

BUY**TP: Rs 500 | ▲ 41%****JK PAPER**

| Paper

| 28 July 2025

Margin surprise; expansion in folding carton via inorganic route

- **Beats EBITDA estimate (+17%) on improved gross margin; EBITDA margin improved for the second consecutive quarter**
- **Plans to acquire 72% stake in Borkar Packaging (6.9x EV/EBITDA on FY24) to become a leading player in folding carton box in India**
- **Maintain BUY; raise TP by 11% to Rs 500 per share on earnings upgrade post a strong Q1 result**

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Beats estimate: JKPAPER Q1FY26 top line came 2.0% below our estimate, but sharply beats our EBITDA estimate by 17.3% due to better-than-expected EBITDA margin (+193bps QoQ to 14.8% vs 12.3% estimate), on improved gross margin (+324bps QoQ – which we believe is due to better realisation for the paperboard business as well as lower raw-material cost) and operating efficiencies.

Highlights: Revenue was down 2.3% YoY in Q1FY26. EBITDA de-grew by 11.9% YoY in Q1FY26 due to weak realisations and higher wood costs. However, on a sequential basis, EBITDA margin improved for the second quarter in a row (10.3% in Q4FY25 to 12.8% in Q1FY26 and 14.8% in Q1FY26). Interest cost rose sharply by 89% YoY and PAT was down 42% YoY in Q1FY26.

Acquisition: JKPAPER has announced plans to acquire 72% stake in Borkar Packaging Pvt Ltd (BPPL) for Rs 2.35bn and expects to acquire the remaining 28% stake over the next 4 years. The deal appears to be attractive as we believe it is valued at an EV/EBITDA of 6.9x on FY24 financials. This deal will strengthen the company's leadership position in the corrugated packaging business and make it amongst the top 3 players in the folding cartons space (TCPL Packaging, Parksons Packaging) in India. BPPL operates 7 plants in India with a revenue of Rs 3.9bn and operating margin of around 12% in FY24.

Maintain BUY; raise TP by 11% to Rs 500 per share: We maintain BUY rating on the stock. We have raised our TP to Rs 500 per share (Rs 450 earlier) due to increase in our EBITDA estimates (+10.6%/+5.2%/+4.2% for FY26E/FY27E/ FY28E) post a strong Q1FY26 result. We project JKPAPER's EPS to grow at 35.4% CAGR over FY25-FY28E, given a gradual improvement in EBITDA margin (15.4%/19.8%/23.1% in FY26E/FY27E/FY28E) to near to 10Y avg of 23% in the anticipation of a better pricing environment and moderation in wood cost. Our target EV/EBITDA multiple remains unchanged at 6.0x on Jun'27 estimates (Mar'27 earlier). At CMP, the stock trades at 6.1x on 1Y forward EV/EBITDA vs 5Y avg of 5.7x.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	JKPAPER IN/Rs 354
Market cap	US\$ 69.3mn
Free float	50%
3M ADV	US\$ 2.2mn
52wk high/low	Rs 531/Rs 276
Promoter/FPI/DII	50%/12%/5%

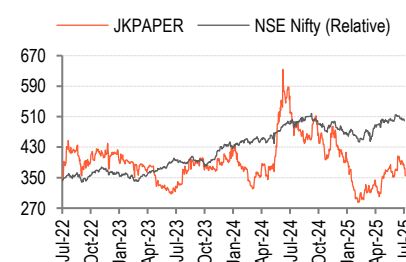
Source: NSE | Price as of 28 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	67,181	69,185	73,278
EBITDA (Rs mn)	9,281	10,640	14,493
Adj. net profit (Rs mn)	4,143	4,618	7,612
Adj. EPS (Rs)	24.5	27.3	44.9
Consensus EPS (Rs)	24.5	27.3	44.9
Adj. ROAE (%)	7.9	8.3	12.6
Adj. P/E (x)	14.5	13.0	7.9
EV/EBITDA (x)	(0.9)	(0.5)	(0.5)
Adj. EPS growth (%)	(45.1)	10.3	40.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



