

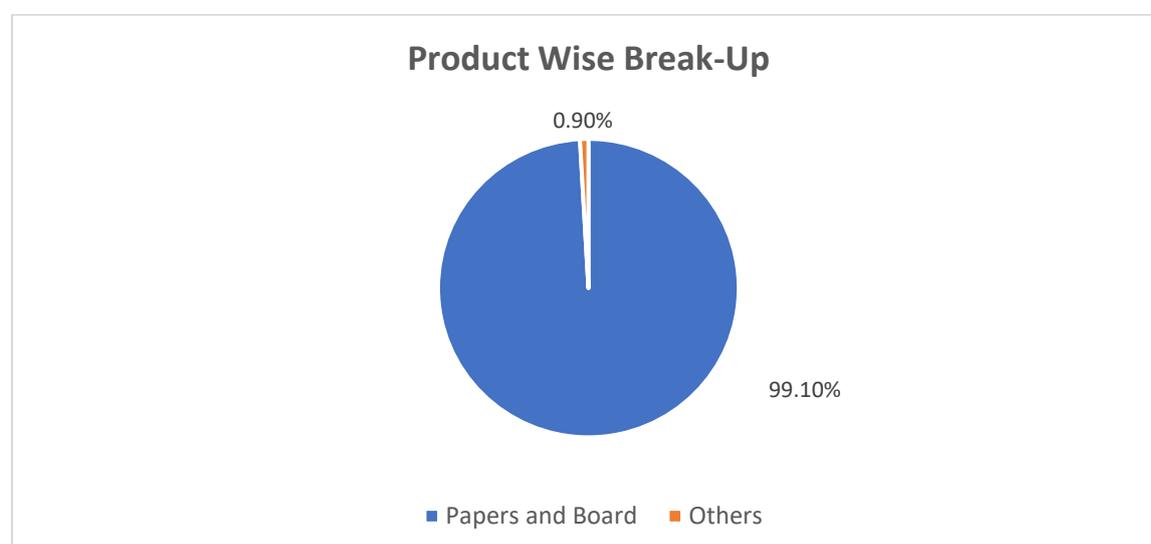
Recommendation	CMP	Target Price	Time Horizon
BUY	Rs 354	Rs 445	9-12 Months

JK Paper Limited produces and sells paper boards in India. It offers office and copier papers for use in color printing, black and white printing, photo copying, pamphlet printing, letter heads, and legal and accounting documentation purposes; uncoated writing and printing paper to produce various stationary products, including notebooks, books, envelopes, drawing and sketching sheet, etc.; coated printing papers; and packaging solutions for the pharma, food, and beverages, and FMCG sectors.

The company sells its products under the JK Pac Fresh, JK Bond, JK Oleoff, JK Ecosip, JK Eco-green Tuff Freeze, JK EXCEL BOND, JK Ledger, JK HSMT, JK Purefil / SPM Purefil Base, JK Divine, JK Purefil PE, JK Neo Purefil PE, SPM Purefil, and SPM brands. It also exports its products in the United States, the United Kingdom, Bangladesh, Singapore, Malaysia, Africa, the Middle East, and internationally.

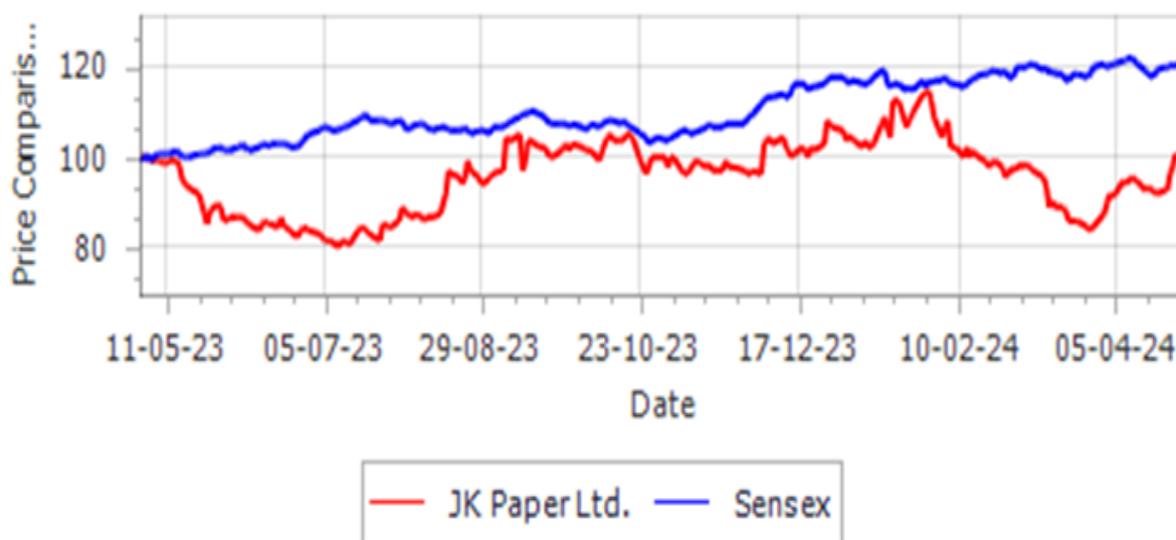
Stock Details	
Market Cap. (Cr.)	6,596
Face Value	10
Equity (Cr.)	169
52 Wk high/low	452/306
BSE Code	532162
NSE Code	JKPAPER
Book Value (Rs)	272
Industry	Paper

