RESULT REVIEW

BUY
TP: Rs 500 | ↑ 25%

JK PAPER | Paper | 03 November 2025

Margin pressure persists; fortifies presence in Packaging

- **EBITDA miss by 5.1% in Q2 on weak realisation, due to persistent cheap import pressure and higher wood costs**
- **Acquired 65.7% stake in Borkar Packaging to become a strong player in folding carton box segment in India**
- **Maintain BUY with unchanged TP of Rs 500 per share**

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Mixed Q2: JKPAPER beats our topline estimate for Q2FY26 by 3.2%, but misses our EBITDA estimate by 5.1% due to lower-than-expected EBITDA margin (-195bps QoQ to 12.8% vs 13.9% estimated) on account of weak realisation due to persistent cheap import pressure and higher wood costs. Overall, the company's revenue grew by 3.9% YoY, but EBITDA/PAT was down by 15.0%/41.8% YoY in Q2FY26.

Highlights: Paper & board segment revenue was relatively flat (-0.2% YoY) in Q2FY26. Paper & board segment margin fell by 337bps QoQ to 11.6% in Q2FY26, mainly driven by gross margin pressure (-254bps QoQ due to weak realisation and higher wood costs). Subsidiary revenue grew by 26.5% YoY due to increased contribution from the recently acquired companies. Subsidiary EBITDA margin contracted by 19bps QoQ to 8.3% in Q2FY26. Net debt has slightly gone up from Rs 12.85bn in Mar'25 to Rs 13.1bn in Sep'25 owing to the capex incurred for setting up BCTMP pulp mill (likely to be commissioned by Q4FY26).

Acquisition: JKPAPER increased its stake in Radhesham Wellpack Pvt Ltd from 60% to 80% in Sep'25. It has also acquired 65.7% stake in Borkar Packaging Pvt Ltd (BPPL) in Oct'25 and plans to acquire the remaining stake over the next four years. This deal will strengthen JKPAPER 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 with unchanged TP of Rs 500: We maintain our BUY rating as we expect JKPAPER's EBITDA to grow at a healthy rate of 22.5% CAGR over FY25-FY28E due to gradual improvement in EBITDA margin (from 12.8% in Q2FY26 to near to 10Y avg of 22.9% over the next 2-3 years), in anticipation of better pricing environment and moderation in wood cost. We have revised down our EBITDA estimates (-4.1%/-4.4%/-3.4% for FY26E/FY27E/ FY28E) post weak Q2FY26 result, but have kept our TP unchanged at Rs 500 due to roll forward of our valuation to Sep'27 (Jun'27 earlier). Our target EV/EBITDA multiple remains unchanged at 6.0x. At CMP, the stock trades at 6.4x on 1Y forward EV/EBITDA vs 5Y avg of 5.9x.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	JKPAPER IN/Rs 399
Market cap	US$ 76.0mn
Free float	50%
3M ADV	US$ 3.9mn
52wk high/low	Rs 491/Rs 276
Promoter/FPI/DII	50%/12%/6%

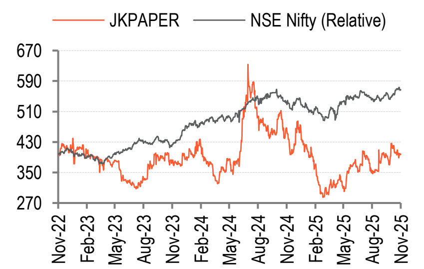
Source: NSE | Price as of 3 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	67,181	69,903	74,678
EBITDA (Rs mn)	9,376	10,201	13,854
Adj. net profit (Rs mn)	4,217	4,185	6,953
Adj. EPS (Rs)	24.9	24.7	41.0
Consensus EPS (Rs)	24.9	25.6	42.1
Adj. ROAE (%)	8.1	7.5	11.6
Adj. P/E (x)	16.0	16.1	9.7
EV/EBITDA (x)	2.0	2.0	1.3
Adj. EPS growth (%)	(44.6)	3.4	39.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