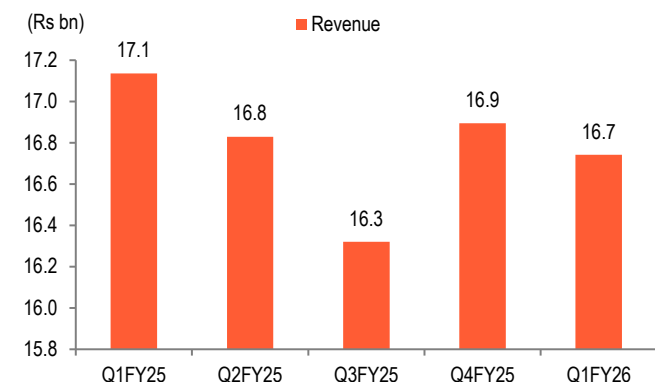
Source: NSE



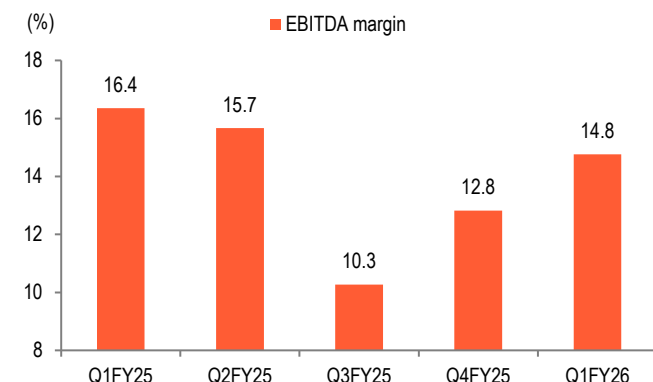
Fig 1 – Quarterly performance – Consolidated

Particulars (Rs mn)	Q1FY26	Q1FY25	Change (%)	Q4FY25	Change (%)
Total operating income	16,742	17,137	(2.3)	16,895	(0.9)
Raw-Material expense	9,982	9,829	1.5	10,620	(6.0)
Gross Profit	6,760	7,307	(7.5)	6,275	7.7
Employee expense	1,651	1,520	8.6	1,496	10.4
Power & Fuel	1,314	1,276	3.0	1,265	3.9
Other expense	1,324	1,709	(22.5)	1,348	(1.7)
EBITDA	2,471	2,803	(11.9)	2,167	14.0
D&A	891	803	10.9	865	3.0
EBIT	1,580	2,000	(21.0)	1,302	21.4
Interest cost	671	356	88.6	501	33.9
Non-operating expense/(income)	(251)	(290)	(13.3)	(251)	0.2
PBT	1,160	1,934	(40.0)	1,052	10.3
Tax	306	527	(41.9)	280	9.2
Reported PAT	854	1,408	(39.3)	772	10.7
Less: Minority Interests	42	11	293.5	10	329.6
PAT after minority interests	812	1,397	(41.9)	762	6.6
Adjusted PAT	812	1,397	(41.9)	763	6.5
As % of net revenues			(bps)		(bps)
Gross margin	40.4	42.6	(226)	37.1	324
Employee cost	9.9	8.9	99	8.9	101
Power & Fuel	7.8	7.4	40	7.5	36
Other cost	7.9	10.0	(206)	8.0	(7)
EBITDA margin	14.8	16.4	(160)	12.8	193
Tax rate	26.4	27.2	(87)	26.6	(26)
APAT margin	4.9	8.2	(330)	4.5	34