Share Holding Pattern %	
Promoter	49.64
FIIs	9.26
DIIIs	3.71
Public & Others	37.39
Total	100



Key Financials (Cons)	FY20	FY21	FY22	FY23	3Y CAGR %	9M (Apr-Dec'22)	9M (Apr-Dec'23)
Net Sales	3060	2750	3968	6436	28%	4717	4940
EBITDA (Excl OI)	871	561	997	2012	32%	1527	1256.7
EBITDA Margin (%)	28.5%	20.4%	25.1%	31.3%		32.4%	25.4%
Profit After Tax	468.4	236	543	1208	37%	925	854
PAT Margin (%)	15.3%	8.6%	13.7%	18.8%		19.6%	17.3%
Earnings Per Share (Rs)	26.6	14.1	32	70	38%	54.04	49
Book Value	132.7	148.5	176	238	21%		
Div Per Share (Rs)	4	4	5.5	8	26%		
Dividend Yield (%)	5.3	2.6	1.8	2			
ROE (%)	21.2	9.6	19	28.5			
ROCE (%)	21.3	10.5	16	27			

Valuation Ratio (Consolidated)	Latest (TTM)	10 Year Median
P/E	5.5	6.94
P/BV	1.2	1.15
EV/EBITDA	4.4	6.46
Market cap/sales	0.9	0.73



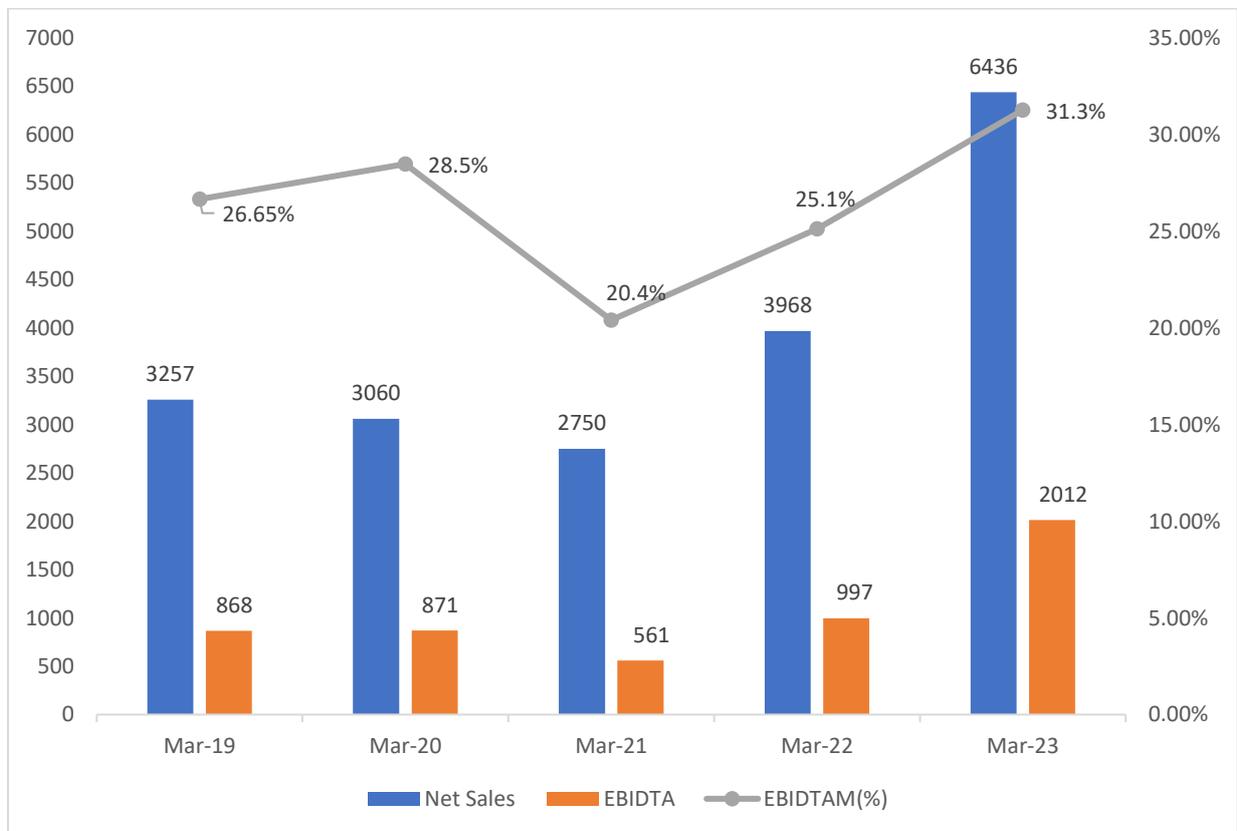
Product Portfolio:

