JK PAPER LTD.

Creating lasting impressions

Business Valuation Report JK Paper Ltd.

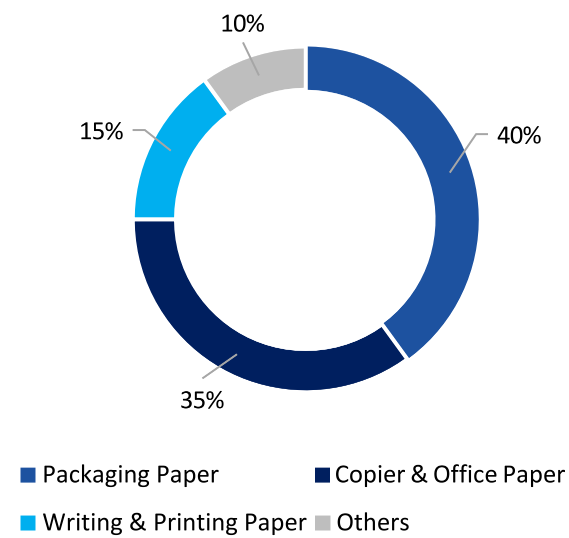
BY – ADITYA NEGI

Company Overview

Introduction

JK Paper Ltd. (hereinafter referred to as "The Company" or "JKP") was incorporated in July 1960. The company is India's largest producer of branded papers and a leading player in coated papers and high-end packaging boards. The company has three integrated pulp and paper mills: Unit JKPM at Rayagada (Odisha) near the eastern coast of India, Unit CPM at Songadh (Gujarat) on the western coast, and Unit SPM at Kagaznagar, Telangana. With their recently concluded 170,000 TPA capacity expansion in packaging board at Unit CPM, their present installed capacity is 761,000 TPA.

Product Wise Revenue Breakup



Geological Presence

The company has a worldwide footprint with customers in over 60 countries, including the USA, Middle East, Europe, South-East Asia, and Africa. It has also been consistently exporting its products to markets such as Sri Lanka, Bangladesh, and several West Asian countries. In India, the company provides services to customers through a network of over 350 trade partners, 4,000 dealers, 15 depots, and 4 regional marketing offices. This extensive network ensures that the company can effectively meet the needs of its diverse customer base.

Share Price Performance

Global Economy

Overview

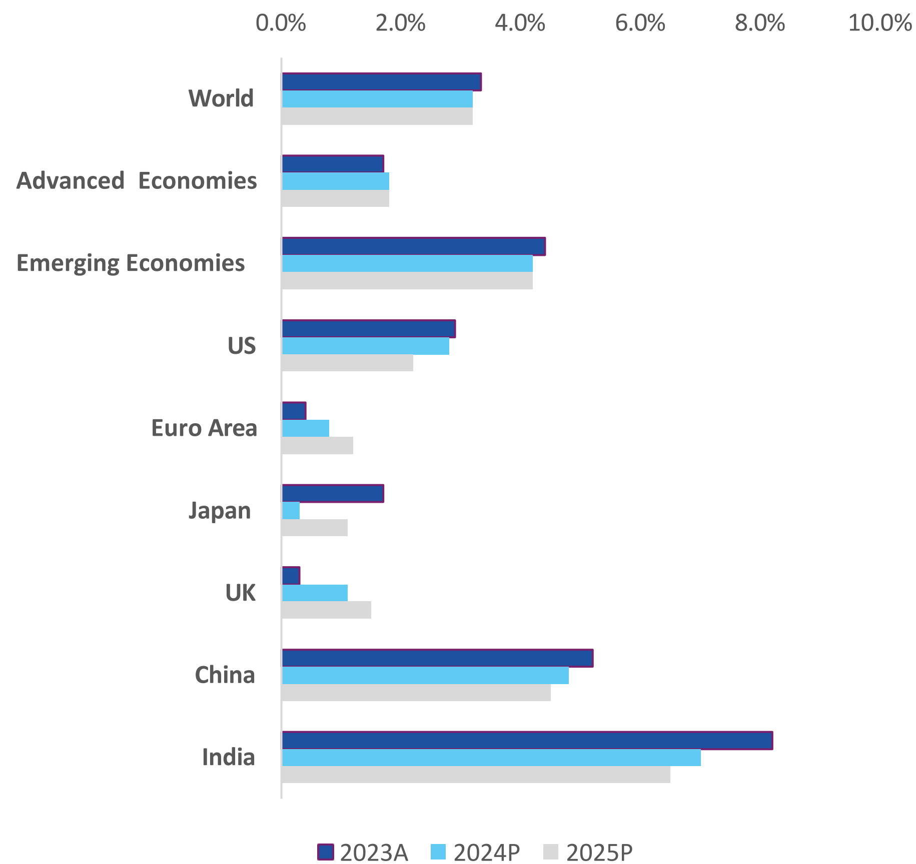
The global economy has witnessed declined growth from 3.5% in 2022 to 3.2% in 2023 due to weaker-than-expected recovery in China, higher energy costs in Europe, weak global consumer sentiment due to the Ukraine-Russia war and the Red Sea crisis pushing up the logistics costs. Monetary policy tightening in the face of cost-of-living crisis translated into increased lending rates which further impacted the economic growth.

Emerging markets and developing economies showed resilience in this difficult time, showing slight decline in growth rate from 4.1% in 2022 to 4% in 2023, sustained through 2024, with higher share of global growth is expected to come from India.

Global growth is projected to stay stable but unimpressive at 3.2 percent in 2024 and 2025. The forecast for the United States has been upgraded, while other advanced economies, especially large European countries, face downgrades. In emerging markets and developing economies, disruptions such as conflicts, civil unrest, and extreme weather have led to downward revisions for the Middle East, Central Asia, and sub-Saharan Africa. However, emerging Asia shows improved forecasts due to high demand for semiconductors and electronics driven by AI investments. The five-year global growth forecast remains mediocre at 3.1 percent, hindered by structural issues like aging populations and weak productivity.

Source: IMF WEO, Company Analysis

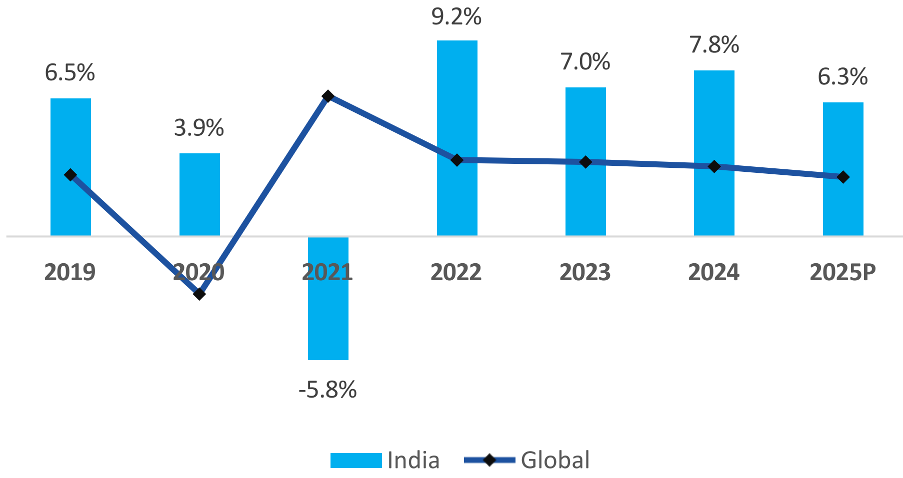
Global GDP Projections (%)



Source: IMF WEO

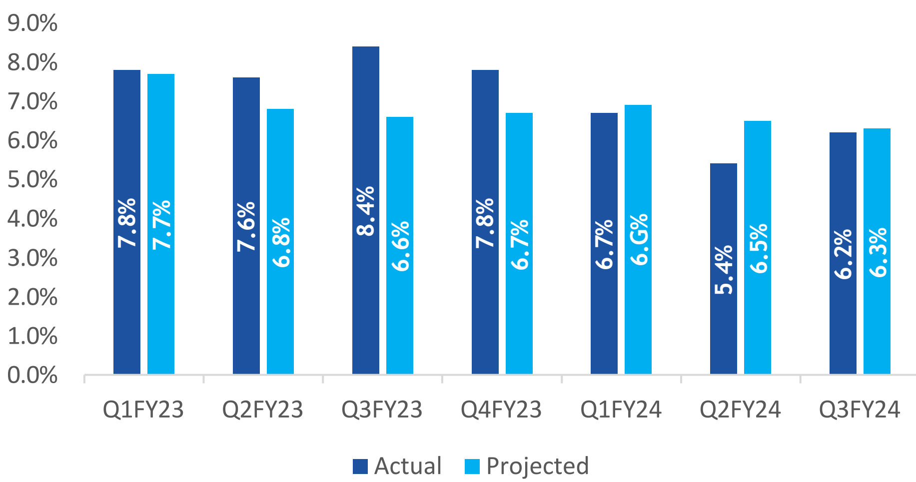
Indian Economy

India vs Global GDP Growth (%)



Source: IMF, World Bank

India Quarterly GDP Growth - Actual vs Projected



Source: investing.com

Overview

Despite a challenging time for the global economy, Indian economy showed resilience, as one of the fastest-growing economies of the world. In 2023, India surpassed the United Kingdom to become the fifth-largest economy and is projected to become third largest economy with a GDP over $5 trillion by FY 2027-28.