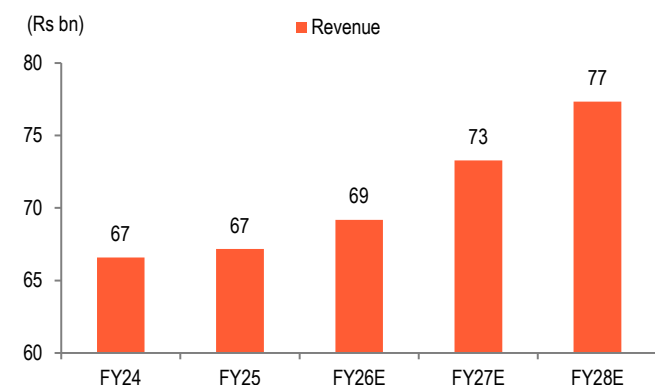
Source: Company, BOBCAPS Research

Fig 2 – JKPAPER revenue was down 2.3% YoY in Q1FY26

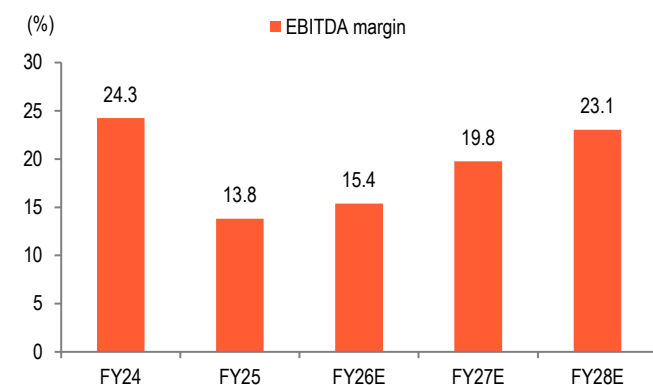
Source: Company, BOBCAPS Research

Fig 3 – JKPAPER EBITDA margin improved for the 2nd quarter in a row

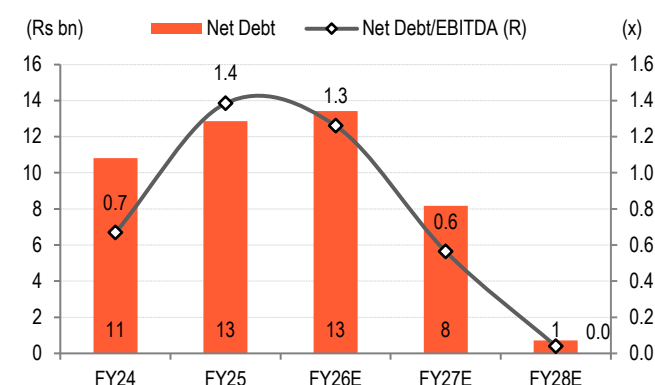
Source: Company, BOBCAPS Research

Fig 4 – JKPAPER revenue is projected to grow at a 4.8% CAGR over FY25-FY28E

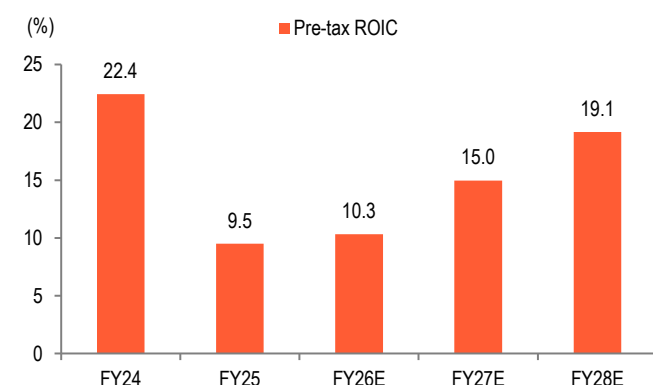
Source: Company, BOBCAPS Research

Fig 5 – JKPAPER EBITDA margin is projected to gradually improve to 10Y avg level of 23% by FY28

Source: Company, BOBCAPS Research

Fig 6 – JKPAPER net debt/EBITDA to improve from 1.4x in FY25 to 0.6x in FY27E

Source: Company, BOBCAPS Research

Fig 7 – JKP pre-tax ROIC is projected to improve from 9.5% in FY25 to 19.1% in FY28E

Source: Company, BOBCAPS Research

Valuation Methodology

We maintain BUY rating on the stock as we believe: (a) it could undertake a large capex via the organic and inorganic routes (unlike most peers) due to strong balance sheet positions and large size of operations (b) business risk profile has improved on 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 a diversified manufacturing base, efficient operations and low dependency on expensive imported pulp (d) reasonable valuations (trades at a 1YF P/BV of 1.0x vs 5Y average of 1.1x).

