

**Price:** 329

**Recommendation:** Buy

**Industry:** Paper & Paper Products

**Sector:** Commodities

**Report Date:** 03-Apr-2025

JK Paper is advancing its market position through strategic acquisitions and sustainability initiatives. The company acquired stakes in Radhesham Wellpack and Quadragen Vethealth, expanding into the corrugated boxes and animal nutrition sectors. Committed to sustainability, JK Paper is net carbon and wood positive, planting more trees than harvested. It focuses on renewable energy, reducing resource consumption, and developing biodegradable products. Despite challenges from imports and wood costs, JK Paper's strong distribution network and credit rating highlight its growth potential.

Sales		Profit & Loss		Profitability Matrix	
Current Year	5793 Cr	Operating Profit(Year)	884 Cr	Operating Profit Margin	15.3 %
Previous Year	6232 Cr	Operating Profit(Quarter)	140 Cr	EBITDA Margin	23.34 %
Current Quarter	1390 Cr	PAT (Year)	853 Cr	Net Profit Margin	14.6 %
Previous Quarter	1424 Cr	PAT (Quarter)	61.2 Cr	EPS	30.8
Revenue (QYoY)	1512 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	10.7	Sales Growth	-1.63 %	Sales Growth	-2.39 %
PEG Ratio	0.73	PAT Growth	-2.63 %	Sales Growth QYoY	-8.07 %
EV/EBITDA	7.29	EPS Growth	-42.21 %	PAT Growth	-49.42 %
P/B	1.20	Dividend Yield	2.59	PAT Growth QYoY	-70.0 %
Capital Allocation		Holdings		Leverage	
RoE	20.5 %	Promoter	49.6 %	Debt/Equity	0.36
RoA	10.9 %	FII	12.2 %	Debt	1714 Cr
RoCE	17.6 %	DII	5.55 %	Market Cap	5573 Cr
RoIC	20.7 %	Public	32.6 %	Enterprise value	7262 Cr
		No of Shares	16.9 Cr	Cash Equivalents	25.9 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

During the recent meeting, JK Paper outlined several strategic initiatives aimed at enhancing its market position and diversifying its business portfolio. The company approved the acquisition of a majority stake in Radhesham Wellpack Private Limited (RWPL), a manufacturer of corrugated boxes and sheets, which is a rapidly growing segment in the Indian Paper & Packaging industry. Additionally, JK Paper acquired a majority stake in Quadragen Vethealth Private Limited (QVPL), a leader in the animal nutrition products sector. These acquisitions are strategic moves to tap into promising and rapidly developing industry segments, providing new growth opportunities for the company. The company emphasized its commitment to sustainability, highlighting its status as net carbon and wood positive, with more trees planted than harvested and more carbon sequestered than emitted.

JK Paper's business strategies focus on expanding its product offerings and enhancing operational efficiencies. The company has been actively involved in plantation activities, planting over 11.28 crore saplings covering 76,615 acres in the first nine months of FY2024-25. This effort supports its raw material security and sustainability goals. The company has also developed new eucalyptus clones with high wood productivity, aiming to maximize plantation coverage within a 200 km radius of its plants. Furthermore, JK Paper is increasing its share of renewable energy sources, with significant reductions in water and power consumption, and the development of biodegradable products to replace plastics.

Looking ahead, JK Paper is poised for growth and scaling, leveraging its strategic acquisitions and sustainability initiatives. The company aims to enhance its market share in the coated paper and packaging board segments, where it is already a leading player. With a strong distribution network and strategic geographical presence, JK Paper is well-positioned to capitalize on emerging market opportunities. The reaffirmation of its long-term credit rating to "IND AA/Stable" by India Ratings and Research underscores its financial stability and growth potential. However, the company faces challenges from rising imports at low prices and high wood costs, which have impacted sales volumes and profitability.

From a positive perspective, JK Paper's strategic acquisitions and sustainability initiatives are commendable, positioning the company for long-term growth. The focus on renewable energy and eco-friendly products aligns with global sustainability trends, enhancing its brand reputation. However, there is room for improvement in addressing the challenges posed by low-priced imports and high raw material costs. Strengthening its competitive edge through innovation and cost management could further bolster its market position. The company's efforts in community development and empowerment, such as skill development training and support for farmers, are noteworthy and contribute to its corporate social responsibility goals.