The Indian economy was estimated to have grown 7.8% in the 2023-24 fiscal against 7.0% in 2022-23. India is primarily a domestic demand-driven economy, with consumption and investments contributing to 70% of the economic activity. With an improvement in the economic scenario and the Indian economy recovering from the Covid-19 pandemic shock, several investments and developments have been made across various sectors of the economy.

Over the years, the government has introduced many initiatives viz., Make in India, Start-up India, Digital India, the Smart City Mission, and the Atal Mission for Rejuvenation and Urban Transformation, to strengthen the nation's economy. Over recent decades, India's rapid economic growth has led to a substantial increase in its demand for exports.

With a proactive set of administrative actions by the government, flexible monetary policy, and a softening of global commodity prices and supply-chain bottlenecks, inflationary pressures in India look to be on the decline overall.

Source : IBEF, Company Analysis, World Bank

Paper & Packaging Industry – India

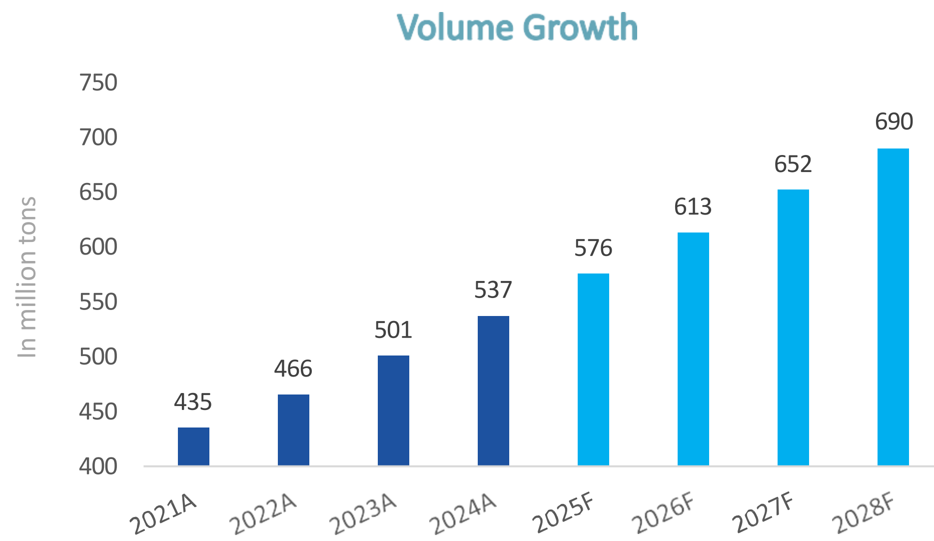
Overview

The Indian Paper and Packaging market was valued at USD 14.75 billion in 2023 and is projected to reach USD 18.92 billion by 2030, growing at a CAGR of approximately 7%. With a per capita paper usage of 15 kg, significantly lower than the world average of 57 kg, India is the fastest-growing paper market globally.

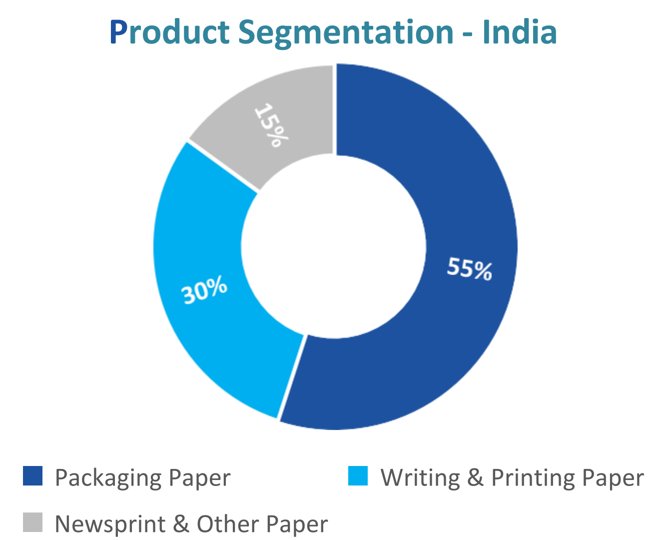
Demand is driven by the need for better-quality packaging for FMCG products, textiles, pharmaceuticals, booming e-commerce, and rising healthcare spending. The ban on single-use plastic has also emerged as a key demand driver for these products.

The shift towards environmentally sustainable packaging solutions is gaining momentum across India's industrial landscape, particularly in the e-commerce sector, which generated USD 103 billion in online retail sales in 2023. This transition is characterized by the increasing adoption of corrugated boxes, which offer superior product protection while maintaining eco-friendly credentials.

As per IPMA, paper from ASEAN countries manufactured from raw wood is available at about USD 40 per tonne, compared to USD 110 per tonne in India. Rising imports at predatory prices from surplus countries like China have been a major concern for local players in India, limiting the Indian Paper & Pulp market growth.



Source: IBEF



Source: Company Analysis

JK Paper Ltd – Growth Story

Capex: Optimizing Current Efficiency

The company currently has a total installed capacity of 7,61,000 metric tons (MT) per annum. The company operates at a blended capacity utilization of ~60%, against an industry benchmark of 70–75%, highlighting substantial scope to improve efficiency using existing assets.

In FY2022, the company undertook a significant capex of approximately ₹1,800 crore. With this capacity now in place, the company has no plans for major growth-related capex over the next 2–3 years.

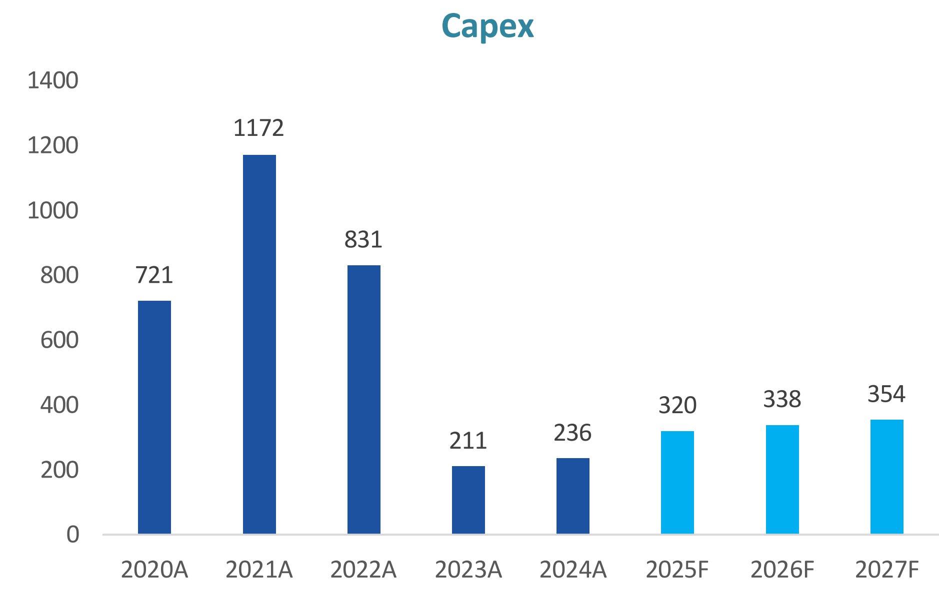
Instead, the strategic focus has shifted toward optimizing current capacity, enhancing operational efficiency, and building a financial buffer to withstand potential market uncertainties.

E-commerce Growth

India's e-commerce market is expected to grow sharply from around USD 57–60 billion in 2023 to over USD 160 billion by 2028. This strong growth is likely to boost demand for packaging, as more products are shipped directly to customers.

Positive Demographic Shifts

India has the largest youth population in the world, with around 66% of people below the age of 35. This creates a strong potential demand for paper, especially in areas like education and office use.



Rising Demand for Packaging Products

India's packaging market is expected to grow from USD 84.4 billion in 2024 to USD 142.6 billion by 2029, driven by factors such as rising disposable income, the expansion of organized retail, and growing demand from the FMCG and pharmaceutical sectors. This growth presents a strong opportunity for paper-based packaging products.