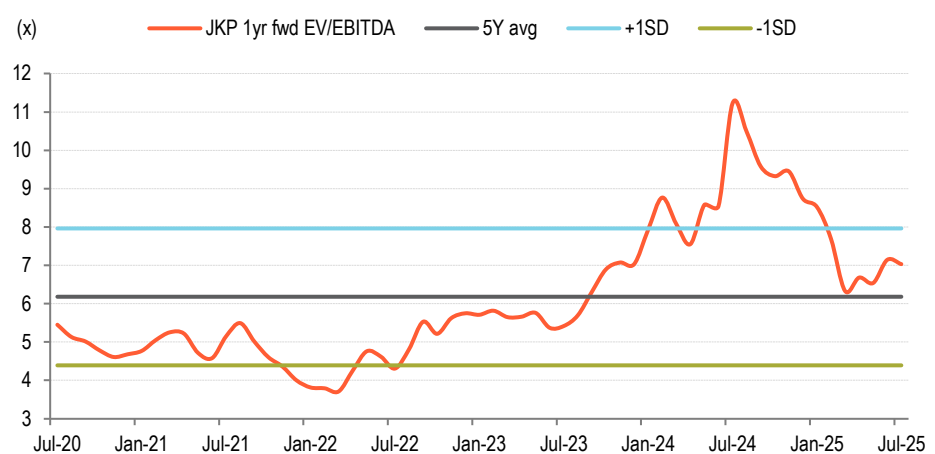
We have raised our TP to Rs 500 per share (Rs 450 earlier), due to increase in our EBITDA estimates (+10.6%/+5.2%/+4.2% for FY26E/FY27E/ FY28E) post a strong Q1FY26 result. We project JKPAPER's EPS to grow at 35.4% CAGR over FY25-FY28E given the gradual improvement in EBITDA margin (15.4%/ 19.8%/23.1% in FY26E/FY27E/FY28E) to near to 10Y avg of 23% in the anticipation of a better pricing environment and moderation in wood cost. Our target EV/EBITDA multiple remains unchanged at 6.0x on Jun'27 estimates (Mar'27 earlier). At CMP, the stock trades at 6.1x on 1Y forward EV/EBITDA vs 5Y avg of 5.7x.

Fig 8 – Revised estimates

Particulars (Rs bn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	69.2	73.3	77.3	69.4	73.8	78.4	(0.3)	(0.6)	(1.3)
EBITDA	10.6	14.5	17.8	9.6	13.8	17.1	10.6	5.2	4.2
EBITDA Margin	15.4	19.8	23.1	13.9	18.7	21.8	151bps	111bps	121bps
Adjusted PAT	4.6	7.5	10.2	4.4	7.5	10.0	2.7	0.1	1.3
PAT Margin	6.6	10.3	13.1	6.4	10.2	12.8	19.1	7.6	34.8
EPS	27.0	44.4	60.0	26.3	44.4	59.2	2.7	0.1	1.3

