	47.3	1.5	1.4	0.6
WCPM (Rs bn)	41.1	42.6	46.1	11.5	14.4	18.2	47.3	50.7	70.0	(2.4)	(2.6)	(2.4)
Indian Average	-	-	-	12.3	14.0	18.4	-	-	-	(0.5)	(0.6)	(0.9)

Source: Bloomberg, BOBCAPS Research | *December fiscal year end

Fig 11 – Paper sector – Relative valuation

Companies	ROE (%)			P/E (x)			EV/EBITDA (x)			P/BV (x)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Global pulp & paper producers												
Suzano	(18.4)	29.4	23.0	NA	5.5	5.8	5.7	5.3	4.8	2.1	1.5	1.2
International Paper	6.7	10.7	12.6	46.3	18.6	14.6	19.2	10.4	8.6	2.3	1.6	1.6
Sylvamo Corp	34.6	33.4	38.4	8.9	10.0	9.0	5.3	5.5	5.2	3.2	NA	NA
UPM Kymmene	3.9	9.2	12.1	15.2	13.7	10.4	10.0	8.6	7.1	1.3	1.2	1.2
Stora Enso	(1.3)	4.2	6.8	NA	16.1	10.1	19.8	7.9	6.3	0.7	0.7	0.7
Svenska Cellulosa SCA	3.5	4.4	5.0	26.1	21.1	17.9	14.8	13.3	11.8	0.9	0.9	0.9
Global Average	9.5	12.4	15.0	24.1	15.9	12.4	13.8	9.2	7.8	1.7	1.1	1.1
Indian paper producers												
JKPAPER	7.8	8.3	13.6	13.4	12.0	6.8	7.7	7.0	4.4	1.0	1.0	0.9
WCPM	9.0	8.9	11.1	8.8	8.2	6.0	4.5	3.5	2.5	0.8	0.7	0.7
Indian Average	8.4	8.6	12.4	11.1	10.1	6.4	6.1	5.2	3.5	0.9	0.9	0.8

Source: Bloomberg, BOBCAPS Research

BUY

TP: Rs 450 | ▲ 41%

JK PAPER

| Paper

| 26 March 2025

Undisputed leader in paper sector

- **Market leader in Indian paper industry; gaining market share due to aggressive expansion in fast-growing packaging segment**
- **Healthy return ratios due to efficient operations; strong balance sheet provides healthy growth visibility over medium term**
- **Initiate with BUY rating and TP of Rs 450 on improvement in business risk profile and reasonable valuations**

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Market leader in Indian paper sector: JKPAPER is the market leader in the Indian paper sector. The company's market share among the top 10 major paper companies has almost doubled over the past decade (to 18.8% in FY24 from 9.9% in FY14) due to aggressive capacity expansion via both the organic (expanded copier paper capacity in 2014 and paperboard capacity in 2022) and inorganic routes (acquired Sirpur Paper Mills in 2018).

Industry-leading margin profile: JKPAPER has been entering fast-growing and low-margin paper segments (coated paper in 2005; paperboard in 2008, corrugated packaging in 2022) to diversify its product profile. It has been able to report industry-leading margin on a consistent basis due to the benefit of multi-geographic plant locations in freight-intensive products and efficient operations.

Healthy return ratios and strong balance sheet position: JKPAPER operated at a healthy average pre-tax ROIC of 19% over the past decade (FY15-FY24). The company has been in heavy capex mode (will invest more than Rs 36bn over Jan'22-Dec'25) to diversify its product-mix profile from a slow-growing paper segment to fast-growing packaging segment (i.e. expansion of paperboard capacity and acquisitions of various corrugated packaging companies). However, we expect its net debt to go down to Rs 9.2bn in Mar'26 from Rs 24.3bn in Mar'22.

Reasonable valuations – BUY: We initiate coverage on JKPAPER with a BUY rating and TP of Rs 450 as we believe (a) it could undertake large capex via both the organic and inorganic routes (unlike most of its peers) due to a strong balance sheet and large size of operations; (b) its business risk profile has improved due to rising share of fast-growing packaging revenue; (c) it could likely generate superior return ratio profiles due to cost leadership in commoditised products; and (d) it has a reasonable valuation (trades at a 1Y forward P/BV of 1.0x vs 5Y average of 1.1x). We have valued the stock at an EV/EBITDA of 6.0x on FY27E (near its 5Y average of 5.8x). Key risks include a sharp fall in global pulp prices, steep increase in local timber prices, pressure of cheap imports on a sustained basis and strong rupee.