Financials

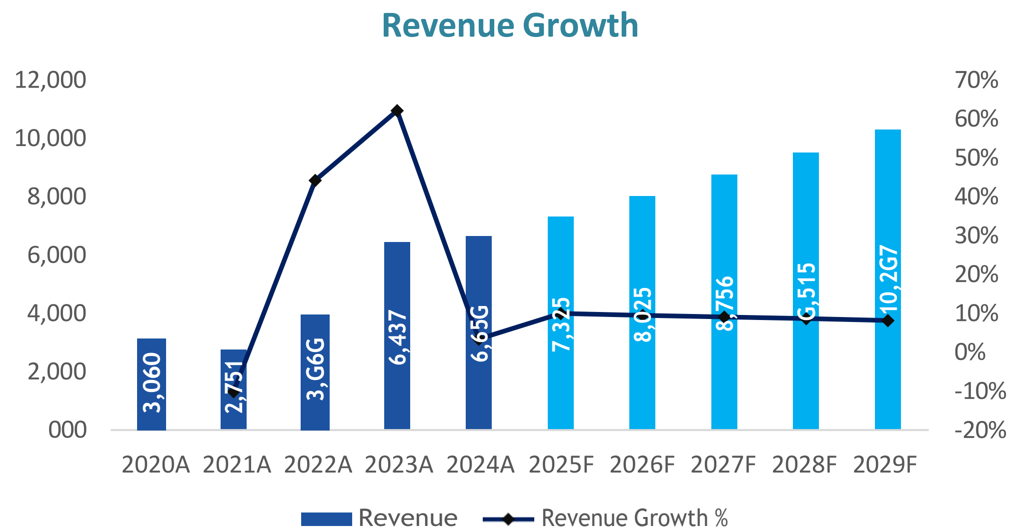
Revenue

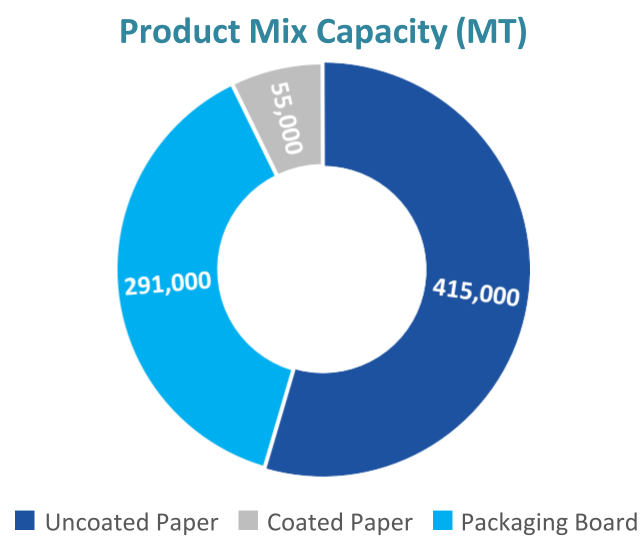
The company reported revenue of ₹6,659 crore in FY2024, with a CAGR of 34.3%, 15.4%, and 14.2% over the last 3, 5, and 7 years, respectively. The management remains positive on the long-term prospects of the Indian Paper and Packaging industry, supported by urbanization, rising consumer spending, and evolving consumption patterns.

The company is currently operating at 55–60% capacity utilization, with a target of reaching the industry benchmark of 70–75%. Recent capex has been directed toward reducing reliance on imported mechanical pulp, which is essential for packaging board production. Currently importing 100% of its mechanical pulp, the company aims to produce 70% in-house post-commissioning of its new plant.

For FY2025, the company has guided for double-digit revenue growth, with analyst estimates pegging revenue at ₹7,262 crore, a 9% YoY increase.

Despite challenges like cheaper imports from ASEAN countries and elevated wood costs, we estimate a 10% growth, driven by rising demand for packaging materials across FMCG, pharma, and e-commerce, expansion of the corrugated packaging business (notably the Ludhiana plant), and the New Education Policy (NEP) spurring demand for writing and printing paper.
Over the next 3–5 years, corrugated packaging and NEP-led demand are expected to be the primary growth drivers.





Financials

Gross Margins

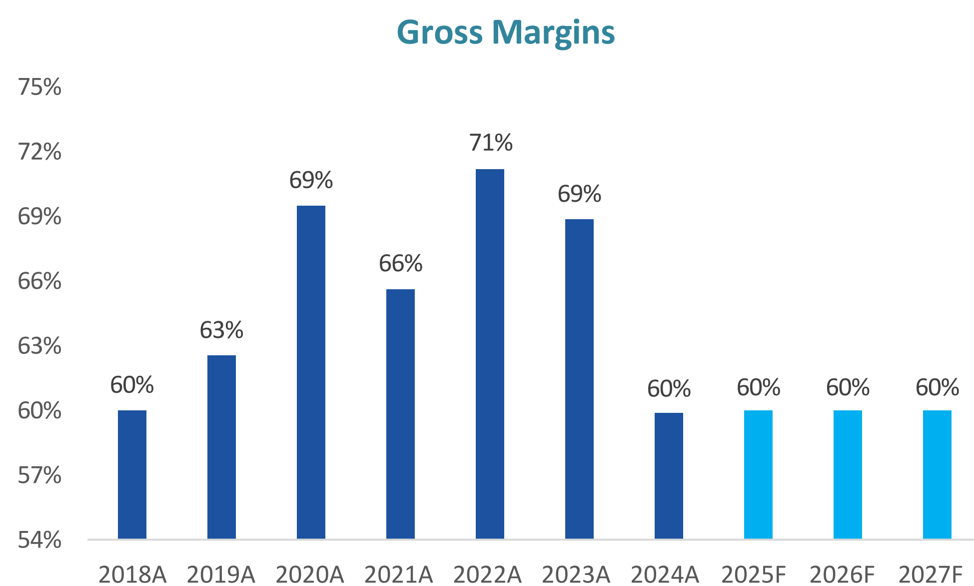
The company places strong focus on managing raw material costs, which account for ~90% of goods sold and ~40% of revenue. With wood prices rising 30–35% due to inflation and global dumping, the company has adopted a multi-pronged strategy to mitigate input cost pressures.

To ensure long-term supply, the company has scaled up farm forestry initiatives and operates a clonal nursery with 100 lakh clones per year. It also works closely with farmers to promote pulpwood cultivation. In addition, the company uses advance procurement and forward contracts to hedge against price volatility.

On the efficiency front, the company is undertaking backward integration to reduce dependence on imported mechanical pulp. Once its new plant is operational, it expects to meet 70% of its pulp needs in-house, saving $100–150 per ton.

India’s wood supply remains under pressure from growing demand across veneer, MDF, and plywood industries. In states like Chhattisgarh, rising consumption has pushed mills to import wood chips from countries like Thailand and Brazil at over ₹20,000 per ADMT. While prices have stabilized temporarily, another surge is expected, and this tight supply scenario may continue for 3–4 years until new plantations mature.

Despite this, the company has historically maintained gross margins of 60–65%, aligned with industry norms. With its sourcing and integration strategies, we expect long-term gross margins to remain stable at ~60%.



Financials

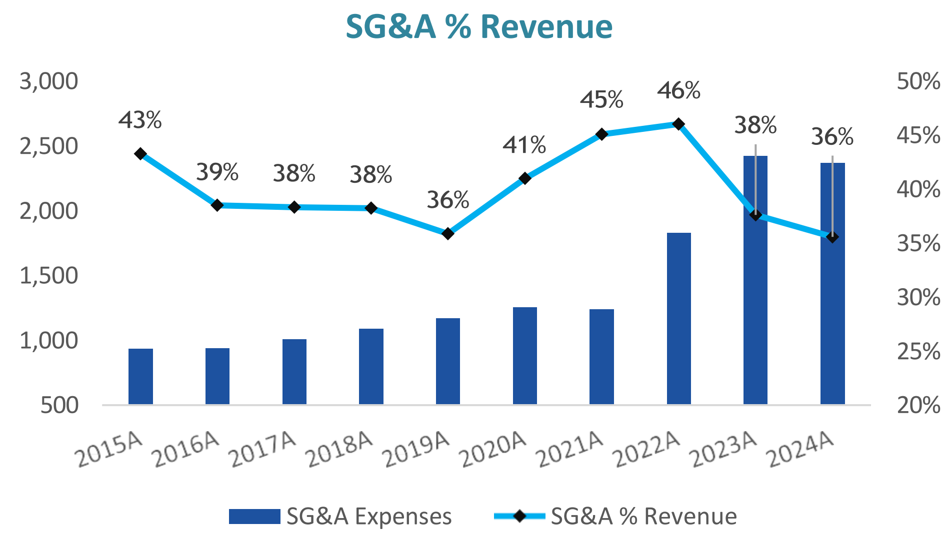
SG&A Expenses

During FY23, the company reported EBITDA margins of 31.2% which has been an outlier year for the company in many ways. The demand was robust, global pulp prices were on the higher side, due to this paper prices globally were higher. The company got advantage of the higher Net Sales Revenue (NSR) and volume, both played a positive factor for the much-improved performance during the year.

During FY24, the company reported EBITDA margins of 25.4% which is 580 bps lower than FY23. The major reason in drop is primarily due to the lower prices despite the higher input cost. The management is determined to keep the operating expenses in check and give EBITDA margins of ~22- 25% which is in line with the industry standards.

Basis our research we have identified that historically, SG&A is 39.8% of revenue, where four expenses viz Employee Cost, Power & Fuel Cost, Packing Material Consumed and Other Manufacturing Expenses, constitutes 86.1% of the total SG&A expenses. These four key expenses are directly linked with sales.

We assume, total SG&A expenses to remain ~40% level as percentage of revenue which is almost along with street estimates and management guidance.



