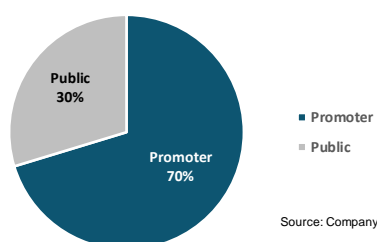


Key Share Data

Face Value (INR)	1.0
Equity Capital (INR Mn)	87.3
Market Cap (INR Mn)	6,588.4
52 Week High/Low (INR)	135 / 65
6 months Avg. Daily Volume (NSE)	70,286
BSE Code	532937
NSE Code	KUANTUM
Reuters Code	KAUN.NS
Bloomberg Code	KAUN:IN

Shareholding Pattern (as on March 2026)



Key Financials (Rs Million)

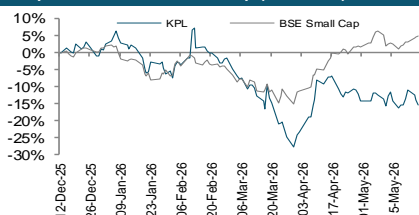
Particulars	FY25	FY26	FY27E	FY28E
Net Sales	11,070.4	10,931.6	14,751.6	16,185.1
Growth (%)	-9%	-1%	35%	10%
EBITDA	2,425.9	1,618.4	2,223.4	2,984.3
PAT	1,151.8	419.5	674.2	1,305.5
Growth (%)	-37%	-64%	61%	94%
EPS (INR)	13.2	4.8	7.7	15.0
BVPS (INR)	139.0	140.8	148.5	163.4

Key Financials Ratios

Particulars	FY25	FY26	FY27E	FY28E
P/E (x)	5.7	15.7	9.8	5.0
P/BVPS (x)	0.5	0.5	0.5	0.5
Mcap/Sales (x)	0.6	0.6	0.4	0.4
EV/EBITDA (x)	5.3	9.1	6.2	4.1
ROCE (%)	10.1%	4.6%	7.1%	11.0%
ROE (%)	9.5%	3.4%	5.2%	9.2%
EBITDA Mar (%)	21.9%	14.8%	15.1%	18.4%
PAT Mar (%)	10.4%	3.8%	4.6%	8.1%
Debt - Equity (x)	0.5	0.7	0.6	0.4

Source: Company, SKP Research

Price perf. KPL vs BSE Small Cap (since ICR)



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Company Background

Kvantum Papers Ltd (KPL), promoted by Mr. Pavan Khaitan, Vice Chairman & Managing Director, is amongst India's leading manufacturer of paper and paper products at its backward integrated plant at Hoshiarpur, Punjab with an installed paper manufacturing capacity of 540 TPD and pulp capacity of 365 TPD as of FY26. KPL utilises a mix of agri-residue (wheat straw), veneer, wood logs and wood chip as its raw materials (RM) for making pulp. The company's product portfolio is in the writing and printing (W&P) segment and includes maplitho, creamwove, copier, and specialty papers.

Investment Rationale

Improved sales volumes and realisation helps in stable sequential performance in Q4FY26; margins remain under pressure due to elevated RM cost

- During Q4FY26 KPL's sales increased ~8.5% y-o-y and ~3.9% q-o-q to Rs 3,009.4 mn, driven by volume growth. FY26 sales decreased ~1.3% y-o-y to Rs 10,931.6 mn.
- Q4FY26 realisations decreased ~12% y-o-y while increased ~4% q-o-q to ~Rs 67,911/MT. In FY26 realisation decreased ~2.5% to Rs.67,093/MT. Sales volumes for Q4FY26 increased ~23% y-o-y and remained flat q-o-q at 44,314 MT. In FY26 sales volumes increased by 1.3% to 162,933 MT.
- Q4FY26 EBITDA decreased ~20.1% y-o-y, mainly due to increased wheat straw prices, & increased ~21.9% q-o-q to Rs 478.4 mn. In FY26 EBITDA declined ~33.3% y-o-y to Rs 1,618.4 mn.
- In Q4FY26 EBITDA/Ton decreased ~35% y-o-y & increased ~22% q-o-q to Rs 10,796. FY26 EBITDA/Ton decreased ~34% y-o-y to Rs 9,933.
- KPL witnessed decline in Q4FY26 PAT by ~45.1% y-o-y & increased ~46.6% q-o-q to Rs 143.4 mn. FY26 PAT decreased by ~63.6% y-o-y to Rs 419.5 mn.