The company's product range includes office paper, writing/printing paper, packaging board, and specialty paper, sold under brands like JK Copier, JK Sparke, JK Cedar, JK Max and more.

Distribution Network:

The company has a robust distribution network of 450+ trade partners, 4000+ dealers, 14 nationwide depots & 2 Quick Service centers.

Mill Name (FY2023)	Production Capacity (In tonnes)	Actual Production (In tonnes)	Capacity Utilization	Turnover (Rs. Crs)	Net Sales Realization (Rs. Per tonne)
JK Paper	7,61,000	7,76,513	102%	6,232	80,257
TNPL	6,00,000	5,88,828	98%	5,180	87,971
Emami Paper Mills	3,40,000	2,96,594	87%	2,308	77,817
Orient Paper	1,00,000	79,993	80%	943	1,17,885
Star Paper Mills	7,500	6,700	89%	514	76,716



Industry Outlook:

- Paper Industry's market size is estimated to be US\$ 195 billion in 2022 and it is forecasted to reach US\$ 232.8 billion by 2028, growing at a CAGR of 3%.
- There is an increasing demand of paper packaging in the F&B market because of its convenience and environment friendly nature. Global food and beverages market grew to \$7,221,73 billion in 2023 from \$6,729,54 billion in 2022 with a CAGR of around 7.3%.
- As per The Indian Paper Manufacturers Association (IPMA), it is predicted that consumption will reach around 30 million ton by March 2027. With an increasing push to replace plastics, sectors like FMCG and retail are seeking innovative packaging solutions. The increasing

demand in e-commerce and the popularity of ready-to-eat and packaged foods are likely to have a positive impact on paper stocks.

- India leads as the fastest growing paper market worldwide, with its paper consumption set to surge in line with economic expansion. Historically, the paper industry experienced cycles spanning from three to five years. However, post-COVID, these cycles have shortened significantly, featuring both an upcycle and downcycle within the same year.
- The CAGR is expected to rise due to substantial plastic substitution following the ban on single-use plastics and the medium-term opportunities which are being presented by the implementation of the NEP. This shift away from plastic is projected to generate additional annual demand for paper of 2–3 lakh tonnes, marking a growth of 1.5–2%.

Investment Rational:

- JK Paper is well positioned among organized paper manufacturers in the domestic market, boasting numerous advantages over its competitors such as its extensive scale of operations, superior operating margins, and a robust market share in crucial paper segments.
- JK Paper Ltd. presents an attractive investment opportunity due to its discounted valuation ratios across the board. The stock is trading at a lower P/E ratio, indicating undervaluation relative to historical levels.
- P/BV ratio is slightly above its historical median, it still indicates reasonable pricing in terms of the company's book value. Moreover, the market cap/sales ratio suggests that investors are currently valuing the company's sales performance more favorably than in the past.
- Per capita paper consumption in India is expected to go from 19kg to 28-30 kgs by 2030. This increase tells a strong and ongoing demand that will drive the need for higher domestic production.
- Due to the significant increase in the demand of paper packaging product, there will be gap a between the demand and supply of the product. To fulfil this, there will be various opportunities that will arise for both existing players as well as new players who are willing to enter in this market. Investors will have the opportunity to capitalize on these developments.