Financials

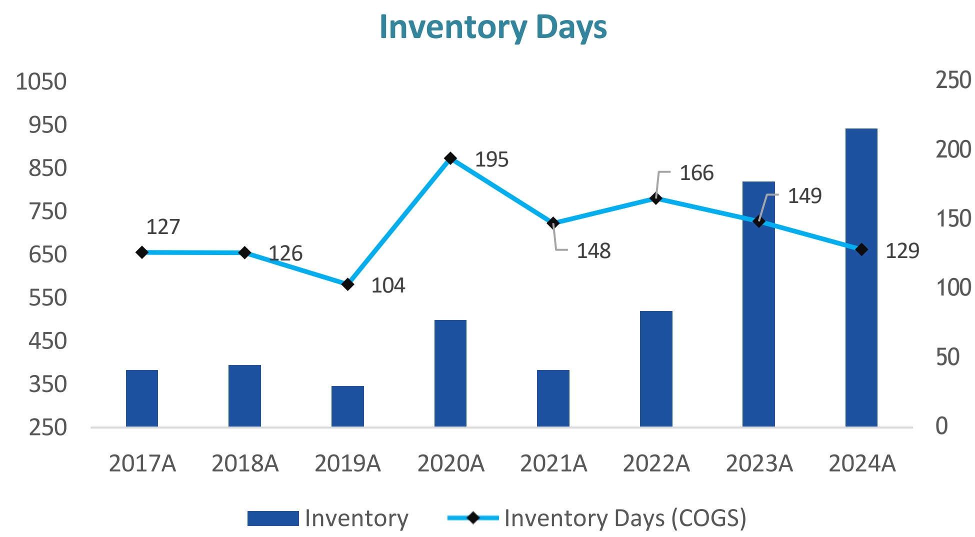
Inventory

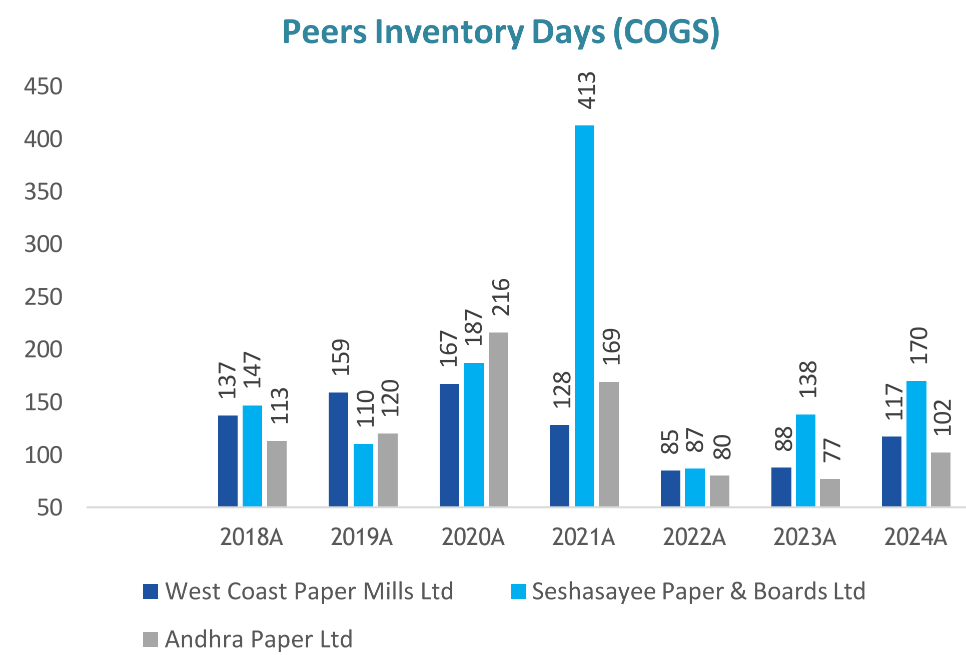
Over the past decade, the company's inventory days have been consistent. There was a sudden jump in inventory days during FY20 and FY21 due to the pandemic. Ever since then, companies have been back on track with their median inventory days of 50 days over the decade period indicating improved inventory management.

Historically, the company has been maintaining inventory levels at ~14% of Revenue. Inventory Turnover Ratio being consistent around 7.5x and inventory days of 50. The peer companies in the market maintain ~50 days (Revenue) which is almost similar to the 10 years historical inventory days of the company.

Further, street estimates suggest the Inventory levels to remain flat from existing inventory days.

We expect our company's inventory levels to increase from the current 48 days to 52 days in FY2025 and 57 days in FY2026 due to rising demand from the corrugated business. Post that inventory levels are expected to normalize to 50 days.





Financials

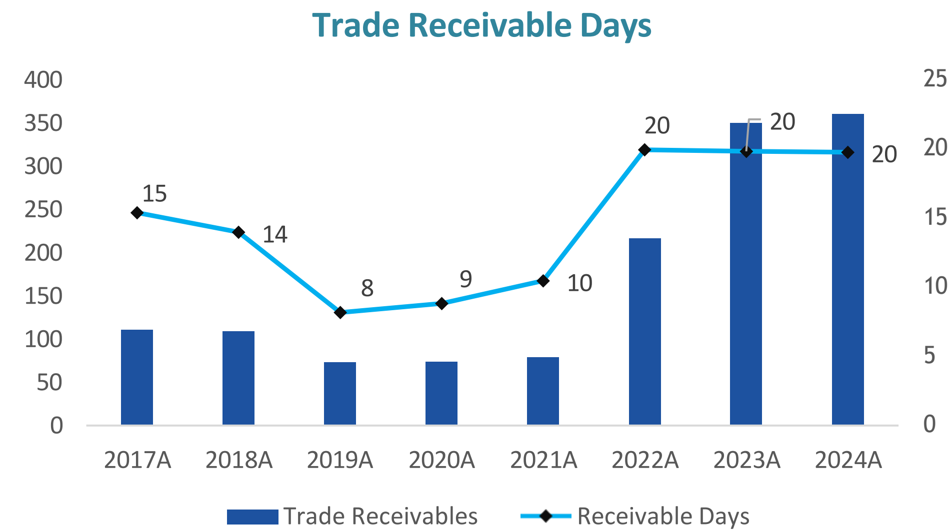
Trade Receivables

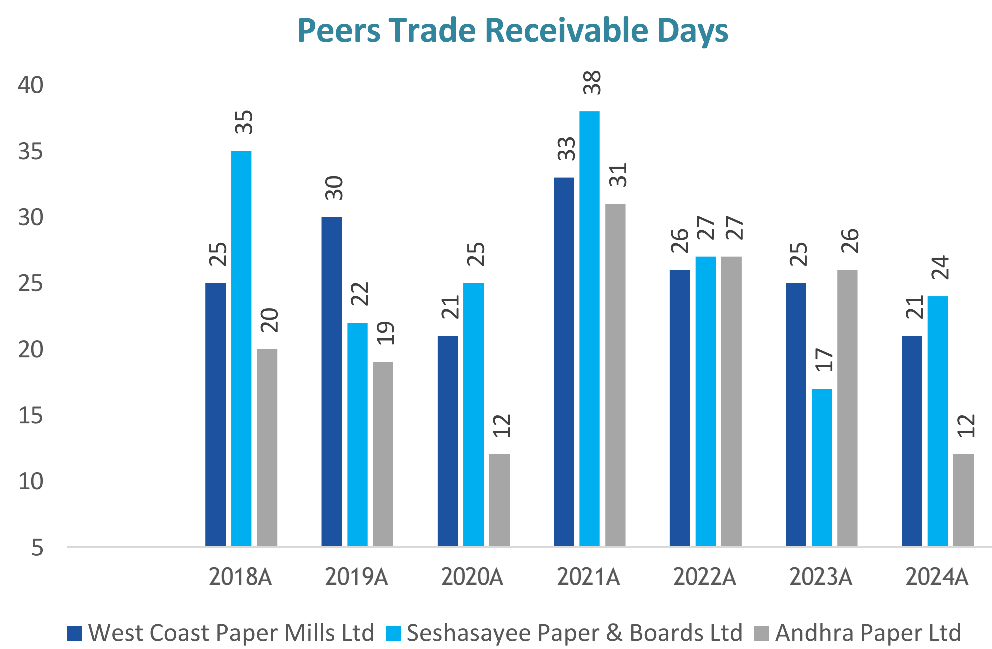
The company has decreased their receivable days when compared to their last 10 years, which stood at 36 days and now has been maintaining consistent receivable days at 20 over the last 3 years. Further, ~67.8 % receivables were not due and ~30.9% of them were due for less than 6 months. The company applies the simplified approach of IND AS 109 “Financial Instruments”, which requires measurement of loss allowance at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Historically, the company has been maintaining receivables level at ~ 4.4% of the revenue. With median receivable turnover ratio ~ 20x and inventory days at 20. The peer companies in the market maintain receivable of 25 days which is higher than 10 years historical receivable days of the company.

Further, street estimates suggest the receivable level to go a little higher in future.

We expect the company's receivable levels to increase from the current 20 days to 21 days in FY2025 and 24 days in FY2026 due to rising demand from the corrugated business. Post that inventory levels are expected to normalize to 20 days.