Increase in capacity by ~50% in FY27 with diversification in specialty segment to drive volume growth, improve realizations, and enhance economies of scale

- KPL is undertaking a significant capex of ~Rs 7.35 bn, primarily focused on expanding paper production capacity by ~50% - from 450 TPD to 675 TPD and pulp making capacity raising the combined agro and wood pulp capacity from 365 TPD to 440 TPD. Project is being funded through a Debt:Equity mix of Rs 5.35 bn: Rs 2 bn.
- Three paper machines (PM1, PM2 & PM4) have already been successfully upgraded, resulting in an incremental capacity addition of 120–130 TPD, taking the current overall production capacity to ~580 TPD.
- The expansion is expected to be fully commissioned by Q2FY27, with the PM3 upgrade and pulp capacity expansion expected to be completed by June 2026.

Potential bottoming out of margins before the next industry up-cycle?

- Paper realisation appear to be stabilizing at ~Rs 65/kg for KPL over the past few quarters with signs of improvement emerging from H2FY27 onwards.
- Wood costs, which were at elevated levels due to robust demand from MDF & Plywood industry, are now expected to stabilize with a slight downward trend.
- Wheat straw's prices which remained elevated over the last three quarters following floods in Punjab and increased demand from fuel applications, are likely to see a reduction in prices from June, as the sowing season starts and availability improves.
- International hardwood pulp prices have remained stable over the last quarter; augurs well for domestic paper prices, though, imports are still happening at lower prices. That said, recent INR depreciation is making landed cost of imports more expensive. Industry is expecting international paper prices to increase gradually.

Raw material diversity advantage and backward integration sets KPL apart from its peers

- ~50% of KPL's RM is agro-residue, primarily wheat straw. Punjab produces ~20 mn MT wheat straw annually, ensuring abundant availability, as yields continue to rise. This helped KPL limit impact of drastic increase in wood prices from FY25.

Balance RM requirement is met by wood, available locally, with prices likely to soften in medium-term.

- The company enjoys significant cost advantages through this strategic procurement, delivering a cost benefit of more than Rs 15,000/MT compared to other pulp integrated players, ensuring superior margin resilience.
- In FY22, KPL undertook Rs 4.4 bn backward integration capex, to expand pulp, power generation, and chemical recovery capacities. This allowed the company to optimise full potential of its RM advantage and paper machine capacity.
- This diversified sourcing model, backed by backward integration, underscores margin resilience and long-term competitiveness compared to wood-dependent peers.

VALUATION

We believe that the KPL's significant paper capacity expansion, set to come into full effect from Q2FY27, along with its continued shift into specialty grades segment, will drive stronger volumes and improved realisations, while margins remain supported by strong backward integration and favourable raw material positioning. We have valued the stock 5x FY28E EV/EBITDA multiple, backed by rising paper demand and stabilising raw material prices, we recommend a Buy, with an upside potential of 42%.

