

NEW HIGH

JK PAPER A GOOD BUY FOR PORTFOLIO INVESTORS

TAKING STOCK

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The global paper industry's output grew to a new high last year, with the Asia Pacific region being the largest manufacturer of paper and paper boards, followed by Europe and North America. India and Brazil are forecast to record the fastest CAGR growth at over 7% in the next few years. International hardwood pulp prices touched a high of US\$800 per metric tonne, mainly due to supply disruption as pulp mills in Brazil and Indonesia experienced lower production due to environmental concerns and maintenance shutdowns. Hence, the prices of uncoated paper rose by over 6% and likewise pulp prices increased substantially. The global paper and packaging board market is expected to grow at a CAGR of around 5%, catalysed by incremental demand from mass retail and e-commerce packaging segments. The Asia Pacific region is expected to account for 36% of the revenue of the global paper and packaging market by 2024. The Indian paper industry accounts for nearly 4% of the total global paper output, with an estimated turnover of Rs 40,000 crore. Over the last few years, the per capita paper consumption in the country has grown from 11 kg in 2015 to 13 kg in 2018, on the back of growth in disposable income, literacy and aspiration levels. The Indian paper industry provides employment to over 4 lakh people and 72% of the total installed capacity in the country is concentrated in the states of Karnataka, Odisha, Maharashtra, West Bengal and Andhra Pradesh. While the demand for printing and writing paper has been growing by about 5% per annum, the packaging board segment is showing an annual growth of over 12%-15% largely from end user industries like pharmacy, food, garments and the consumer goods sector. The New Delhi based JK Paper has been a large contributor to the growth of the Indian paper industry and has been reporting a regular increase in sales and profits over the last many years, with international quality products under its belt. JK Paper offers products under categories such as coated and uncoated paper, packaging board and office documentation. The company offers office documentation products including premium names like the JK Copier, JK Excel Bond, and many others. The company posted a robust Q1 FY2019 numbers, with a 29% jump in net profit to Rs 95.14 crore, with revenue increasing by 26% to Rs 395 crore. The future of the Indian paper industry and particularly JK Paper looks bright and hence the stock quoting at Rs 164 can be purchased by portfolio investors. The company can give a 30% price appreciation in the next one year from the current levels on the back of higher revenue and profits. *Rajiv Kapoor is a share trader, certified mutual fund expert and MDRT insurance agent.*