Financials

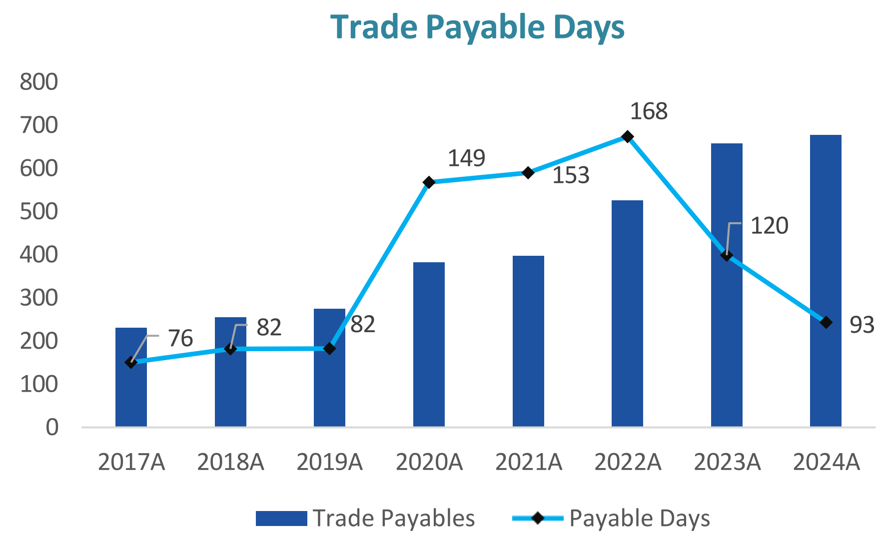
Trade Payables

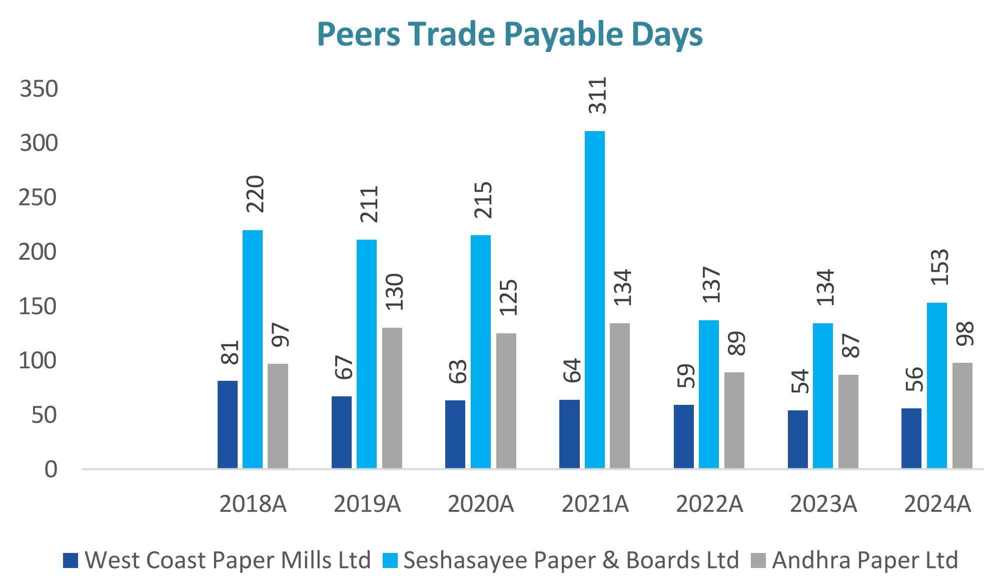
The company has maintained consistent payables of ~91 days except during COVID years when the payables were delayed. However, in FY2024, the payables were reported to the normal level of 91 days. The trade payable is consistently ~25% of COGS and ~ 10% of revenue.

The peer companies in the market maintain payables of 98 days which is higher than 10 years historical payable days of the company.

Further, street estimates suggest the payable levels remain flat from existing receivable days.

In absence of management guidance and the basis of our research, we assume the payable days to remain flat at 91 days.





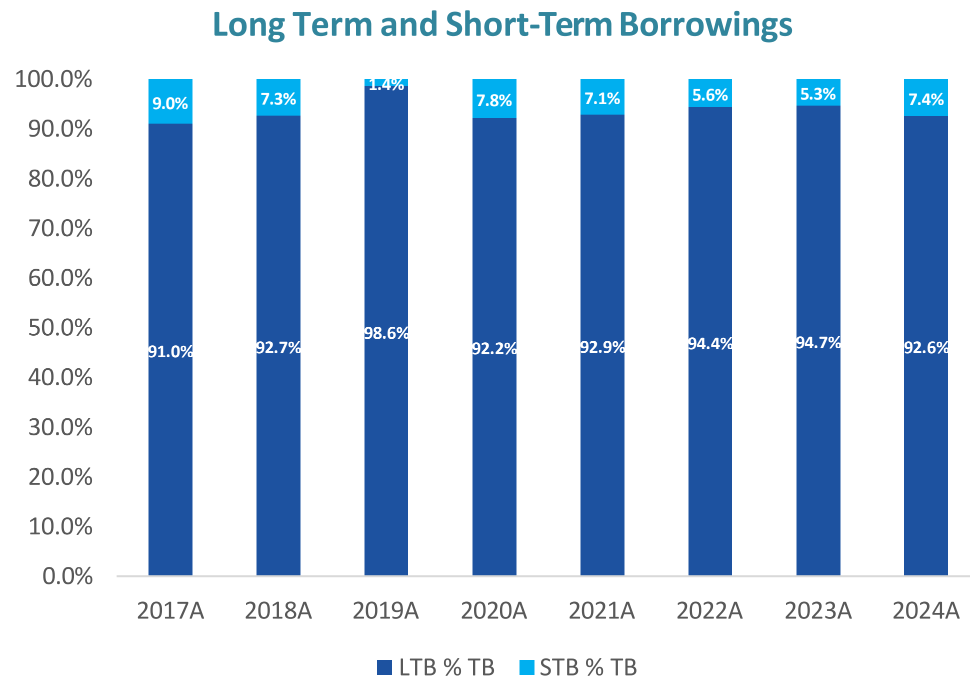
Financials

Borrowings

In recent years, the company has significantly reduced its long-term debt from ₹2,609 crore in 2022 to ₹1,631 crore in 2024. The Debt-to-Equity ratio has remained stable at 1.0x, the Debt-to-Asset ratio stands at 0.4x, and the Debt-to-EBITDA ratio is at 2.8x.

The management has expressed a strong commitment to further reducing debt levels, with planned annual repayments of ₹450–500 crore. However, the company has also stated that it will maintain a certain level of borrowings on the balance sheet and does not aim to become completely net debt-free. Instead, the focus is on building a financial buffer—or "war chest"—to support future projects, acquisitions, or expansions.

Looking ahead, we expect long-term debt to decline at an annual rate of approximately -20%, given that no major capex is planned in the near term. Meanwhile, short-term debt is projected to grow at around 2% of revenue, primarily to support regular operational needs.



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3 Statement Model

in INR Crores unless stated otherwise	Actual FY2024	Explicit Forecast Period FY2025	FY2026	FY2027	FY2028	FY2029	Maturity Period FY2030	FY2031	FY2032	FY2033	FY2034
Income Statement											
Revenue	6,659	7,325	8,017	8,729	9,457	10,192	10,928	11,657	12,369	13,056	13,709
Less: Cost of Goods Sold	(2,672)	(2,930)	(3,207)	(3,492)	(3,783)	(4,077)	(4,371)	(4,663)	(4,948)	(5,223)	(5,484)
Gross Profit	**3,987**	**4,395**	**4,810**	**5,238**	**5,674**	**6,115**	**6,557**	**6,994**	**7,422**	**7,834**	**8,226**
Gross Margins	***59.9%***	***60.0%***	***60.0%***	***60.0%***	***60.0%***	***60.0%***	***60.0%***	***60.0%***	***60.0%***	***60.0%***	***60.0%***
Less: Total SG&A (Excluding Depreciation and Interest)											
Employee Cost	566	615	673	733	794	856	918	979	1,039	1,097	1,152
Power & Fuel Cost	542	740	810	882	955	1,029	1,104	1,177	1,249	1,319	1,385
Packing Material Consumed	160	249	273	297	322	347	372	396	421	444	466
Other Manufacturing Expenses	746	945	1,034	1,126	1,220	1,315	1,410	1,504	1,596	1,684	1,768
Other Misc SG&A Expenses	356	396	433	471	511	550	590	629	668	705	740
Earnings before Interest,Tax & Depreciation (EBITDA)	**1,616**	**1,450**	**1,587**	**1,728**	**1,872**	**2,018**	**2,164**	**2,308**	**2,449**	**2,585**	**2,714**
EBITDA Margins	***24.3%***	***19.8%***	***19.8%***	***19.8%***	***19.8%***	***19.8%***	***19.8%***	***19.8%***	***19.8%***	***19.8%***	***19.8%***
Less: Depreciation and Amortization	310	323	336	349	363	377	391	405	419	432	444
Earnings before Interest & Tax (EBIT)	**1,306**	**1,128**	**1,251**	**1,379**	**1,509**	**1,641**	**1,772**	**1,903**	**2,030**	**2,153**	**2,270**
EBIT Margins	***20%***	***15%***	***16%***	***16%***	***16%***	***16%***	***16%***	***16%***	***16%***	***16%***	***17%***
Less: Interest Expenses	208	137	113	94	79	68	59	52	47	43	39
Add: Other Income	227	220	241	262	284	306	328	350	371	392	411
Less: Exceptional Income/Expenses	-	-	-	-	-	-	-	-	-	-	-
Profit Before Tax	**1,325**	**1,211**	**1,379**	**1,547**	**1,714**	**1,879**	**2,042**	**2,201**	**2,355**	**2,502**	**2,642**
Less: Taxes	191	249	286	323	359	395	430	465	498	530	560
Net Income	**1,134**	**962**	**1,093**	**1,224**	**1,354**	**1,484**	**1,611**	**1,736**	**1,857**	**1,972**	**2,082**