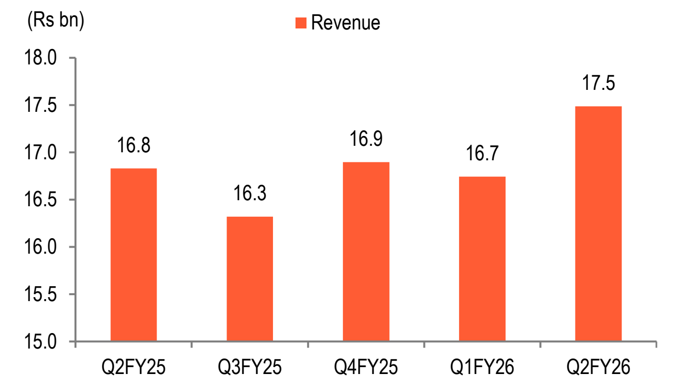
Source: NSE

Fig 1 – Quarterly financials – Consolidated

Particulars (Rs mn)	Q2FY26	Q2FY25	% chg	Q1FY26	% chg	H1FY26	H1FY25	% chg	BOBCAPS Q2FY26E	Variance (%)
Total operating income	17,485	16,829	3.9	16,742	4.4	34,227	33,966	0.8	16,943	3.2
Raw-Material expense	10,760	10,012	7.5	9,982	7.8	20,741	19,842	4.5		
Gross Profit	6,726	6,817	(1.3)	6,760	(0.5)	13,486	14,124	(4.5)		
Employee expense	1,772	1,617	9.5	1,651	7.3	3,423	3,137	9.1		
Power & Fuel	1,373	1,299	5.7	1,314	4.5	2,686	2,574	4.4		
Other expense	1,341	1,265	6.0	1,324	1.3	2,666	2,974	(10.4)		
EBITDA	2,240	2,636	(15.0)	2,471	(9.3)	4,711	5,439	(13.4)	2,361	(5.1)
D&A	912	823	10.9	891	2.4	1,803	1,626	10.9		
EBIT	1,328	1,813	(26.8)	1,580	(16.0)	2,908	3,814	(23.7)		
Interest cost	513	680	(24.7)	671	(23.7)	1,184	1,036	14.3		
Non-operating expense/(income)	(197)	(320)	(38.5)	(251)	(21.8)	(448)	(610)	(26.5)		
PBT	1,012	1,453	(30.3)	1,160	(12.8)	2,172	3,387	(35.9)		
Tax	233	164	42.2	306	(23.7)	539	691	(22.0)		
Reported PAT	779	1,289	(39.6)	854	(8.8)	1,633	2,696	(39.4)		
Less: Minority Interests	31	3	820.6	42	(25.7)	73	14	420.6		
PAT after minority interests	748	1,285	(41.8)	812	(8.0)	1,560	2,682	(41.8)		
Adjusted PAT	748	1,285	(41.8)	812	(8.0)	156	268	(41.8)	980	(23.8)
As % of net revenues			**(bps)**		**(bps)**			**(bps)**		
Gross margin	38.5	40.5	(204)	40.4	(191)	39.4	41.6	(218)		
Employee cost	10.1	9.6	52	9.9	27	10.0	9.2	76		
Power & Fuel	7.8	7.7	13	7.8	0	7.8	7.6	27		
Other cost	7.7	7.5	15	7.9	(24)	7.8	8.8	(97)		
EBITDA margin	12.8	15.7	(285)	14.8	(195)	13.8	16.0	(225)		
Tax rate	23.0	11.3	1175	26.4	(331)	24.8	20.4	442		
APAT margin	4.3	7.6	(336)	4.9	(58)	0.5	0.8	(33)		

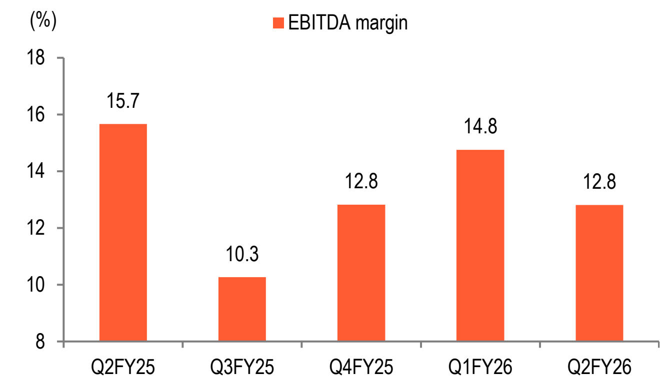
Source: Company, BOBCAPS Research

Fig 2 – JKP revenue grew by 3.9% YoY in Q2FY26 driven by higher contribution from subsidiaries