Ticker/Price	JKPAPER IN/Rs 320
Market cap	US\$ 63.2mn
Free float	50%
3M ADV	US\$ 2.0mn
52wk high/low	Rs 639/Rs 276
Promoter/FPI/DII	50%/12%/6%

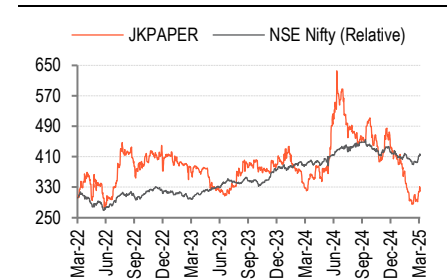
Source: NSE | Price as of 26 Mar 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	66,592	67,290	71,647
EBITDA (Rs mn)	16,157	8,861	9,664
Adj. net profit (Rs mn)	11,447	4,124	4,597
Adj. EPS (Rs)	67.6	24.3	27.1
Consensus EPS (Rs)	67.6	24.3	27.1
Adj. ROAE (%)	25.1	7.9	8.4
Adj. P/E (x)	4.7	13.1	11.8
EV/EBITDA (x)	(1.0)	(1.1)	(0.7)
Adj. EPS growth (%)	(16.8)	(46.3)	8.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Investment rationale

JKPAPER almost doubled its market share over the past decade

JKPAPER is the market leader in the Indian paper sector. The company’s market share among the top 10 major paper companies has almost doubled over the past decade (to 18.8% in FY24 from 9.9% in FY14) due to aggressive capacity expansion via both the organic (expanded copier paper capacity in 2014 and paperboard capacity in 2022) and inorganic routes (acquired Sirpur Paper Mills [SPM] in 2018).

Fig 1 – JKPAPER almost doubled its market share over the past one decade

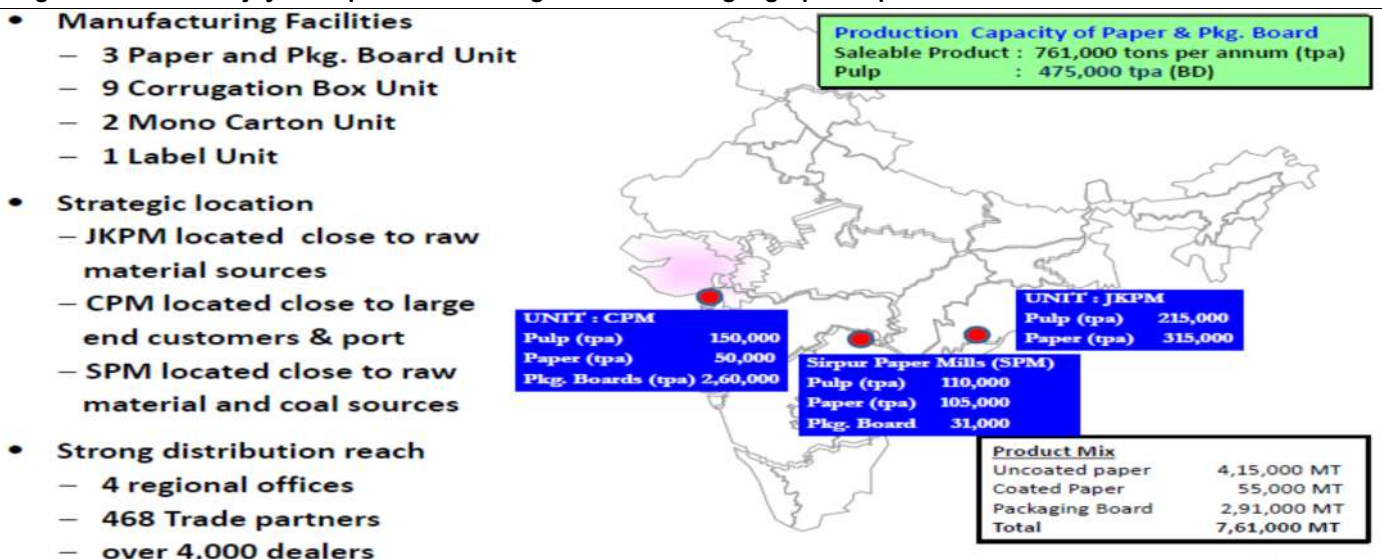
Revenue market share of top 10 paper companies (%)	FY09	FY14	FY19	FY24
BILT Graphic Paper	28.1	21.1	13.5	15.3
ITC (paper segment)	17.1	18.6	17.8	18.4
Tamilnadu Paper Mills	10.9	13.0	16.9	13.2
JK Paper	10.7	9.9	13.5	18.8
Century (paper segment)	9.3	9.8	11.0	9.5
West Coast Paper Mills (SA)	6.2	8.9	8.2	12.5
Andhra Paper (SA)	6.3	6.2	5.9	NA
Seshasayee Paper	5.3	5.7	5.5	5.1
Kuantum Paper	2.0	2.7	3.3	3.4
Ruchira Paper	1.6	1.8	2.0	1.9
Shreyans Industries	2.6	2.3	2.4	2.0
Total	100.0	100.0	100.0	100.0