3 Statement Model

	Actual	Explicit Forecast Period					Maturity Period				
in INR Crores unless stated otherwise	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
Balance Sheet											
Assets											
Current Assets											
Inventories	942	1,044	1,252	1,315	1,373	1,396	1,497	1,597	1,694	1,789	1,878
Cash and Cash Equivalents	64	407	613	1,144	1,762	2,439	3,112	3,861	4,686	5,588	6,570
Bank Balance	9	9	9	9	9	9	9	9	9	9	9
Investments	970	970	970	970	970	970	970	970	970	970	970
Loans	406	406	406	406	406	406	406	406	406	406	406
Trade Receivables	361	421	527	526	518	558	599	639	678	715	751
Other Current Assets	305	256	281	306	331	357	382	408	433	457	480
Total Current Assets	**3,057**	**3,514**	**4,058**	**4,677**	**5,369**	**6,136**	**6,976**	**7,890**	**8,876**	**9,935**	**11,064**
Non-Current Assets											
Property, Plant and Equipment	5,437	5,395	5,350	5,300	5,242	5,173	5,091	4,991	4,872	4,729	4,560
Capital Work-in-Progress	61	61	61	61	61	61	61	61	61	61	61
Investment Property	52	49	46	44	41	38	35	32	29	27	24
Goodwill	151	151	151	151	151	151	151	151	151	151	151
Other Intangible Assets	211	200	188	177	165	154	142	131	119	108	96
Non-Current Financial Assets	309	309	309	309	309	309	309	309	309	309	309
Other Non-Current Assets	50	50	50	50	50	50	50	50	50	50	50
Total Non-Current Assets	**6,271**	**6,215**	**6,156**	**6,091**	**6,019**	**5,936**	**5,839**	**5,725**	**5,591**	**5,434**	**5,251**
Total Assets	**9,328**	**9,729**	**10,213**	**10,768**	**11,388**	**12,072**	**12,815**	**13,615**	**14,468**	**15,369**	**16,315**

3 Statement Model

	Actual	Explicit Forecast Period					Maturity Period				
in INR Crores unless stated otherwise	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**	**FY2030**	**FY2031**	**FY2032**	**FY2033**	**FY2034**
Balance Sheet											
Equity & Liabilities											
Equity Share Capital	169	169	169	169	169	169	169	169	169	169	169
Other Equity	4,901	5,560	6,223	6,901	7,601	8,330	9,092	9,890	10,726	11,600	12,512
Total Shareholder's Equity	**5,070**	**5,729**	**6,392**	**7,070**	**7,770**	**8,499**	**9,261**	**10,059**	**10,895**	**11,769**	**12,681**
Minority Interest	142	142	142	142	142	142	142	142	142	142	142
Total Equity	**5,212**	**5,871**	**6,534**	**7,212**	**7,912**	**8,641**	**9,403**	**10,201**	**11,037**	**11,911**	**12,823**
Non-Current Liabilities											
Long-Term Borrowings	1,631	1,305	1,044	835	668	534	428	342	274	219	175
Other Non-Current Liabilities	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008
Total Non-Current Liabilities	**2,639**	**2,313**	**2,052**	**1,843**	**1,676**	**1,542**	**1,436**	**1,350**	**1,282**	**1,227**	**1,183**
Current Liabilities											
Trade Payables	678	730	799	871	943	1,016	1,090	1,162	1,234	1,302	1,367
Short-Term Borrowings	130	146	160	175	189	204	219	233	247	261	274
Short Term Provisions	16	16	16	16	16	16	16	16	16	16	16
Other Current Liabilities	652	652	652	652	652	652	652	652	652	652	652
Total Current Liabilities	**1,476**	**1,545**	**1,628**	**1,713**	**1,800**	**1,888**	**1,976**	**2,064**	**2,149**	**2,231**	**2,309**
Total Liabilities and Shareholders' Equity	**9,327**	**9,729**	**10,213**	**10,768**	**11,388**	**12,072**	**12,815**	**13,615**	**14,468**	**15,369**	**16,315**

3 Statement Model

	Actual	Explicit Forecast Period					Maturity Period				
in INR Crores unless stated otherwise	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**	**FY2030**	**FY2031**	**FY2032**	**FY2033**	**FY2034**
Cash Flow Statement											
Profit Before Tax	1,325	1,211	1,379	1,547	1,714	1,879	2,042	2,201	2,355	2,502	2,642
Add: Interest Expenses	208	137	113	94	79	68	59	52	47	43	39
Add: Depreciation	310	323	336	349	363	377	391	405	419	432	444
Add: Other Items	(123)	-	-	-	-	-	-	-	-	-	-
Less: Change in Working Capital	(91)	(61)	(269)	(16)	(3)	(16)	(94)	(93)	(91)	(87)	(83)
Less: Tax Paid	(253)	(249)	(286)	(323)	(359)	(395)	(430)	(465)	(498)	(530)	(560)
Cash Flow from Operations	**1,376**	**1,360**	**1,273**	**1,651**	**1,794**	**1,913**	**1,968**	**2,100**	**2,231**	**2,359**	**2,482**
Net Purchase of Fixed Assets	(236)	(266)	(277)	(285)	(291)	(294)	(294)	(291)	(285)	(275)	(261)
Net Purchase of Investments	(135)	-	-	-	-	-	-	-	-	-	-
Dividend Income	-	-	-	-	-	-	-	-	-	-	-
Interest Received	34	-	-	-	-	-	-	-	-	-	-
Other Investing Activities	(74)	-	-	-	-	-	-	-	-	-	-
Cash Flow from Investing Activities	**(411)**	**(266)**	**(277)**	**(285)**	**(291)**	**(294)**	**(294)**	**(291)**	**(285)**	**(275)**	**(261)**
Net Proceeds from Long Term Borrowings	(610)	(326)	(261)	(209)	(167)	(134)	(107)	(86)	(68)	(55)	(44)
Net Proceeds from Short Term Borrowings	2	16	14	14	15	15	15	15	14	14	13
Dividend paid	(115)	(577)	(656)	(734)	(813)	(890)	(967)	(1,041)	(1,114)	(1,183)	(1,249)
Interests paid	(215)	137	113	94	79	68	59	52	47	43	39
Cash Flow from Financing Activities	**(938)**	**(750)**	**(790)**	**(835)**	**(886)**	**(941)**	**(1,000)**	**(1,060)**	**(1,121)**	**(1,182)**	**(1,240)**
Net Change in Cash	28	344	206	531	618	678	673	748	825	903	981
Opening Cash Balance	36	64	407	613	1,144	1,762	2,439	3,112	3,861	4,686	5,588
Closing Cash Balance	**64**	**407**	**613**	**1,144**	**1,762**	**2,439**	**3,112**	**3,861**	**4,686**	**5,588**	**6,570**

Common Sized Statement

in INR Crores unless stated otherwise	Actual	Explicit Forecast Period					Maturity Period				
	FY2024	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**	**FY2030**	**FY2031**	**FY2032**	**FY2033**	**FY2034**
Common Sized Income Statement											
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less: Cost of Goods Sold	40.1%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Gross Profit	**59.9%**	**60.0%**	**60.0%**	**60.0%**	**60.0%**	**60.0%**	**60.0%**	**60.0%**	**60.0%**	**60.0%**	**60.0%**
Gross Margins	***59.9%***	***61.0%***	***62.0%***	***63.0%***	***64.0%***	***65.0%***	***65.0%***	***65.0%***	***65.0%***	***65.0%***	***65.0%***
Less: Total SG&A (Excluding Depreciation and Interest)											
Employee Cost	8.5%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
Power & Fuel Cost	8.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%
Packing Material Consumed	2.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Other Manufacturing Expenses	11.2%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%
Other Misc SG&A Expenses	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Earnings before Interest,Tax & Depreciation (EBITDA)	**24.3%**	**19.8%**	**19.8%**	**19.8%**	**19.8%**	**19.8%**	**19.8%**	**19.8%**	**19.8%**	**19.8%**	**19.8%**
EBITDA Margins	***24.3%***	***20.8%***	***21.8%***	***22.8%***	***23.8%***	***24.8%***	***24.8%***	***24.8%***	***24.8%***	***24.8%***	***24.8%***
Less: Depreciation and Amortization	4.7%	4.4%	4.2%	4.0%	3.8%	3.7%	3.6%	3.5%	3.4%	3.3%	3.2%
Earnings before Interest & Tax (EBIT)	**19.6%**	**15.4%**	**15.6%**	**15.8%**	**16.0%**	**16.1%**	**16.2%**	**16.3%**	**16.4%**	**16.5%**	**16.6%**
EBIT Margins	***20%***	***17%***	***18%***	***19%***	***20%***	***22%***	***22%***	***22%***	***22%***	***22%***	***22%***
Less: Interest Expenses	3.1%	1.9%	1.4%	1.1%	0.8%	0.7%	0.5%	0.4%	0.4%	0.3%	0.3%
Add: Other Income	3.4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Exceptional Income/Expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit Before Tax	**19.9%**	**16.5%**	**17.2%**	**17.7%**	**18.1%**	**18.4%**	**18.7%**	**18.9%**	**19.0%**	**19.2%**	**19.3%**
Less: Taxes	2.9%	3.4%	3.6%	3.7%	3.8%	3.9%	3.9%	4.0%	4.0%	4.1%	4.1%
Net Income	**17.0%**	**13.1%**	**13.6%**	**14.0%**	**14.3%**	**14.6%**	**14.7%**	**14.9%**	**15.0%**	**15.1%**	**15.2%**