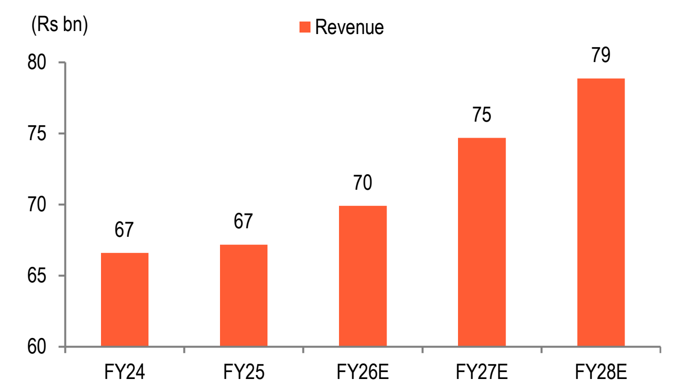
Source: Company, BOBCAPS Research

Fig 3 – Fig 3 – EBIDTA margin fell on QoQ in Q2FY26 due weak paper prices and higher raw-material costs



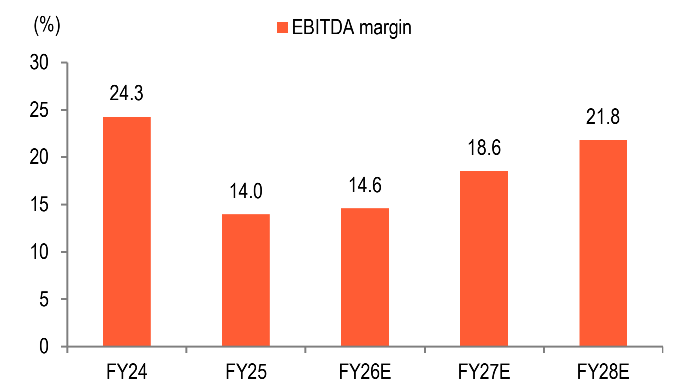
Source: Company, BOBCAPS Research

Fig 4 – Revenue is projected to grow at 5.5% CAGR over FY25-FY28E



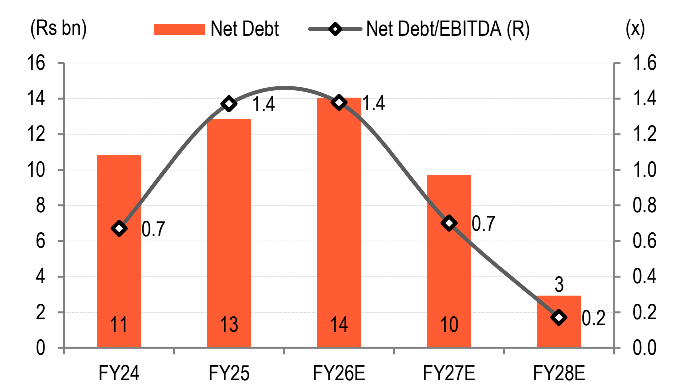
Source: Company, BOBCAPS Research

Fig 5 – EBITDA margin is projected to gradually improve near to 10Y avg level of 22.9% over the next 2-3 years



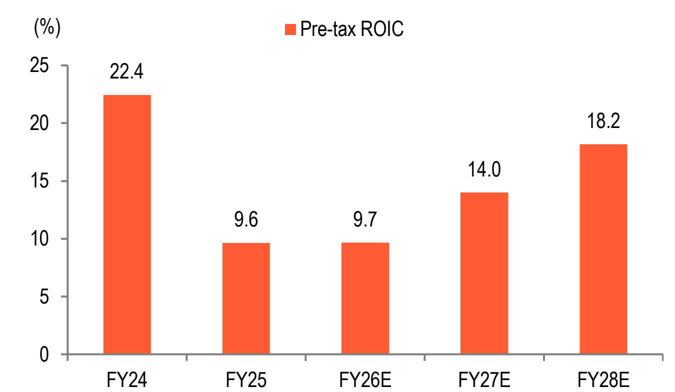
Source: Company, BOBCAPS Research

Fig 6 – Net debt/EBITDA is projected to improve from 1.4x in FY25 to 0.2x in FY28E



Source: Company, BOBCAPS Research

Fig 7 – Pre-tax ROIC is projected to improve from 9.6% in FY25 to 18.2% in FY28E



Source: Company, BOBCAPS Research

Valuation Methodology

We maintain our BUY rating as we expect JKPAPER's EBITDA to grow at a healthy rate of 22.5% CAGR over FY25-FY28E, due to gradual improvement in EBITDA margin (from 12.8% in Q2FY26 to near to 10Y avg of 22.9% over the next 2-3 years) in the anticipation of better pricing environment and moderation in wood cost.