Source: Company, BOBCAPS Research | SA: Standalone

Enjoys competitive advantage due to multiple plant locations

JKPAPER has a pan-India distribution network due to a well-diversified manufacturing base for its freight-intensive business in three locations (Odisha, East India; Gujarat, West India; and Telangana, South India) whereas most domestic paper mills operate through a single location. The company manufactures corrugated packaging through 12 plants across the country.

Fig 2 – JKPAPER enjoys competitive advantages due to multi-geographical plant locations



Source: Company, BOBCAPS Research

Industry-leading margin due to cost leadership in paper sector

JKPAPER has been entering fast-growing and low-margin paper segments (coated paper in 2005; paperboard in 2008, and expanded its paperboard capacity in 2022, and corrugated packaging in 2022) to diversify its product profile whereas most of its peers are concentrated in the slow-growing and high-margin paper segment (i.e. uncoated paper). JKPAPER has been able to report industry-leading margin on a consistent basis due to its continuous focus on improving its efficiency parameters by investing in latest plant and technologies.

Fig 3 – JKPAPER consistently reports superior operating margins as it enjoys cost leadership in the paper sector

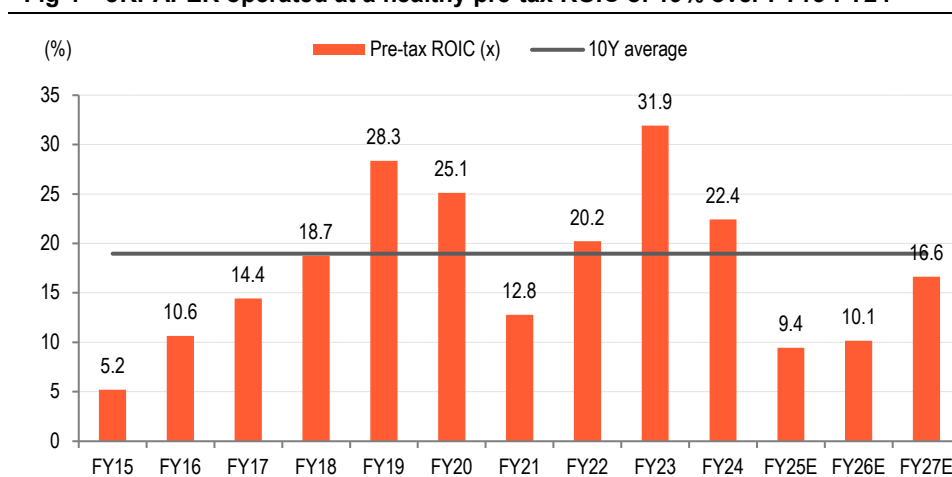
EBITDA margin (%)	FY19	FY20	FY21	FY22	FY23	FY24	Q1FY25	Q2FY25	Q3FY25
JK Paper	26.7	28.5	20.4	25.1	31.3	24.3	16.4	15.7	10.3
Tamilnadu Paper Mills	15.9	17.5	9.4	8.9	19.2	17.5	13.4	13.7	4.9
Century Paper (paper segment)	27.5	22.3	13.8	15.7	16.9	12.8	8.3	6.9	3.8
West Coast Paper Mills (SA)	25.7	24.3	14.0	20.4	32.1	25.0	22.0	14.7	8.6
Andhra Paper Mills (SA)	26.5	23.8	6.9	16.0	35.0	23.9	10.7	12.1	7.3
Seshasayee Paper	22.3	22.5	13.8	12.2	25.6	18.9	11.3	7.7	1.8
Average	23.3	22.9	13.8	16.7	26.1	20.5	14.4	12.7	6.9