Key charts

Exhibit 1: Revenue & revenue growth %

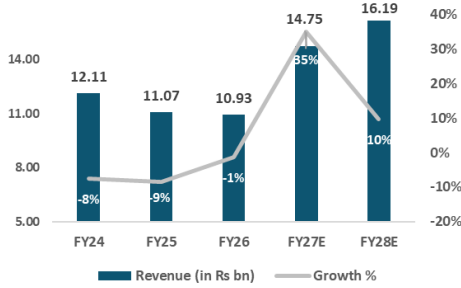


Exhibit 2: EBITDA and EBITDA growth %

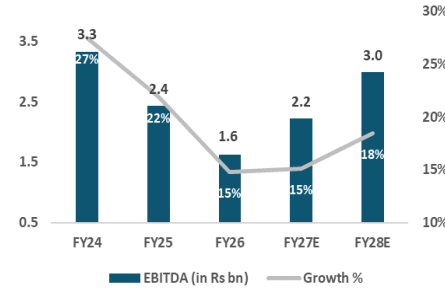


Exhibit 3: PAT & PAT growth %

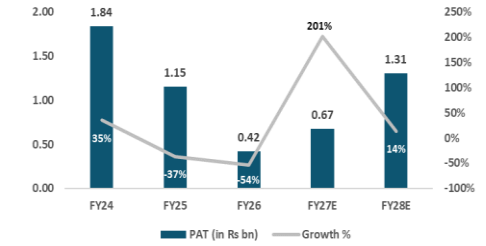


Exhibit 4: Capex over the years

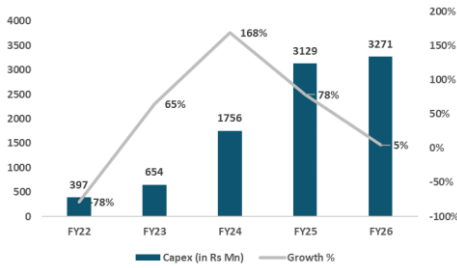


Exhibit 5: Paper capacity increase (in TPD)

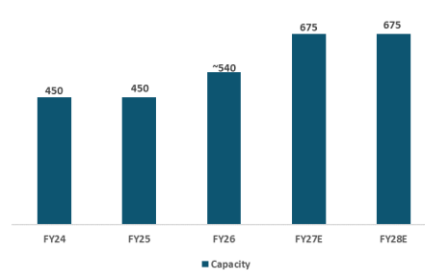


Exhibit 6: Realisation/ton vs EBITDA/ton

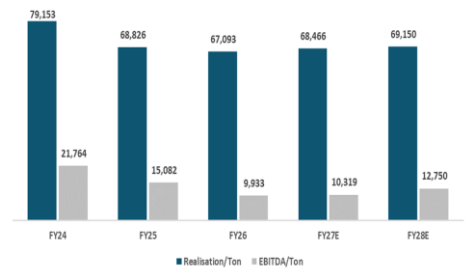


Exhibit 7: EBITDA/Tonne comparison vs peers

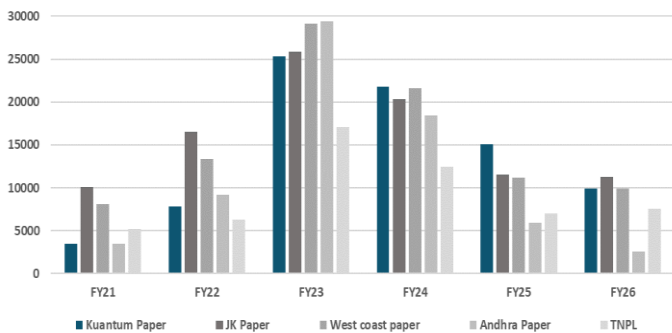
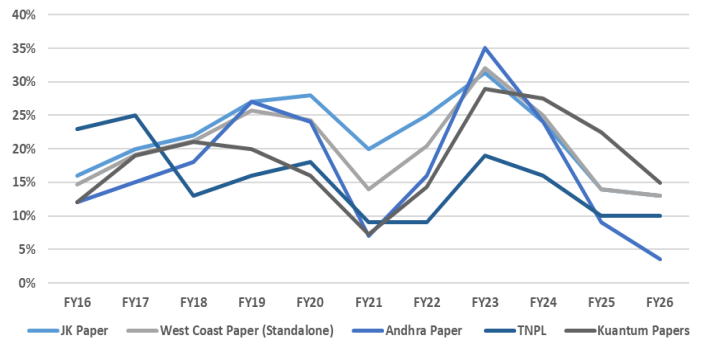