Over the long term, we are structurally positive on the stock 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 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 given the 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 1.1x vs 5Y average of 1.2x).

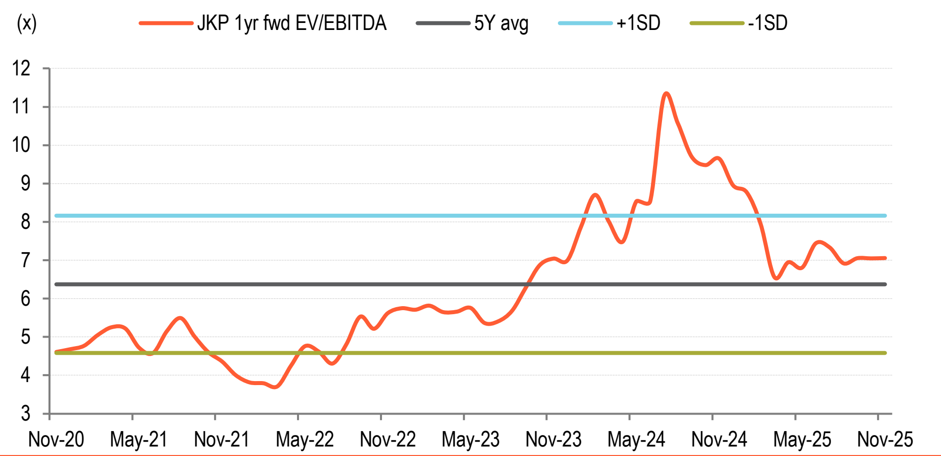
We have revised down our EBITDA estimates (-4.1%/-4.4%/-3.4% for FY26E/FY27E/ FY28E) post weak Q2FY26 result, but have kept our TP unchanged at Rs 500 due to roll forward of our valuation to Sep'27 (Jun'27 earlier). Our target EV/EBITDA multiple remains unchanged at 6.0x. At CMP, the stock trades at 6.4x on 1Y forward EV/EBITDA vs 5Y avg of 5.9x.

Fig 8 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Total operating income	69.9	74.7	78.9	69.2	73.3	77.3	1.0	1.9	2.0
EBITDA	10.2	13.9	17.2	10.6	14.5	17.8	(4.1)	(4.4)	(3.4)
EBITDA Margin (%)	14.6	18.6	21.8	15.4	19.8	23.1	(79bps)	(123bps)	(122bps)
Adjusted PAT	4.1	6.9	9.5	4.6	7.5	10.2	(9.4)	(8.7)	(6.3)
EPS	24.4	40.6	56.2	27.0	44.4	60.0	(9.4)	(8.7)	(6.3)

Source: BOBCAPS Research

Fig 9 – JKPAPER stock trades at 6.4x on 1YF EV/EBITDA vs 5Y average of 5.9x



Source: BOBCAPS Research

Fig 10 – Key assumptions

Particulars	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	106.4	107.2	107.5
Volume Growth (YoY)	2.3	1.4	0.5	0.8	0.3
Realization Growth (YoY)	(7.9)	(3.6)	(1.1)	5.3	4.3
EBITDA Margin (%)	24.3	14.0	14.6	18.6	21.8
Net Debt/EBITDA (x)	0.7	1.4	1.4	0.7	0.2
Pre-tax ROIC (%)	22.4	9.6	9.7	14.0	18.2