Source: Company, BOBCAPS Research; SA - standalone

JKPAPER operated at a healthy pre-tax ROIC over the past decade

JKPAPER operated at a healthy average pre-tax ROIC of 19% over the past one decade (FY15-FY24). The company's pre-tax ROIC is likely to come down to 9.4% in FY25E due to a steep decline in its operating margin (from 10Y average of 22.7% to 13.2% in FY25E). However, we expect JKPAPER's pre-tax ROIC to improve to 16.6% by FY27E assuming a gradual recovery in the paper segment margin (18.6% for FY27E) and improved contribution from newly-acquired corrugated packaging companies.

Fig 4 – JKPAPER operated at a healthy pre-tax ROIC of 19% over FY15-FY24



Source: Company, BOBCAPS Research

Strong balance sheet position despite aggressive capex

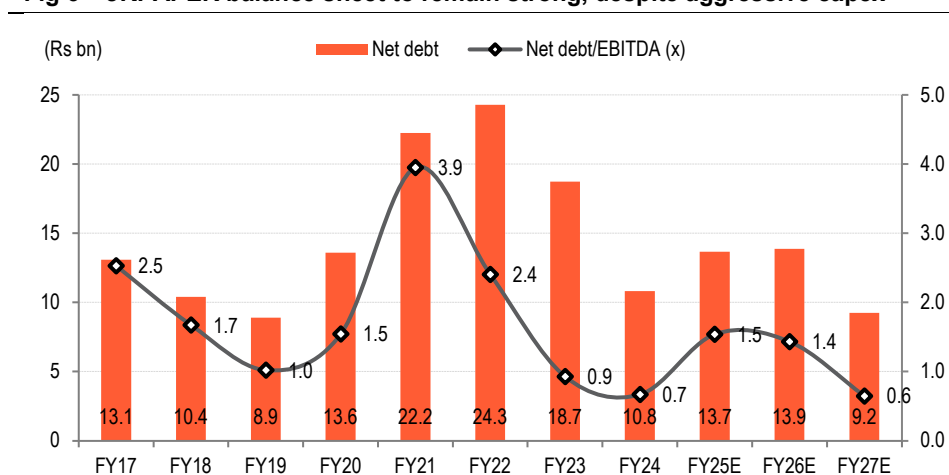
JKPAPER is in the process of completing a backward integration projection (BCTMP pulp plant) at a cost of Rs 6.4bn in Q2FY26 to reduce its reliance on imported mechanical pulp. The company acquired a 60% stake in a corrugated packaging company (Radhesham Wellpack) in Dec'24 at a cost of Rs 635mn and plans to acquire the remaining 40% stake over the next two years. It acquired a 65% stake in an animal feed company (Quadragen VetHealth) in Jan'25 for Rs 3bn and plans to acquire the remaining 35% stake in the next four years. Consequently, we expect JKPAPER's net debt/EBITDA to increase to 1.5x in FY25 from 0.7x in FY24 due to severe margin pressure, but it is expected to come down gradually to 0.6x by FY27E.

Fig 5 – JKPAPER's capex details over the past three years

Particulars	Segment	Date	Stake acquired	Amount (Rs bn)	Remarks
Expansion of paperboard capacity by 200ktpa in Gujarat	Paperboard project	Jan'22	-	19.5	-
Acquisition of 85% stake in Horizon Packs	Corrugated packaging	Nov'22	85%	5.2	Acquired the remaining 15% stake in May'24
Acquisition of 85% stake in Securipax Packaging	Corrugated packaging	Nov'22	85%	0.6	
Acquisition of 100% stake in Manipal Utility Packaging Solutions	Corrugated packaging	Oct'23	100%	0.9	-
Acquisition of 60% stake in Radhesham Wellpack	Corrugated packaging	Dec'24	60%	0.6	Plans to acquire the remaining 40% stake over the next 2 years
Acquisition of 65% stake in Quadragen VetHealth	Animal Feeds	Jan'25	65%	3.0	Plans to acquire the remaining 35% stake over the next 2 years
Paperboard backward integration project	Installing BCTPM line	Q3FY26	-	6.4	To be commissioned by Q2FY26
Total				36.2	