Exhibit 8: EBITDA margins comparison vs peers



Source: Company, SKP Research

Q4FY26 Result Summary

Figures in Rs Million

Particulars	Q4FY26	Q4FY25	YoY %	Q3FY26	QoQ %	FY26	FY25	YoY %
Revenue From Operations	3,009.4	2,773.5	8.5%	2,895.9	3.9%	10,931.6	11,070.4	-1.3%
Total Operating Expenses	2,531.0	2,174.8	16.4%	2,503.4	1.1%	9,313.2	8,644.4	7.7%
Net Raw Material Consumed	1,100.0	897.3	22.6%	1,109.3	-0.8%	3,957.5	3,595.5	10.1%
(as % of Revenue)	36.6%	32.4%	420 Bps	38.3%	(175)Bps	36.2%	32.5%	372 Bps
Power and Fuel	390.7	318.7	22.6%	354.7	10.1%	1,399.1	1,340.1	4.4%
(as % of Revenue)	13.0%	11.5%	149 Bps	12.2%	73 Bps	12.80%	12.11%	69 Bps
Chemicals Consumed	524.6	511.5	2.6%	558.8	-6.1%	2,059.4	1,935.4	6.4%
(as % of Revenue)	17.4%	18.4%	(101)Bps	19.3%	(186)Bps	18.8%	17.48%	136 Bps
Employee Benefits Expense	230.0	194.9	18.0%	243.3	-5.5%	928.8	806.3	15.2%
(as % of Revenue)	7.6%	7.0%	62 Bps	8.4%	(76)Bps	8.5%	7.3%	121 Bps
Other Expenses	285.7	252.4	13.2%	237.3	20.4%	968.4	967.1	0.1%
(as % of Revenue)	9.5%	9.1%	39 Bps	8.2%	130 Bps	8.9%	8.7%	12 Bps
EBITDA	478.4	598.7	-20.1%	392.5	21.9%	1,618.4	2,426.0	-33.3%
EBITDA Margin (%)	15.9%	21.6%	(569)Bps	13.6%	234 Bps	14.8%	21.9%	(711)Bps
Depreciation and Amortization	172.1	146.6	17.4%	166.2	3.5%	653.3	540.0	21.0%
EBIT	306.3	452.1	-32.2%	226.3	35.4%	965.1	1,886.0	-48.8%
Other Income	11.7	14.0	-16.6%	15.9	-26.4%	64.0	60.8	5.3%
Finance Costs	131.8	104.4	26.3%	108.8	21.1%	463.6	393.0	18.0%
Exceptional Items, net	-	-	-	-	-	-	-	-
Profit Before Tax	186.2	361.8	-48.5%	133.4	39.6%	565.5	1,553.8	-63.6%
Income Tax	42.8	100.7	-57.5%	35.6	20.2%	146.0	402.0	-63.7%
Effective Tax Rate (%)	23.0%	27.8%		26.7%		25.8%	25.9%	
Profit After Tax (PAT)	143.4	261.1	-45.1%	97.8	46.6%	419.5	1,151.8	-63.6%
PAT Margin (%)	4.77%	9.41%	(465)Bps	3.38%	139 Bps	3.84%	10.40%	(657)Bps
Diluted EPS	1.64	2.99	-45.2%	1.12	46.4%	4.81	13.2	-63.6%

