

PAPER

25 June 2025

Paper sector margin to be flat QoQ in Q1FY26 on stable prices

- Uncoated paper prices in domestic market are relatively flat QoQ, despite steep fall in Chinese BHKP prices by 15% in Q1FY26
- Packaging board prices up by Rs 2-3/kg in Q1FY26; but it is still trading at a discount to uncoated paper on high import pressure from China
- Paper industry margin to be flat QoQ in Q1FY26, but likely to improve in the near future due to weak timber prices

We recently interacted with few paper dealers in India to gauge the pricing scenario in Q1FY26 and near-term outlook.

Paper: Chinese BHKP price has fallen sharply from \$588/t in Mar'25 to \$500-510/t in Jun'25, mainly due to the impact of Trump tariff. However, uncoated paper prices in the domestic market have largely remained flat on a QoQ basis at Rs 65-66/kg in Q1FY26. Dealers expect uncoated paper prices to increase from Sep'25-Oct'25 as the demand from publishing companies will emerge for printing of new textbooks for the new academic session (i.e. AY2026-27). However, coated paper prices have been slightly under pressure in Q1FY26, on account of weak demand and increased competition given the entry of a new player.

Packaging board: Prices moved up by Rs2-3/kg to Rs 65/kg in May'25, but it is still trading at a slight discount to uncoated paper, due to high import pressure from China. Normally, paperboard prices trade at a premium to uncoated paper due to higher cost of production. Dealers expect paperboard prices to rise further in near future, due to seasonally better demand in the September quarter and a possibility of imposition of anti-dumping duty on imports from China & Chile.

Imports: Our interaction with dealers indicates that the pace of imports in uncoated paper has gone down substantially in Q1FY26, as the steep decline in domestic paper prices has significantly narrowed down the price gap between domestic and imported paper prices.

Margin outlook: Indian paper industry margin is likely to be relatively flat on a QoQ basis in Q1FY26, due to a stable price environment. Timber prices fell by 5-6% in Q1FY26, but the impact would be visible from Q2FY26 onwards, due to the consumption of old inventories. Going ahead, we believe the industry margin is likely to gradually improve from 9.4% in Q4FY25 to 10Y average of ~20% over the next few quarters in anticipation of price hikes and lower timber prices. JK Paper remains our top pick in the paper sector.

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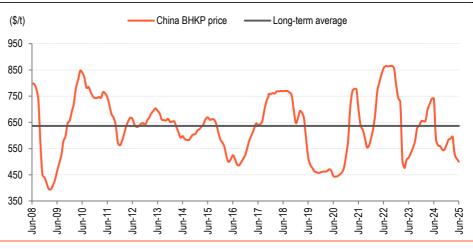
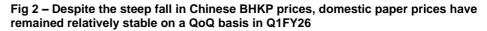
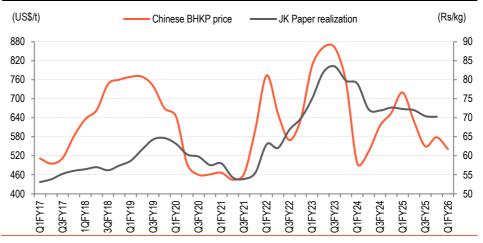


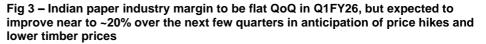
Fig 1 – Chinese BHKP fell by 15% in Jun'25 over Mar'25 due to Trump tariff

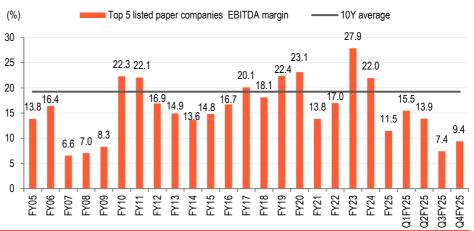
Source: Bloomberg, BOBCAPS Research





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Note: Recommendation structure changed with effect from 21 June 2021

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