

Pick of the Week



JK Paper Limited

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CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
143	200	40.1%	194 / 97	25444

Key Highlights:

- JK Paper is a leader in India's copier paper segment with a market share of 23%, the second-largest in the coated paper segment (market share of 12%) and a leading player in the packaging board segment, having market share of 11%.
- JK Paper enjoys a pan-India presence. Its distribution network of paper and packaging board products comprises four regional offices, 16 warehouses, 250 distributors (including wholesalers and direct dealers) and over 4000 dealers.
- The company was successful in acquiring Sirpur Paper mill (SPML) with an installed capacity of 1.38KT (30% of JK current capacity) by infusing Rs 3.7bn, post NCLT approval. Uninterrupted supply of coal, raw material and water along with various cost benefits provided by government to revive the plant will benefit the company to improve the EBITDA margin at a company level
- JK Paper is focused on sourcing 71% of its raw material requirement in JK Puram plant and 100% from CPM plant from within a radius of 200 kms which results in reduced logistics cost. Also, the company increased the cultivation of wood plantation at a CAGR of 9.75% during the period from 2011-2018 increasing the area under cultivation increased from 66,599 hectares in FY11 to 150,000 hectares in FY18.
- During the year 2017, Chinese government imposed ban on imports of low grade waste paper resulting in surge of global pulp prices. This led to a surge in cost of production of various large natural fiber based global paper producers resulting in pricing power of JK Paper who benefited with the ultimate rise in international prices of Paper resulting in higher realizations.
- The Government recently imposed anti-dumping duty on certain kinds of uncoated paper from Indonesia, Thailand and Singapore for the period of three years to protect interest of domestic companies. The company is expected to gain on the imposition of anti-dumping, as company's uncoated printing and writing paper capacity stands at 292KT (third largest).

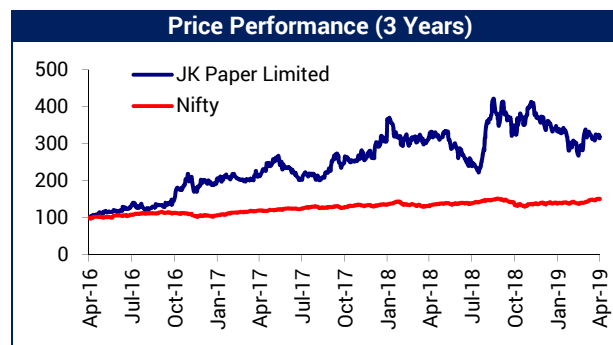
Financials (Rs mn)*	FY18	FY19E	FY20E
Sales	28,775	32,495	33,102
Growth (%)	4.1	12.9	1.9
EBITDA	6,183	8,288	8,320
EBITDA margin (%)	21.5	25.5	25.1
PBT	3,754	6,093	6,102
Net profit	2,605	4,082	4,088
Adjusted EPS (Rs)	14.8	22.9	22.9
Growth (%)	32.7	54.3	0.1
P/E (x)	9.6	6.2	6.2

BV (Rs/share)	93.8	112.4	131.9
Dividend / share (Rs)	1.7	3.4	3.4
ROE (%)	15.8	20.4	17.4
ROCE (%)	18.4	22.7	19.7
Net cash (debt)	(7,209.0)	(8,273.4)	(9,264.7)

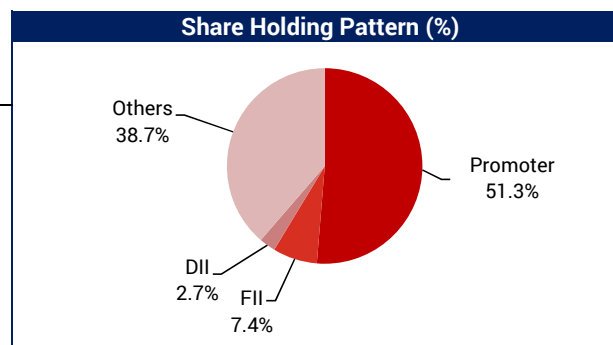
Source: Company; Kotak Securities - Private Client Research *Standalone

Financials (Rs mn)*	9M-FY18	9M-FY19	% Chg
Revenues	21,261	24,148	14
EBITDA	4,458	6,097	37
EBITDA Margin (%)	21.0%	25.2%	
PAT	1,866	2,981	60
PAT Margin (%)	8.8%	12.3%	
EPS (Rs)	11.3	16.8	49

Source: Company; Kotak Securities - Private Client Research *Standalone



Source: Bloomberg



Source: Bloomberg

This one pager on the company is extracted from last Kotak Securities – Private Client Research update dated December 20, 2018 and it does not contain events beyond that date. Above company recommendation is of Kotak Securities – Private Client Research which has a different rating system than Kotak Institutional Equities as disclosed in the end of the report (before Disclaimer). It is advisable to read the full Kotak Securities – Private Client Research report before taking any investment decision on the above company recommendation.

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