Consolidated Financials:

Income Statement (In cr)	FY2020	FY2021	FY2022	FY2023
Revenue	3,018.8	2,727.3	3,877.7	6,409.7
Other Revenue	26.1	3.8	33.7	18.3
Total Revenue	3,045.0	2,731.2	3,911.4	6,428.0
Cost Of Goods Sold	1,403.7	1,356.9	1,784.7	2,936.9
Gross Profit	1,641.3	1,374.2	2,126.7	3,491.1
Selling General & Admin Exp.	302.9	318.0	395.7	499.5
Depreciation & Amort.	149.5	174.3	193.1	281.9
Other Operating Expense/(Income)	429.7	429.4	646.9	874.9
Other Operating Exp., Total	882.1	921.7	1,235.6	1,656.3
Operating Income	759.2	452.6	891.2	1,834.8
Interest Expense	(120.4)	(124.7)	(141.2)	(179.5)
Interest and Invest. Income	53.0	26.1	22.6	34.7
Net Interest Exp.	(67.4)	(98.6)	(118.6)	(144.8)
Currency Exchange Gains (Loss)	(7.4)	1.5	19.0	(37.3)
Other Non-Operating Inc. (Exp.)	(5.1)	(4.8)	(3.5)	(6.7)
EBT Excl. Unusual Items	679.4	350.7	788.1	1,646.0
Gain (Loss) On Sale Of Invest.	21.0	20.7	8.8	34.1
Gain (Loss) On Sale Of Assets	0.1	(0.8)	0.2	3.2
Asset Writedown	(4.1)	(0.4)	(0.5)	(36.8)
EBT Incl. Unusual Items	696.4	370.2	796.7	1,646.5
Income Tax Expense	228.0	133.5	252.9	438.3
Earnings from Cont. Ops.	468.4	236.7	543.8	1,208.2
Net Income to Company	468.4	236.7	543.8	1,208.2
Minority Int. in Earnings	6.9	3.2	(1.2)	(12.4)
Net Income	475.3	240.0	542.6	1,195.8

Balance Sheet (In cr)	FY2020	FY2021	FY2022	FY2023
ASSETS				
Cash And Equivalents	29.5	6.0	8.9	35.8
Short Term Investments	11.6	12.9	21.5	374.4
Trading Asset Securities	382.6	526.8	610.1	455.5
Total Cash & ST Investments	423.8	545.6	640.5	865.6
Accounts Receivable	73.8	79.1	217.2	349.5
Other Receivables	230.8	160.9	138.0	198.3
Notes Receivable	118.3	127.5	42.0	16.7
Total Receivables	422.9	367.5	397.1	564.5
Inventory	498.2	383.0	519.2	819.3
Prepaid Exp.	3.3	3.5	2.5	-
Other Current Assets	78.6	314.4	466.8	462.4
Total Current Assets	1,426.6	1,614.1	2,026.1	2,711.7
Gross Property, Plant & Equipment	3,995.9	5,343.6	6,099.6	6,598.3
Accumulated Depreciation	(542.1)	(697.2)	(879.5)	(1,150.9)
Net Property, Plant & Equipment	3,453.9	4,646.4	5,220.1	5,447.3
Long-term Investments	108.6	113.9	106.3	120.2
Goodwill	9.8	9.8	9.9	149.1
Other Intangibles	23.8	23.7	42.6	230.6
Loans Receivable Long-Term	-	-	27.0	29.0
Other Long-Term Assets	267.7	147.0	192.5	232.0
Total Assets	5,290.5	6,554.9	7,624.5	8,919.9
LIABILITIES				
Accounts Payable	382.2	397.1	525.6	657.9
Accrued Exp.	34.9	38.5	103.9	56.8
Short-term Borrowings	119.7	181.5	155.3	116.3
Curr. Port. of LT Debt	237.5	242.5	303.7	539.3
Curr. Port. of Leases	-	7.7	11.9	10.0
Curr. Income Taxes Payable	2.7	6.0	9.3	0.3
Unearned Revenue, Current	2.0	2.0	2.0	2.0
Other Current Liabilities	244.6	270.7	186.5	246.4
Total Current Liabilities	1,023.6	1,145.9	1,298.0	1,628.9
Long-Term Debt	1,425.1	2,345.3	2,608.6	2,082.9
Long-Term Leases	-	13.1	57.6	54.3
Unearned Revenue, Non-Current	115.5	119.9	126.9	136.8
Pension & Other Post-Retire. Benefits	9.1	9.9	12.3	11.7
Def. Tax Liability, Non-Curr.	341.0	395.6	515.5	785.7
Other Non-Current Liabilities	2.7	4.2	3.5	54.9
Total Liabilities	2,917.0	4,034.0	4,622.3	4,755.1
Pref. Stock, Convertible	31.0	31.0	31.0	31.0
Total Pref. Equity	31.0	31.0	31.0	31.0
Common Stock	178.2	169.4	169.4	169.4
Additional Paid In Capital	525.9	438.3	438.3	438.3
Retained Earnings	1,596.2	1,827.3	2,302.1	3,337.0
Comprehensive Inc. and Other	34.2	50.1	55.2	58.3
Total Common Equity	2,334.5	2,485.1	2,965.0	4,003.0
Minority Interest	8.0	4.8	6.2	130.8
Total Equity	2,373.5	2,520.9	3,002.2	4,164.8
Total Liabilities And Equity	5,290.5	6,554.9	7,624.5	8,919.9