Source: Company, BOBCAPS Research

Fig 6 – JKPAPER balance sheet to remain strong, despite aggressive capex



Source: Company, BOBCAPS Research

Valuation methodology

We initiate coverage on JKPAPER with a BUY rating and TP of Rs 450 as we believe (a) it could undertake large capex via the organic and inorganic routes (unlike most of its peers) due to a strong balance sheet position and large size of operations; (b) its business risk profile has improved due to the rising share of fast-growing packaging revenue; (c) it could likely generate a superior return ratio profile due to cost leadership in a commoditised product on account of diversified manufacturing base, efficient operations and low dependency on expensive imported pulp; and (d) it has a reasonable valuation (trades at a 1Y forward P/BV of 1.0x vs 5Y average of 1.1x). We have valued the stock at an EV/EBITDA of 6.0x on FY27 estimates (near its 5Y average of 5.8x).

Fig 7 – JKPAPER stock trades at a 1Y forward P/BV of 1.0x vs 5Y average of 1.1x

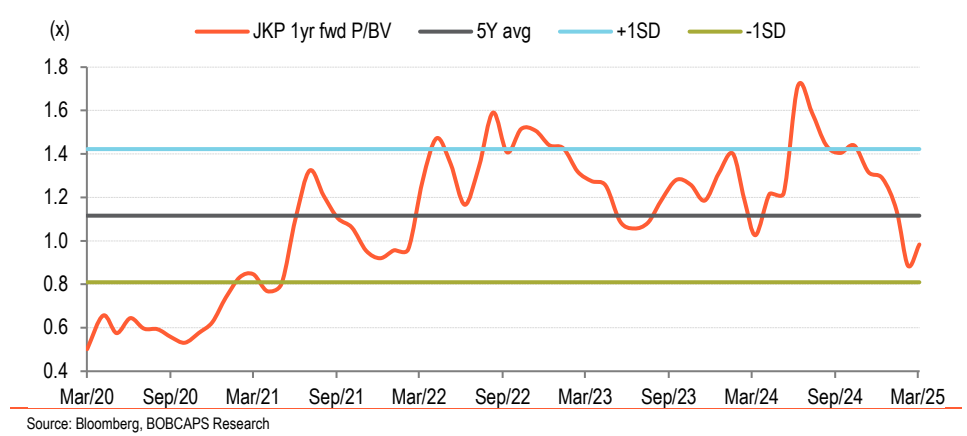


Fig 8 – JKPAPER trades at a 1Y forward EV/EBITDA of 7.0x vs 5Y average of 5.8x

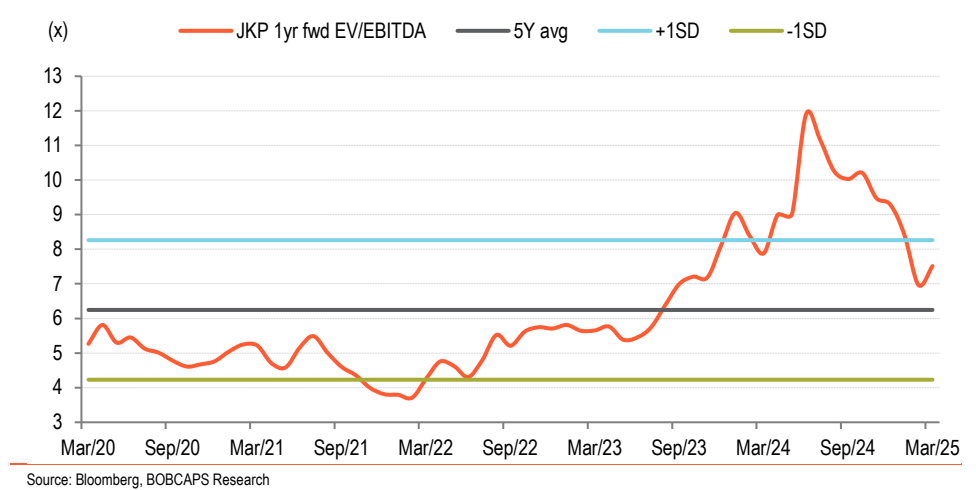


Fig 9 – JKPAPER valuation summary

Particulars	Amount (Rs bn)
EBITDA - Mar'27	14.2
EV/EBITDA (x)	6.0
EV	85.5
Less: Net Debt as on Mar'27	9.2
Equity Value	76.2
No. of shares (mn)	169
Target Price (Rs)	450
CMP (Rs per share)	320
Upside Potential	41%