JKPAPER Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
<b>Pudumjee Paper</b>	978.95	8.54	20.91%	-12.94%	-4.92%	-34.21%	-38.54%
<b>JK Paper</b>	5573.33	10.71	20.48%	-2.39%	-8.09%	-49.44%	-70.07%
<b>West Coast Paper</b>	2964.29	7.64	23.82%	-2.77%	-2.80%	-27.95%	-52.77%
<b>A B Real Estate</b>	21690.58	1189.44	1.29%	-15.15%	-10.61%	-411.62%	-134.53%
<b>Seshasayee Paper</b>	1702.84	12.87	15.20%	8.25%	-8.90%	-36.20%	-75.95%

Aspect	Commentary
<b>Revenue</b>	The company's revenue shows a decline, with current year sales at 5793 Cr compared to 6232 Cr the previous year. This indicates a negative growth trend, which may be attributed to market challenges or competitive pressures. The quarterly figures also reflect a decrease, suggesting a need for strategic adjustments to boost sales.
<b>Profit &amp; Loss</b>	Operating profit for the year stands at 884 Cr, with a quarterly figure of 140 Cr. The PAT for the year is 853 Cr, indicating a strong bottom line despite revenue challenges. However, the quarterly PAT of 61.2 Cr suggests potential volatility in earnings, necessitating careful financial management.
<b>Profitability Matrix</b>	The company maintains a healthy operating profit margin of 15.3% and an EBITDA margin of 23.34%. The net profit margin is 14.6%, reflecting efficient cost management. An EPS of 30.8 indicates solid earnings per share, supporting investor confidence in the company's profitability.
<b>Valuation Matrix</b>	The trailing P/E ratio of 10.7 suggests the stock is reasonably valued. A PEG ratio of 0.73 indicates potential undervaluation relative to growth. The EV/EBITDA of 7.29 and P/B of 1.20 further support a stable valuation, making the company an attractive investment opportunity.
<b>Growth (YoY)</b>	Year-over-year growth metrics show a decline, with sales growth at -1.63% and PAT growth at -2.63%. EPS growth is significantly negative at -42.21%, highlighting challenges in maintaining earnings growth. The dividend yield of 2.59% provides some return to shareholders amidst growth concerns.
<b>Growth (QoQ)</b>	Quarter-over-quarter growth figures reveal a decline, with sales growth at -2.39% and PAT growth at -49.42%. The significant drop in PAT growth suggests operational challenges. Sales growth QYoY at -8.07% indicates persistent market difficulties, requiring strategic interventions.
<b>Capital Allocation</b>	The company demonstrates strong capital allocation with RoE at 20.5%, RoA at 10.9%, and RoCE at 17.6%. RoIC of 20.7% reflects efficient use of invested capital. These metrics indicate robust financial health and effective management of resources, supporting long-term sustainability.
<b>Holdings</b>	Promoter holding is at 49.6%, indicating strong insider confidence. FII and DII holdings are 12.2% and 5.55% respectively, reflecting moderate institutional interest. Public holding at 32.6% suggests a balanced ownership structure, providing stability and potential for market-driven growth.
<b>Leverage</b>	The debt/equity ratio of 0.36 indicates a conservative leverage position, minimizing financial risk. Total debt is 1714 Cr, with a market cap of 5573 Cr and enterprise value of 7262 Cr. Cash equivalents of 25.9 Cr provide liquidity, supporting operational flexibility and financial resilience.

**Analyst viewpoint:** JK Paper is strategically positioning itself for growth through a series of significant initiatives that enhance its market presence and expand its business offerings. The company's recent acquisitions in the rapidly developing sectors of corrugated boxes and animal nutrition are poised to deliver promising returns, aligning with emerging market trends. These strategic moves, combined with JK Paper's commitment to sustainability and innovative product development, position the company as a leader in its industry. Although the recent QoQ growth figures show challenges in maintaining sales and profit margins, the company's efforts in capital allocation, as evidenced by a robust RoE of 20.5% and an advantageous debt/equity ratio of 0.36, reflect strong financial management and sustainability.

Despite a modest decline in some near-term growth indicators, JK Paper's valuation metrics, such as a trailing P/E of 10.7 and a PEG ratio of 0.73, suggest it remains an attractive investment opportunity with potential undervaluation relative to its growth prospects. The company's robust distribution network and strategic presence, supported by a reaffirmed "IND AA/Stable" long-term credit rating, underscore its capacity to overcome current market challenges and capitalize on growth opportunities. However, it is important to acknowledge persistent pressures from rising imports at low prices and high wood costs, which may impact profitability. Nonetheless, JK Paper's focus on innovation and cost management could further bolster its competitive edge in the market.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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