Source: Company Filing, SKP Research

KEY CONCERNS

- 1. Competition from unorganised players:** Indian paper industry is highly fragmented with ~825 small to large mills. Any increase in the competitive intensity from unorganized segment, although unlikely, may be detrimental for the company.
- 2. Scarcity of wood pulp:** Availability of wood pulp is a matter of concern not only for KPL but to the whole industry for past many years, though its availability has improved significantly, which has led to the drop in the prices of wood chips. Of late, wood prices have started inching up led by capacity addition by industry and emerging competition from MDF players.
- 3. Threat of imports from China and Indonesia:** Due to ongoing geopolitical conflicts, Chinese and Indonesian cheap imports have moved to India, dumping their capacity on to an already weak domestic market. Continued import of these products can negatively impact profitability of Indian paper companies due to excess competition.
- 4. Getting environmental clearances (EC):** The company has EC for paper capacity up to 540 TPD and has applied for expansion to 675 TPD, along with pulp capacity increase from 365 TPD to 440 TPD. The approval is still pending, and there is no assurance on the timing or outcome of the clearance. Any forward-looking statements regarding capacity increase remain subject to regulatory approvals.

Valuation

We believe that the KPL's significant paper capacity expansion, set to come into full effect from Q2FY27, along with its continued shift into speciality grades segment, will drive stronger volumes and improved realisations, while margins remain supported by strong backward integration and favourable raw material positioning. We have valued the stock 5x FY28E EV/EBITDA multiple, backed by rising paper demand and stabilising raw material prices, we recommend a Buy, with an upside potential of 42%.

Company Financials:

Exhibit: Income Statement *Figures in Rs Million*

Particulars	FY25	FY26	FY27E	FY28E
Total Income	11,070.4	10,931.6	14,751.6	16,185.1
Growth (%)	-9%	-1%	35%	10%
Expenditure	8,644.5	9,313.2	12,528.2	13,200.8
Material Cost	3,595.5	3,957.5	5,344.2	5,617.4
Employee Cost	806.3	928.8	1,185.0	1,240.5
Power & Fuel Cost	1,340.1	1,399.1	1,861.7	1,989.5
Chemical Cost	1,935.4	2,059.4	2,844.6	2,949.1
Other Exp.	967.2	968.4	1,292.8	1,404.3
EBITDA	2,425.9	1,618.4	2,223.4	2,984.3
Depreciation	540.0	653.3	774.3	787.1
EBIT	1,885.9	965.1	1,449.1	2,197.2
Other Income	60.9	64.0	60.0	60.0
Interest Expense	393.0	463.6	598.0	493.0
Profit Before Tax (PBT)	1,553.8	565.5	911.1	1,764.2
Income Tax	402.0	146.0	236.9	458.7
Profit After Tax (PAT)	1,151.8	419.5	674.2	1,305.5
Diluted EPS	13.2	4.8	7.7	15.0

Exhibit: Cash Flow Statement *Figures in Rs Million*

Particulars	FY25	FY26	FY27E	FY28E
Operating Cash flow (1)	1,769.6	2,191.6	1,958.3	2,481.2
- PBT	1,553.8	565.5	911.1	1,764.2
- Dep	540.0	653.3	774.3	787.1
- Tax	323.4	78.1	236.9	458.7
- WC changes	-403.0	602.4	-88.2	-104.4
- Other	402.2	448.5	598.0	493.0
Investing Cash flow (2)	-3,146.0	-3,212.4	-400.0	-400.0
- Capex	-3,129.5	-3,270.5	-400.0	-400.0
- Other	-16.5	58.1	-	-
Financing Cash flow (3)	762.9	1,337.8	-1,848.0	-2,043.0
- Share issuance	-	-	-	-
- Debt changes	1,411.4	2,048.5	-1,250.0	-1,550.0
- Dividends	-260.4	-260.6	-	-
- Others	-388.1	-450.1	-598.0	-493.0
Total Cash flow (1+2+3)	-613.5	317.0	-289.7	38.2
Opening Cash Balance	827.9	167.9	484.9	195.2
Closing Cash	214.4	484.9	195.2	233.4