Source: Company, BOBCAPS Research

Key risks

- 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**	**69,903**	**74,678**	**78,862**
EBITDA	16,157	9,376	10,201	13,854	17,215
Depreciation	3,101	3,317	3,602	3,934	4,171
EBIT	13,056	6,059	6,598	9,920	13,044
Net interest inc./(exp.)	(2,081)	(1,777)	(1,888)	(1,465)	(1,042)
Other inc./(exp.)	2,272	1,082	841	786	786
Exceptional items	1	95	0	0	0
EBT	13,247	5,269	5,551	9,241	12,788
Income taxes	1,915	1,149	1,389	2,326	3,219
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	114	23	23	38	53
Reported net profit	**11,446**	**4,143**	**4,185**	**6,953**	**9,622**
Adjustments	1	74	0	0	0
Adjusted net profit	**11,447**	**4,217**	**4,185**	**6,953**	**9,622**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	6,777	7,537	7,058	7,540	7,963
Other current liabilities	2,906	2,924	2,924	2,924	2,924
Provisions	126	119	124	132	139
Debt funds	21,253	17,497	13,973	10,448	6,924
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	55,501	60,853	68,505
Shareholders' fund	50,695	54,073	57,195	62,547	70,199
Total liab. and equities	**91,854**	**92,995**	**92,119**	**94,437**	**98,994**
Cash and cash eq.	10,432	4,644	(85)	739	3,997
Accounts receivables	3,613	4,322	3,830	4,092	4,321
Inventories	9,416	12,492	11,224	11,020	10,917
Other current assets	7,115	7,162	7,351	7,684	7,975
Investments	1,886	1,865	1,865	1,865	1,865
Net fixed assets	54,890	54,914	60,312	61,378	62,208
CWIP	710	1,350	1,350	1,350	1,350
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	915	915	915	915
Total assets	**93,278**	**95,476**	**94,576**	**96,856**	**1,01,361**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**12,382**	**6,148**	**9,930**	**11,667**	**14,062**
Capital expenditures	(3,201)	(8,093)	(9,000)	(5,000)	(5,000)
Change in investments	(496)	410	0	0	0
Other investing cash flows	2,271	987	841	786	786
Cash flow from investing	**(1,426)**	**(6,696)**	**(8,159)**	**(4,214)**	**(4,214)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(6,132)	(3,756)	(3,525)	(3,525)	(3,525)
Interest expenses	(2,081)	(1,777)	(1,888)	(1,465)	(1,042)
Dividends paid	(1,440)	(847)	(1,016)	(1,525)	(1,863)
Other financing cash flows	579	1,161	(46)	(77)	(106)
Cash flow from financing	**(9,073)**	**(5,219)**	**(6,475)**	**(6,591)**	**(6,537)**
Chg in cash & cash eq.	**1,882**	**(5,767)**	**(4,705)**	**862**	**3,311**
Closing cash & cash eq.	**10,547**	**4,665**	**(61)**	**777**	**4,050**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	67.6	24.5	24.7	41.0	56.8
Adjusted EPS	67.6	24.9	24.7	41.0	56.8
Dividend per share	8.5	5.0	6.0	9.0	11.0
Book value per share	299.3	319.2	337.6	369.2	414.4

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	0.3	0.3	0.3	0.2	0.2
EV/EBITDA	1.3	2.0	2.0	1.3	0.8
Adjusted P/E	5.9	16.0	16.1	9.7	7.0
P/BV	1.3	1.2	1.2	1.1	1.0

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	86.4	80.0	75.4	75.2	75.2
Interest burden (PBT/EBIT)	101.5	87.0	84.1	93.2	98.0
EBIT margin (EBIT/Revenue)	19.6	9.0	9.4	13.3	16.5
Asset turnover (Rev./Avg TA)	71.4	70.4	73.9	77.1	77.8
Leverage (Avg TA/Avg Equity)	2.0	1.8	1.7	1.6	1.5
Adjusted ROAE	25.1	8.1	7.5	11.6	14.5

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	3.5	0.9	4.1	6.8	5.6
EBITDA	(19.9)	(42.0)	8.8	35.8	24.3
Adjusted EPS	(16.8)	(44.6)	3.4	39.7	26.6
Profitability & Return ratios (%)					
EBITDA margin	24.3	14.0	14.6	18.6	21.8
EBIT margin	19.6	9.0	9.4	13.3	16.5
Adjusted profit margin	17.2	6.3	6.0	9.3	12.2
Adjusted ROAE	25.1	8.1	7.5	11.6	14.5
ROCE	21.3	10.0	10.5	14.7	17.9
Working capital days (days)					
Receivables	20	23	20	20	20
Inventory	52	68	59	54	51
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	1.5	1.7
Net interest coverage ratio	6.3	3.4	3.5	6.8	12.5
Adjusted debt/equity	0.2	0.2	0.2	0.2	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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