Cash Flow (In cr)	FY2020	FY2021	FY2022	FY2023
Net Income	475.3	240.0	542.6	1,195.8
Depreciation & Amort.	145.7	169.4	187.7	268.1
Amort. of Goodwill and Intangibles	-	-	-	7.6
Depreciation & Amort., Total	145.7	169.4	187.7	275.7
Other Amortization	3.8	4.9	5.4	6.2
(Gain) Loss From Sale Of Assets	(0.1)	0.8	(0.2)	(3.2)
(Gain) Loss On Sale Of Invest.	-	-	11.1	-
Asset Writedown & Restructuring Costs	4.1	0.4	0.5	36.8
Provision & Write-off of Bad debts	0.4	0.4	-	1.5
Other Operating Activities	133.5	118.2	157.8	333.9
Change in Acc. Receivable	(191.6)	(180.7)	(275.5)	75.3
Change In Inventories	(151.9)	115.2	(129.5)	(221.6)
Change in Acc. Payable	138.5	6.7	273.8	61.7
Cash from Ops.	557.7	475.2	773.6	1,762.0
Capital Expenditure	(722.5)	(1,173.3)	(828.3)	(223.9)
Sale of Property, Plant, and Equipment	1.9	1.8	2.2	13.5
Cash Acquisitions	-	-	(20.3)	(586.3)
Invest. in Marketable & Equity Secur.	202.3	(124.0)	(72.9)	(166.2)
Net (Inc.) Dec. in Loans Originated/Sold	50.0	(9.3)	27.6	(22.6)
Other Investing Activities	73.3	23.2	18.0	18.2
Cash from Investing	(394.9)	(1,281.5)	(873.7)	(967.3)
Short Term Debt Issued	101.7	61.8	-	-
Long-Term Debt Issued	334.8	1,185.7	673.8	176.9
Total Debt Issued	436.4	1,247.5	673.8	176.9
Short Term Debt Repaid	-	-	(26.2)	(39.0)
Long-Term Debt Repaid	(278.6)	(247.3)	(356.6)	(554.4)
Total Debt Repaid	(278.6)	(247.3)	(382.8)	(593.3)
Repurchase of Common Stock	-	(96.5)	-	-
Issuance of Pref. Stock	23.0	-	-	-
Common Dividends Paid	(133.2)	(0.2)	(67.7)	(160.8)
Total Dividends Paid	(133.2)	(0.2)	(67.7)	(160.8)
Other Financing Activities	(195.1)	(119.6)	(120.3)	(209.4)
Cash from Financing	(147.5)	783.8	103.1	(786.7)
Misc. Cash Flow Adj.	-	-	-	18.9
Net Change in Cash	15.3	(22.5)	2.9	26.9

View:

JK Paper has been a key beneficiary of the tailwinds in the paper sector. Due to the significant increase in the demand of paper packaging product, there will be gap a between the demand and supply of the product. JK Paper presents an appealing investment opportunity based on its current valuation ratios compared to historical medians. The company's low PE ratio, discounted EV/EBITDA ratio, and reasonably priced P/BV ratio suggest that the stock is undervalued relative to its earnings, enterprise value, and book value. Conclusively, based on our analysis, JK Paper Ltd. exhibits a compelling investment opportunity, with the potential for a 25% upside target Rs 445 over a time frame of 9-12 months.

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