Source: BOBCAPS Research | Priced at close of 26 March 2025

Financials

JKPAPER PAT forecast to grow at 40.8% CAGR over FY25E-FY27E

As JKPAPER is operating its paper and board facility at almost full capacity, we expect its revenue to grow at a modest pace of 6.6% CAGR over FY25-FY27 and to be driven by contributions from its newly-acquired corrugated packaging units and improved realisation for its paper segment (+4.9% CAGR). We expect EBITDA margin to improve gradually from 10.3% in Q3FY25 to 13.5%/18.6% in FY26E/FY27E (vs 10Y average of 22.7%) in anticipation of hardening domestic paper prices from Q1FY26, benefit of completion of backward integration project in Q3FY26, and moderation in timber prices over the next four to six quarters. We forecast PAT to grow at 40.8% CAGR over FY25-FY27 in anticipation of margin improvement and falling interest cost.

Fig 10 – Key assumptions

	Mar-22A	Mar-23A	Mar-24A	Mar-25E	Mar-26E	Mar-27E
Paper & Board Capacity (MTPA)	761,000	761,000	761,000	761,000	761,000	761,000
Capacity Utilisation (%)	88.3	101.4	104.4	106.0	108.2	108.5
Volume Growth (YoY)	20.8	29.0	2.3	1.6	2.1	0.2
Realisation Growth (YoY)	19.4	21.5	(7.9)	(3.3)	3.7	6.0
EBITDA Margin (%)	25.4	31.3	24.3	13.2	13.5	18.6
Net Debt/EBITDA (x)	2.4	0.9	0.7	1.5	1.4	0.6
Pre-tax ROIC (%)	20.2	31.9	22.4	9.4	10.1	16.6

Source: Company, BOBCAPS Research

Company overview

JK Group acquired a Board for Industrial and Financial Reconstruction-registered paper company (The Central Pulp Mills [CPM] in Gujarat) in 1992 to strengthen its position in the paper manufacturing business. As part of a group restructuring exercise, JK Lakshmi Cement (JKLC) transferred its paper division (unit in Odisha) to CPM in 2000 and subsequently renamed CPM as JK Paper (JKPAPER). In Jul'18, JKPAPER acquired Sirpur Paper Mills (with an installed capacity of 136,000 MTPA), through the National Company Law Tribunal, for an enterprise value of ~Rs 7.5bn (including incremental capex). In Nov'23, JKPAPER acquired an 85% equity stake in two companies (Horizon Packs and Securipax Packaging) to make a foray into the corrugated packaging segment. At present, the company operates capacities of pulp

(475,000 MTPA), uncoated paper (415,000 MTPA), packaging board paper (291,000 MTPA), coated paper (55,000 MTPA) at three locations: Songadh (Gujarat), Rayagadh (Odisha) and Kagaznagar (Telangana). The company is also operating a corrugated packaging capacity of 350,000 MTPA through 12 plants located across the country.

Fig 11 – JKPAPER journey

Year	Key Milestone
1938	Commissioned 3,600 TPA Straw Board facility at Bhopal
1962	Installed 1st Fine Paper machine at unit – JKPAPERM (Odisha)
1992	Acquired unit – CPM in Gujarat
2005	Installed 55,000 MTPA coating plant at unit – JKPAPERM
2007	Installed 60,000 MTPA Premium Packaging Board Plant at unit – CPM
2013	Installed 165,000 MTPA high-speed copier paper machine at unit – JKPAPERM
2018	Acquired Sirpur Paper Mills (with 136,000 MTPA capacity) Telangana
2022	Commissioned 170,000 MTPA new packaging board plant at unit – CPM
Nov'22	Acquired 85% equity stake in two corrugated box companies to make a foray into this segment
Q2FY24	Commissioned the greenfield corrugated packaging plant in Ludhiana
Oct'23	Acquired 100% stake in Manipl Utility Packaging Solutions to foray into mono cartons and labels
Dec'24	Acquired 60% stake in Radhesham Wellpack to foray into premium corrugated box segment
Jan'25	Acquired 65% stake in Quadragen VetHealth to foray into animal feeds business
Q3FY26	Plans to commission BCTPM line to reduce dependence on imported mechanical pulp for its paperboard segment