Source: Company, BOBCAPS Research

Fig 9 – JKPAPER stock trades at 6.1x on 1YF EV/EBITDA vs 5Y average of 5.7x



Source: Bloomberg, BOBCAPS Research

Fig 10 – Key assumptions

Key Assumptions	Mar-24A	Mar-25A	Mar-26E	Mar-27E	Mar-28E
Paper & Board Capacity (MTPA)	761,000	761,000	761,000	761,000	761,000
Capacity Utilization (%)	104.4	105.9	106.0	107.0	107.3
Volume Growth (YoY)	2.3	1.4	0.1	0.9	0.3
Realization Growth (YoY)	(7.9)	(3.6)	(0.4)	4.1	4.3
EBITDA Margin (%)	24.3	13.8	15.4	19.8	23.1
Net Debt/EBITDA (x)	0.7	1.4	1.3	0.6	0.0
Pre-tax ROIC (%)	22.4	9.5	10.3	15.0	19.1

Source: Company, BOBCAPS Research

Key Risks

Key risks to our estimates:

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

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	66,592	67,181	69,185	73,278	77,346
EBITDA	16,157	9,281	10,640	14,493	17,829
Depreciation	3,101	3,317	3,609	3,940	4,176
EBIT	13,056	5,964	7,032	10,553	13,653
Net interest inc./(exp.)	(2,081)	(1,777)	(1,880)	(1,442)	(1,003)
Other inc./(exp.)	2,272	1,082	1,005	1,005	1,005
Exceptional items	1	0	0	0	0
EBT	13,247	5,269	6,156	10,116	13,655
Income taxes	1,915	1,149	1,563	2,546	3,437
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	114	23	26	42	57
Reported net profit	11,446	4,143	4,618	7,612	10,274
Adjustments	1	0	0	0	0
Adjusted net profit	11,447	4,143	4,618	7,612	10,274

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	6,777	7,537	6,986	7,399	7,810
Other current liabilities	2,906	2,924	2,924	2,924	2,924
Provisions	126	119	122	130	137
Debt funds	21,253	17,497	13,841	10,185	6,529
Other liabilities	10,097	10,845	10,845	10,845	10,845
Equity capital	1,694	1,694	1,694	1,694	1,694
Reserves & surplus	49,001	52,379	55,930	61,933	70,231
Shareholders' fund	50,695	54,073	57,624	63,627	71,925
Total liab. and equities	91,854	92,995	92,342	95,110	100,170
Cash and cash eq.	10,432	4,644	423	2,007	5,809
Accounts receivables	3,613	4,322	3,791	4,015	4,238
Inventories	9,416	12,492	11,042	10,633	10,521
Other current assets	7,115	7,162	7,293	7,560	7,825
Investments	1,886	1,865	1,865	1,865	1,865
Net fixed assets	54,890	54,914	60,306	61,366	62,190
CWIP	710	1,100	1,100	1,100	1,100
Intangible assets	3,614	7,725	7,725	7,725	7,725
Deferred tax assets, net	0	88	88	88	88
Other assets	1,602	1,166	1,166	1,166	1,166
Total assets	93,278	95,476	94,798	97,524	102,526

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	12,382	5,803	10,404	12,327	14,490
Capital expenditures	(3,201)	(7,842)	(9,000)	(5,000)	(5,000)
Change in investments	(496)	410	0	0	0
Other investing cash flows	2,271	1,082	1,005	1,005	1,005
Cash flow from investing	(1,426)	(6,351)	(7,995)	(3,995)	(3,995)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(6,132)	(3,756)	(3,656)	(3,656)	(3,656)
Interest expenses	(2,081)	(1,777)	(1,880)	(1,442)	(1,003)
Dividends paid	(1,440)	(847)	(1,016)	(1,525)	(1,863)
Other financing cash flows	579	1,161	(51)	(84)	(114)
Cash flow from financing	(9,073)	(5,219)	(6,604)	(6,706)	(6,636)
Chg in cash & cash eq.	1,882	(5,767)	(4,195)	1,625	3,859
Closing cash & cash eq.	10,547	4,665	449	2,049	5,865