Common Sized Statement

in INR Crores unless stated otherwise	Actual	Explicit Forecast Period					Maturity Period				
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
Common Sized Balance Sheet											
Assets											
Current Assets											
Inventories	10.1%	10.7%	12.3%	12.2%	12.1%	11.6%	11.7%	11.7%	11.7%	11.6%	11.5%
Cash and Cash Equivalents	0.7%	4.2%	6.0%	10.6%	15.5%	20.2%	24.3%	28.4%	32.4%	36.4%	40.3%
Bank Balances other than above	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Investments	10.4%	10.0%	9.5%	9.0%	8.5%	8.0%	7.6%	7.1%	6.7%	6.3%	5.9%
Loans	4.4%	4.2%	4.0%	3.8%	3.6%	3.4%	3.2%	3.0%	2.8%	2.6%	2.5%
Trade Receivables	3.9%	4.3%	5.2%	4.9%	4.6%	4.6%	4.7%	4.7%	4.7%	4.7%	4.6%
Other Current Assets	3.3%	2.6%	2.7%	2.8%	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%	2.9%
Total Current Assets	**32.8%**	**36.1%**	**39.7%**	**43.4%**	**47.1%**	**50.8%**	**54.4%**	**57.9%**	**61.4%**	**64.6%**	**67.8%**
Non-Current Assets											
Property,Plant and Equipment	58.3%	55.5%	52.4%	49.2%	46.0%	42.9%	39.7%	36.7%	33.7%	30.8%	28.0%
Capital Work-in-Progress	0.7%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%
Investment Property	0.6%	0.5%	0.5%	0.4%	0.4%	0.3%	0.3%	0.2%	0.2%	0.2%	0.1%
Goodwill	1.6%	1.6%	1.5%	1.4%	1.3%	1.3%	1.2%	1.1%	1.0%	1.0%	0.9%
Other Intangible Assets	2.3%	2.1%	1.8%	1.6%	1.4%	1.3%	1.1%	1.0%	0.8%	0.7%	0.6%
Non Current Financial Assets	3.3%	3.2%	3.0%	2.9%	2.7%	2.6%	2.4%	2.3%	2.1%	2.0%	1.9%
Other Non-Current Assets	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%
Total Non-Current Assets	**67.2%**	**63.9%**	**60.3%**	**56.6%**	**52.9%**	**49.2%**	**45.6%**	**42.1%**	**38.6%**	**35.4%**	**32.2%**
Total Assets	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Common Sized Statement

in INR Crores unless stated otherwise	Actual	Explicit Forecast Period					Maturity Period				
	FY2024	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**	**FY2030**	**FY2031**	**FY2032**	**FY2033**	**FY2034**
Common Sized Balance Sheet											
Equity & Liabilities											
Equity Share Capital	1.8%	1.7%	1.7%	1.6%	1.5%	1.4%	1.3%	1.2%	1.2%	1.1%	1.0%
Other Equity	52.5%	57.1%	60.9%	64.1%	66.7%	69.0%	70.9%	72.6%	74.1%	75.5%	76.7%
Total Shareholder's Equity	54.4%	58.9%	62.6%	65.7%	68.2%	70.4%	72.3%	73.9%	75.3%	76.6%	77.7%
Minority Interest	1.5%	1.5%	1.4%	1.3%	1.2%	1.2%	1.1%	1.0%	1.0%	0.9%	0.9%
Total Equity	55.9%	60.3%	64.0%	67.0%	69.5%	71.6%	73.4%	74.9%	76.3%	77.5%	78.6%
Non Current Liabilites											
Long-Term Borrowings	17.5%	13.4%	10.2%	7.8%	5.9%	4.4%	3.3%	2.5%	1.9%	1.4%	1.1%
Other Non-Current Liabilities	10.8%	10.4%	9.9%	9.4%	8.9%	8.4%	7.9%	7.4%	7.0%	6.6%	6.2%
Total Non-Current Liabilities	**28.3%**	**23.8%**	**20.1%**	**17.1%**	**14.7%**	**12.8%**	**11.2%**	**9.9%**	**8.9%**	**8.0%**	**7.3%**
Current Liabilities											
Trade Payables	7.3%	7.5%	7.8%	8.1%	8.3%	8.4%	8.5%	8.5%	8.5%	8.5%	8.4%
Short-Term Borrowings	1.4%	1.5%	1.6%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Short Term Provisions	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Other Current Liabilities	7.0%	6.7%	6.4%	6.1%	5.7%	5.4%	5.1%	4.8%	4.5%	4.2%	4.0%
Total Current Liabilities	**15.8%**	**15.9%**	**15.9%**	**15.9%**	**15.8%**	**15.6%**	**15.4%**	**15.2%**	**14.9%**	**14.5%**	**14.2%**
Total Liabilities and Shareholders' Equity	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Valuation

Objective

The Objective is to reach at the intrinsic value of the JK Paper's stock. The analysis aims to assess the company's worth basis its ability to generate cash flows, future growth and risk associated with the business. We have carefully considered management's guidance while performing this analysis.

Valuation Methodology

There are primarily three approaches in Valuation (viz., Cost Approach, Market Approach and Income Approach).

For any valuation all the approaches may not be relevant and therefore will not give a fair estimate of value. Hence, the approach most suitable business/company must be applied in the valuation exercise based on common practices

The three approach generally adopted valuation are as under:

- Market Approach: Comparable Companies Method and Comparable Transaction Method.
- Income Approach: Discounted Cash Flows Method.
- Asset Approach: Net Asset Value Method.

Market Approach

Under this approach, we measure the value of business of the company by applying the market multiples of listed companies which trade actively and possess attributes similar and comparable with the target company. This methodology is based on the principle that such market pricing taking place between informed buyers and informed sellers while taking into account all relevant factors.

Not all multiples are applicable to every companies. Therefore, the relevant multiples should be chosen carefully and adjusted for differences between the comparable. For the purpose of the valuation of JK Paper Ltd we will chose EV/EBITDA multiple.

Asset Approach

Under this approach, the value of the business is derived basis difference between the value of assets and liabilities. This approach focuses on determining the value of net assets from the perspective of equity valuation. The value of net assets can be determined as follow.

Net Assets = Total Assets – Total External Liabilities. The value of net assets is also known as Total Equity.

Income Approach

Under this approach, the value of business is derived by considering free cash flows, future growth and weighted average cost of capital which signifies risk.

There are four major steps in Income Approach:

- Forecasting future cash flows for explicit growth period.
- Discounting these cash flows to present value at the rate of return which depicts the risk in realizing the future cash flows and expected growth.
- Calculation of terminal value of free cash flows post explicit growth period.
- Addition of present value of terminal cash flows and free cash flows during explicit forecast period.

DCF Valuation

in INR Crores unless stated otherwise

	Actual	Explicit Forecast Period					Maturity Period				
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
Free Cash Flow to Firm											
EBITDA	1,616	1,450	1,587	1,728	1,872	2,018	2,164	2,308	2,449	2,585	2,714
Less: Depreciation & Amortization	(310)	(323)	(336)	(349)	(363)	(377)	(391)	(405)	(419)	(432)	(444)
EBIT	**1,306**	**1,128**	**1,251**	**1,379**	**1,509**	**1,641**	**1,772**	**1,903**	**2,030**	**2,153**	**2,270**
Less: Tax	(191)	(249)	(286)	(323)	(359)	(395)	(430)	(465)	(498)	(530)	(560)
EBIT (1 - Tax)	**1,115**	**879**	**965**	**1,056**	**1,150**	**1,246**	**1,342**	**1,438**	**1,532**	**1,623**	**1,710**
Add: Depreciation & Amortization	310	323	336	349	363	377	391	405	419	432	444
Cash NOPAT	**1,425**	**1,201**	**1,301**	**1,406**	**1,513**	**1,623**	**1,733**	**1,843**	**1,951**	**2,055**	**2,154**
Less: Reinvestments											
Change in Working Capital	(91)	(61)	(269)	(16)	(3)	(16)	(94)	(93)	(91)	(87)	(83)
Capex during the year	(236)	(266)	(277)	(285)	(291)	(294)	(294)	(291)	(285)	(275)	(261)
Free Cash Flow to Firm	**1,099**	**874**	**755**	**1,104**	**1,220**	**1,313**	**1,345**	**1,459**	**1,575**	**1,693**	**1,810**
Discount Period (years) — Mid-Year? Yes		0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5
Discount Rate (WACC) — 14%											
Present Value Factor		0.937	0.822	0.721	0.632	0.555	0.486	0.427	0.374	0.328	0.288
Present Value of Free Cash Flow to Firm		**819**	**621**	**796**	**771**	**728**	**654**	**623**	**590**	**556**	**521**

DCF Calculation - Perpetuity Growth

Perpetual Growth Rate	4.45%
Terminal Value FCFF x (1 + PGR)	1,891
Terminal Value	**19,804**
Present Value of Terminal Value	5,704
Present Value of FCFFs	6,678
Enterprise Value	**12,382**
Implied Exit Multiples	*4.6x*
Implied EV/ EBITDA	*7.7x*
Less: Debt	(1,761)
Add: Cash	73
Less: Minority Interest	(142)
Add: Non Operating Asset	309
Equity Value	**10,861**
Less: Value of Options	-
Equity Value for Shareholders	**10,861**

DCF Calculation - Exit Multiple

Exit Multiple	5.0x
Terminal Year EBITDA	2,714
Terminal Value	**13,572**
Present Value of Terminal Value	3,909
Present Value of FCFFs	6,678
Enterprise Value	**10,587**
Implied Exit Multiples	*3.9x*
Implied EV/ EBITDA	*6.6x*
Less: Debt	(1,761)
Add: Cash	73
Less: Minority Interest	(142)
Add: Non-Operating Asset	309
Equity Value	**9,066**
Less: Value of Options	-
Equity Value for Shareholders	**9,066**