Source: Company, BOBCAPS Research

Fig 12 – Management overview

Name	Position	Background & Experience
Mr. Bharat Hari Singhania	Chairman Emeritus	Promoter director at JK Paper, and son of the late Mr. Lala LakshmiPat Singhania President of JK Group; Former President of the Indian Chamber of Commerce
Mr. Harsh Pati Singhania	CMD	Promoter Director since June 1992, MD since January 2007, and Vice-Chairman since May 2013 Former President of FICCI MBA from the University of Massachusetts, USA; Completed Owner/President Management (OPM) Programme from Harvard Business School, USA
Mr. A. S. Mehta	President & Director	Associated with JK Group for over three decades; President of JK Paper since October 2011 President of Indian Paper Manufacturers Association (IPMA) A Chartered Accountant.
Mr. K. R. Veerappan	CFO	Joined JK Paper as CFO in May 2022. Had 30 years of experience (including 15 years as CFO) in various sectors A Chartered Accountant

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- Sharp fall in global pulp prices and strong rupee.
- Steep increase in local timber prices.
- Persistent pressure of cheap paper and board imports.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25E	FY26E	FY27E	FY28E
Total revenue	66,592	67,290	71,647	76,526	80,305
EBITDA	16,157	8,861	9,664	14,243	14,961
Depreciation	3,101	3,222	3,369	3,475	3,695
EBIT	13,056	5,639	6,295	10,767	11,265
Net interest inc./(exp.)	(2,081)	(1,515)	(1,104)	(848)	(592)
Other inc./(exp.)	2,272	1,055	890	890	890
Exceptional items	1	0	0	0	0
EBT	13,247	5,179	6,082	10,810	11,564
Income taxes	1,915	1,096	1,531	2,721	2,911
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	114	41	46	82	87
Reported net profit	11,446	4,124	4,597	8,170	8,741
Adjustments	1	0	0	0	0
Adjusted net profit	11,447	4,124	4,597	8,170	8,741

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25E	FY26E	FY27E	FY28E
Accounts payables	6,777	6,223	6,295	6,723	7,055
Other current liabilities	2,906	2,906	2,906	2,906	2,906
Provisions	126	129	137	146	153
Debt funds	21,253	17,597	13,941	10,285	6,629
Other liabilities	10,097	10,097	10,097	10,097	10,097
Equity capital	1,694	1,694	1,694	1,694	1,694
Reserves & surplus	49,001	51,518	53,990	59,964	66,497
Shareholders' fund	50,695	53,212	55,684	61,658	68,191
Total liab. and equities	91,854	90,163	89,060	91,816	95,032
Cash and cash eq.	10,432	3,941	81	1,047	1,734
Accounts receivables	3,613	3,651	3,887	4,152	4,357
Inventories	9,416	10,887	11,435	11,025	11,702
Other current assets	7,115	7,206	7,500	7,830	8,086
Investments	1,886	1,886	1,886	1,886	1,886
Net fixed assets	54,890	53,168	56,299	57,824	59,128
CWIP	710	4,210	2,710	2,710	2,710
Intangible assets	3,614	3,614	3,614	3,614	3,614
Deferred tax assets, net	0	0	0	0	0
Other assets	1,602	1,602	1,602	1,602	1,602
Total assets	93,278	90,163	89,014	91,688	94,818

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25E	FY26E	FY27E	FY28E
Cash flow from operations	12,382	5,656	7,180	11,857	11,339
Capital expenditures	(3,201)	(5,000)	(5,000)	(5,000)	(5,000)
Change in investments	(496)	0	0	0	0
Other investing cash flows	2,271	1,055	890	890	890
Cash flow from investing	(1,426)	(3,945)	(4,110)	(4,110)	(4,110)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(6,132)	(3,656)	(3,656)	(3,656)	(3,656)
Interest expenses	(2,081)	(1,515)	(1,104)	(848)	(592)
Dividends paid	(1,440)	(1,525)	(2,033)	(2,033)	(2,033)
Other financing cash flows	579	(1,465)	(92)	(163)	(175)
Cash flow from financing	(9,073)	(8,161)	(6,884)	(6,700)	(6,455)
Chg in cash & cash eq.	1,882	(6,450)	(3,814)	1,048	774
Closing cash & cash eq.	10,547	3,982	127	1,129	1,821