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	67.6	24.5	27.3	44.9	60.7
Adjusted EPS	67.6	24.5	27.3	44.9	60.7
Dividend per share	8.5	5.0	6.0	9.0	11.0
Book value per share	299.3	319.2	340.2	375.6	424.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
EV/EBITDA	(1.0)	(0.9)	(0.5)	(0.5)	(0.3)
Adjusted P/E	5.2	14.5	13.0	7.9	5.8
P/BV	1.2	1.1	1.0	0.9	0.8

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	86.4	78.6	75.0	75.2	75.2
Interest burden (PBT/EBIT)	101.5	88.3	87.5	95.9	100.0
EBIT margin (EBIT/Revenue)	19.6	8.9	10.2	14.4	17.7
Asset turnover (Rev./Avg TA)	71.4	70.4	73.0	75.1	75.4
Leverage (Avg TA/Avg Equity)	2.0	1.8	1.7	1.6	1.5
Adjusted ROAE	25.1	7.9	8.3	12.6	15.2

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	3.5	0.9	3.0	5.9	5.6
EBITDA	(19.9)	(42.6)	14.6	36.2	23.0
Adjusted EPS	(16.8)	(45.1)	10.3	40.3	25.0
Profitability & Return ratios (%)					
EBITDA margin	24.3	13.8	15.4	19.8	23.1
EBIT margin	19.6	8.9	10.2	14.4	17.7
Adjusted profit margin	17.2	6.2	6.7	10.4	13.3
Adjusted ROAE	25.1	7.9	8.3	12.6	15.2
ROCE	21.3	9.8	11.2	15.7	18.7
Working capital days (days)					
Receivables	20	23	20	20	20
Inventory	52	68	58	53	50
Payables	37	41	37	37	37
Ratios (x)					
Gross asset turnover	1.0	1.0	0.9	0.9	0.9
Current ratio	2.1	1.9	1.5	1.6	1.8
Net interest coverage ratio	6.3	3.4	3.7	7.3	13.6
Adjusted debt/equity	0.2	0.2	0.2	0.1	0.0

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

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BUY – Expected return >+15%

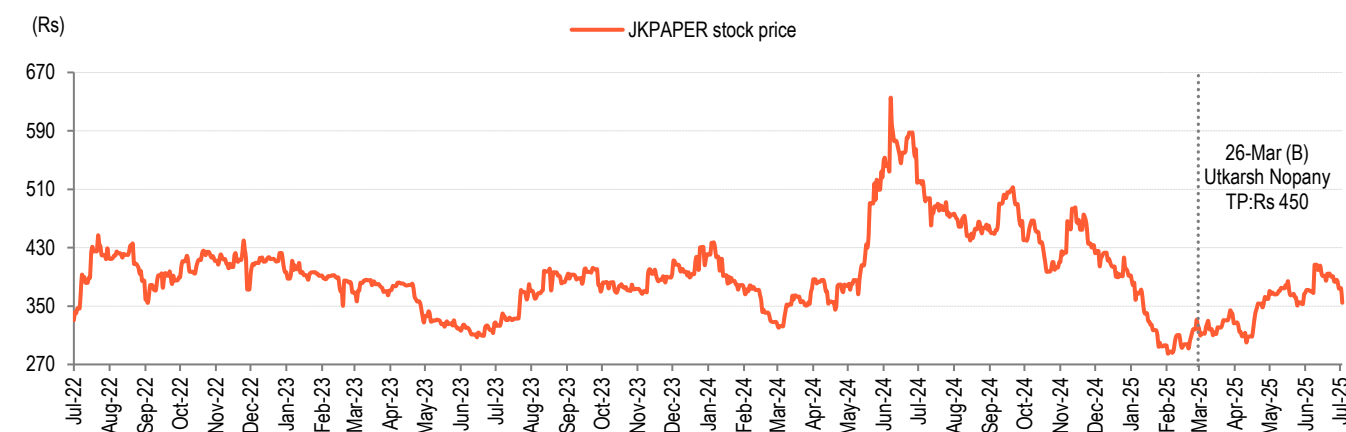
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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