Market Price
INR 7,217 Crores

Intrinsic Value
INR 10,861 Crores

WACC
14%

Terminal Growth
5%

WACC (rows: Terminal Growth %)

10861	12%	13%	14%	15%	16%	17%
3%	12,798	11,277	10,039	9,012	8,147	7,410
4%	13,757	11,989	10,579	9,430	8,476	7,672
5%	14,991	12,878	11,239	9,931	8,864	7,977
6%	16,635	14,022	12,065	10,544	9,330	8,338
7%	18,938	15,547	13,126	11,311	9,900	8,772

WACC (rows: Terminal Growth %)

9066	12%	13%	14%	15%	16%	17%
3x	8,514	7,989	7,503	7,052	6,634	6,246
4x	9,439	8,839	8,284	7,772	7,297	6,857
5x	10,364	9,689	9,066	8,491	7,960	7,467
6x	11,289	10,539	9,848	9,211	8,622	8,078
7x	12,214	11,389	10,630	9,930	9,285	8,689

Relative Valuation

		Market Data				Financials									Multiples								
						2024A	2025E	2026E	2024A	2025E	2026E	2024A	2025E	2026E	2024A	2025E	2026E	2024A	2025E	2026E	2024A	2025E	2026E
Relative Valuation	Ticker	Share Price	Market Cap	Debt	Enterprise Value	Sales	Sales	Sales	EBITDA	EBITDA	EBITDA	PAT	PAT	PAT	EV/Sales	EV/Sales	EV/Sales	EV/EBITDA	EV/EBITDA	EV/EBITDA	P/E	P/E	P/E
West Coast Paper Mills Ltd.	WSTCSTPAPR	424	2,786	251	3,173	4,448	4,782	5,140	1,092	1,090	1,172	786	751	808	0.7x	0.7x	0.6x	2.9x	2.9x	2.7x	3.5x	3.7x	3.4x
Seshasayee Paper and Boards Ltd.	SESHAPAPER	264	1,654	82	1,071	1,802	1,937	2,082	340	371	399	271	268	288	0.6x	0.6x	0.5x	3.2x	2.9x	2.7x	6.1x	6.2x	5.7x
Andhra Paper Ltd.	ANDHRAPAP	72	1,414	277	1,705	1,801	1,936	2,081	431	337	363	340	328	353	0.9x	0.9x	0.8x	4.0x	5.1x	4.7x	4.2x	4.3x	4.0x
High															0.9x	0.9x	0.8x	4.0x	5.1x	4.7x	6.1x	6.2x	5.7x
75th Percentile															0.8x	0.8x	0.7x	3.6x	4.0x	3.7x	5.1x	5.2x	4.9x
Average															**0.8x**	**0.7x**	**0.7x**	**3.3x**	**3.6x**	**3.4x**	**4.6x**	**4.7x**	**4.4x**
Median															**0.7x**	**0.7x**	**0.6x**	**3.2x**	**2.9x**	**2.7x**	**4.2x**	**4.3x**	**4.0x**
25th Percentile															0.7x	0.6x	0.6x	3.0x	2.9x	2.7x	3.9x	4.0x	3.7x
Low															0.6x	0.6x	0.5x	2.9x	2.9x	2.7x	3.5x	3.7x	3.4x

EV/Sales	
Sales	6,659
EBITDA	1,616
Earnings	1,134
Valuation Multiple	EV/Sales
EV/Sales	0.7x
Enterprise Value	4,750
Less: Debt	(1,761)
Add: Cash	73
Less: Minority Interest	(142)
Add: Non-Operating Asset	309
Equity Value	**3,230**
Less: Value of Options	-
Equity Value for Shareholders	**3,230**

EV/EBITDA	
Sales	6,659
EBITDA	1,616
Earnings	1,134
Valuation Multiple	EV/EBITDA
EV/EBITDA	3.2x
Enterprise Value	5,091
Less: Debt	(1,761)
Add: Cash	73
Less: Minority Interest	(142)
Add: Non-Operating Asset	309
Equity Value	**3,571**
Less: Value of Options	-
Equity Value for Shareholders	**3,571**

P/E	
Sales	6,659
EBITDA	1,616
Earnings	1,134
Valuation Multiple	P/E
P/E	4.2x
Equity Value	4,717
Less: Debt	-
Add: Cash	0
Less: Minority Interest	(142)
Add: Non-Operating Asset	0
Equity Value	**4,575**
Less: Value of Options	-
Equity Value for Shareholders	**4,575**

Weighted Average Cost of Capital (WACC)

Particulars	Low	Mid	High
Risk Free Rate	4.45%	4.45%	4.45%
Equity Risk Premium	6.30%	6.30%	6.30%
Asset Beta	0.35	0.4	0.45
D/E Ratio	34.73%	34.73%	34.73%
Equity Beta	44.10%	50.40%	56.70%
CAPM Cost of Equity	**7.2%**	**7.6%**	**8.0%**
Small Size Premium	8.10%	8.10%	8.10%
Asset Specific Premium	0.00%	0.00%	0.00%
Modified Cost of Equity	**15.33%**	**15.73%**	**16.12%**
Pre Tax Cost of Debt	7.23%	7.23%	7.23%
Marginal Tax Rate	25.12%	25.12%	25.12%
Post Tax Cost of Debt	**5.41%**	**5.41%**	**5.41%**
Capital Gearing (D/D+E)	25.78%	25.78%	25.78%
Weighted Average Cost of Capital	12.77%	13.07%	13.36%
Weighted Average Cost of Capital (Rounded)	**13.00%**	**14.00%**	**14.00%**

1. Tax rate considered as Marginal Tax Rate of India.

2. Asset Beta is considered as median of 5 years beta of comps adjusted for Blume affect.

*3. Equity Beta = Asset beta *(1+(1-Tax Rate%) *Debt/Equity)*

Risk Free Rate

We have considered 4.45% as the risk-free rate in estimation of cost of equity of 7.63%. The risk-free rate of India is calculated by considering local currency 10 years government bond yield adjusted for default spread of India.

Asset Beta

We have estimated an asset beta range of 0.35 to 0.45, with a midpoint of 0.40 based on observed median of 5 year monthly asset beta of benchmark listed companies adjusted for Blume effect.

Equity Risk Premium (ERP)

An ERP of 6.30% has been adopted based on US implied equity risk premium, relative equity volatility of ICE Boffa Public Sector Issuer emerging Market Index, S&P Emerging BMI Index and country risk premium of India.

Cost of Debt

For the purpose of assessing the cost of debt, we have used country's risk-free rate, country's default spread and corporate default spread based on company's debt rating and interest coverage ratio.

Small Size Premium

Empirically small sized assets have exceeded the returns as compared to large sized assets. We used the study on size premium conducted by Incwert which is based on difference between actual return and CAPM expected returns arranged in decile basis market capitalization of Indian companies.

Beta Analysis

Beta Analysis - 2 Years Weekly

Particulars	Ticker	No of Weekly Observations	Market Cap	Asset Beta	2 Years Avg D/E	Equity Beta	2 Years Avg D/D+E
West Coast Paper Mills Ltd	WSTCSTPAPR	104	2,787	1.32	7.0%	1.39	6.5%
Seshasayee Paper & Boards Ltd	SESHAPAPER	104	1,716	1.14	1.0%	1.15	1.0%
Andhra Paper Ltd	ANDHRAPAP	104	1,413	0.98	4.5%	1.01	4.3%
Tamil Nadu Newsprint & Papers Ltd	TNPL	104	885	0.57	91.0%	0.95	47.6%
Emami Paper Mills Ltd	EMAMIPAP	104	538	0.58	100.5%	1.01	50.0%
Median- Broad Set				**0.98**	**7.0%**	**1.01**	**6.5%**
Average- Broad Set				0.92	40.8%	1.10	21.9%
Median- Considered Set				**0.86**	**49.0%**	**1.08**	**27.0%**
Average- Considered Set				0.90	49.9%	1.13	26.3%

Comparable Companies Overview

Comparable Companies	Ticker	Business Description
West Coast Paper Mills Ltd.	WSTCSTPAPR	West Coast Paper Mills Ltd. is one of the largest paper manufacturers in India, producing a diverse range of paper and paperboard products such as writing, printing, copier, and industrial papers. The company operates an integrated paper mill located in Dandeli, Karnataka, and caters to both domestic and international markets through its broad product portfolio and strong distribution network.
Seshasayee Paper and Boards Ltd.	SESHAPAPER	Seshasayee Paper and Boards Ltd. is engaged in the manufacture of printing and writing paper used in books, notebooks, journals, and business forms. With manufacturing facilities located in Erode and Tirunelveli in Tamil Nadu, the company primarily serves the Indian market and has built a strong reputation for quality and reliability in the southern region.
Andhra Paper Ltd.	ANDHRAPAP	Andhra Paper Ltd. specializes in the production of writing, printing, and copier paper, serving a wide range of clients including educational institutions, corporates, and government agencies. Headquartered in Hyderabad, the company operates two major manufacturing units in Rajahmundry and Kadiyam, Andhra Pradesh, and maintains a significant presence in both domestic and export markets.

Thank you for Reading