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25E	FY26E	FY27E	FY28E
Reported EPS	67.6	24.3	27.1	48.2	51.6
Adjusted EPS	67.6	24.3	27.1	48.2	51.6
Dividend per share	8.5	9.0	12.0	12.0	12.0
Book value per share	299.3	314.1	328.7	364.0	402.5

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25E	FY26E	FY27E	FY28E
EV/Sales	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
EV/EBITDA	(1.0)	(1.1)	(0.7)	(0.6)	(0.4)
Adjusted P/E	4.7	13.1	11.8	6.6	6.2
P/BV	1.1	1.0	1.0	0.9	0.8

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25E	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	86.4	79.6	75.6	75.6	75.6
Interest burden (PBT/EBIT)	101.5	91.8	96.6	100.4	102.6
EBIT margin (EBIT/Revenue)	19.6	8.4	8.8	14.1	14.0
Asset turnover (Rev./Avg TA)	71.4	74.6	80.5	83.5	84.7
Leverage (Avg TA/Avg Equity)	2.0	1.7	1.6	1.6	1.5
Adjusted ROAE	25.1	7.9	8.4	13.9	13.5

Ratio Analysis

Y/E 31 Mar	FY24A	FY25E	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	3.5	1.0	6.5	6.8	4.9
EBITDA	(19.9)	(45.2)	9.1	47.4	5.0
Adjusted EPS	(16.8)	(46.3)	8.4	45.8	6.8
Profitability & Return ratios (%)					
EBITDA margin	24.3	13.2	13.5	18.6	18.6
EBIT margin	19.6	8.4	8.8	14.1	14.0
Adjusted profit margin	17.2	6.1	6.4	10.7	10.9
Adjusted ROAE	25.1	7.9	8.4	13.9	13.5
ROCE	21.3	9.5	10.3	16.2	16.2
Working capital days (days)					
Receivables	20	20	20	20	20
Inventory	52	59	58	53	53
Payables	37	34	32	32	32
Ratios (x)					
Gross asset turnover	1.0	1.0	1.0	1.0	1.0
Current ratio	2.1	1.8	1.6	1.6	1.7
Net interest coverage ratio	6.3	3.7	5.7	12.7	19.0
Adjusted debt/equity	0.2	0.3	0.2	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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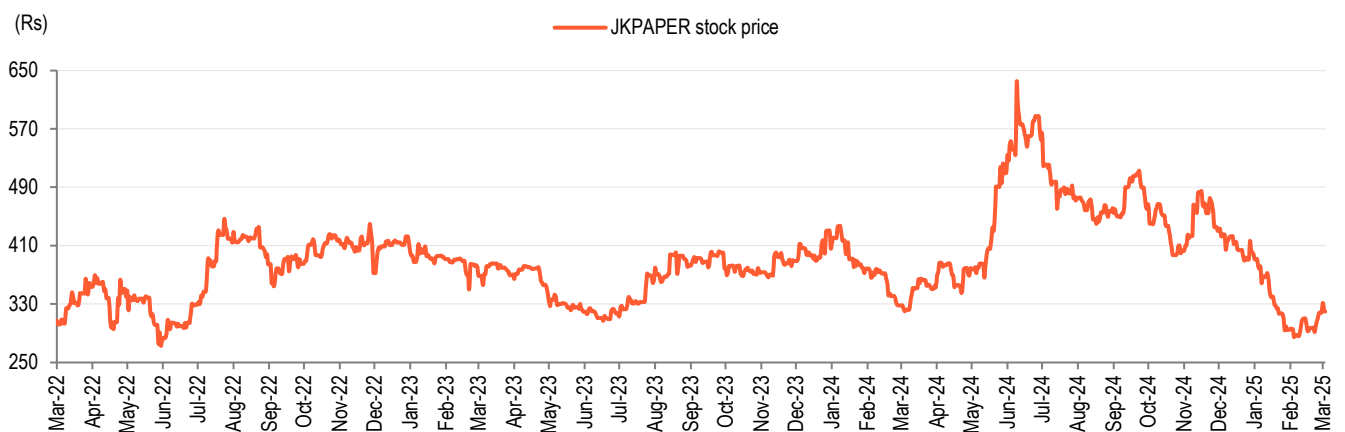
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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Ratings and Target Price (3-year history): JK PAPER (JKPAPER IN)



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