Source: Company Data, SKP Research

Exhibit: Balance Sheet *Figures in Rs Million*

Particulars	FY25	FY26	FY27E	FY28E
Share Capital	87	87	87	87
Reserve & Surplus	12,040	12,196	12,870	14,176
Total Debt	6,536	8,598	7,348	5,798
Current Liabilities & Prov	759	1,158	1,381	1,410
Non-Current Liability	1,705	1,949	1,949	1,949
Total Liabilities	21,128	23,989	23,636	23,421
Net Block inc. Capital WIP	16,013	18,099	20,350	19,963
Capital WIP	1,552	2,625	-	-
Non-Current Asset	850	709	709	709
Current Assets	2,713	2,555	2,577	2,749
Inventories	1,262	1,314	1,684	1,770
Sundry Debtors	391	443	485	532
Cash & Bank Balance	214	485	195	233
Other Current Assets	845	313	213	213
Total Assets	21,128	23,989	23,636	23,421

Exhibit: Ratio Analysis

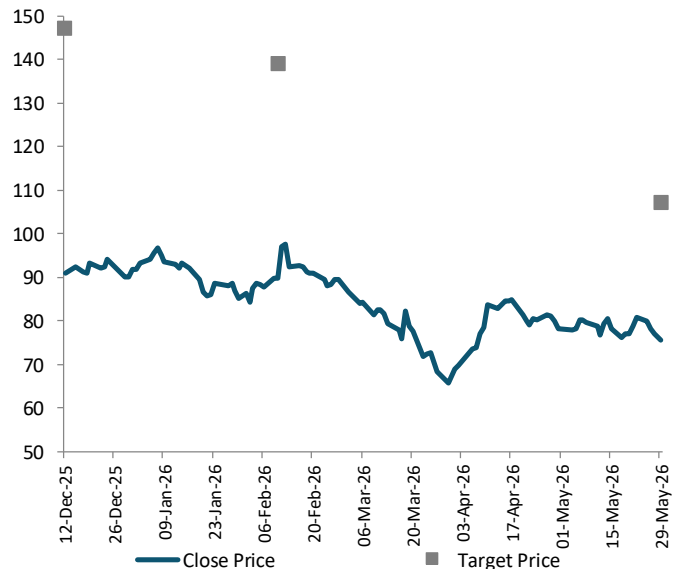
Particulars	FY25	FY26	FY27E	FY28E
Earning Ratios (%)				
EBITDA Margin (%)	21.9%	14.8%	15.1%	18.4%
PAT Margins (%)	10.4%	3.8%	4.6%	8.1%
ROCE (%)	10.1%	4.6%	7.1%	11.0%
ROE (%)	9.5%	3.4%	5.2%	9.2%
CFO/EBITDA (%)	72.9%	135.4%	88.1%	83.1%
Per Share Data (INR)				
Diluted EPS	13.2	4.8	7.7	15.0
BVPS	139.0	140.8	148.5	163.4
Valuation Ratios (x)				
P/E	5.7	15.7	9.8	5.0
Price/BVPS	0.5	0.5	0.5	0.5
EV/Sales	1.2	1.3	0.9	0.8
EV/EBITDA	5.3	9.1	6.2	4.1
Balance Sheet Ratios				
Debt - Equity	0.5	0.7	0.6	0.4
Current Ratio	0.8	0.7	0.6	0.7

Recommendation Chart

Exhibit: Recommendation - History Table

Date	Rating	Issue Price	Target Price	Upside Potential	Period (months)
12-Dec-25	BUY	92	147	60%	-
10-Feb-26	BUY	91	139	53%	-
01-Jun-26	BUY	76	107	42%	-

Exhibit: Recommendation - History Chart



Source: SKP Research

Source: BSE, SKP Research

Note:

The above analysis and data are based on last available prices and not official closing rates. SKP Research is also available on Bloomberg and Thomson First Call.

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Rating System (expected returns over 12 month period): Buy - $\geq 18\%$; Accumulate: 8% - 17%; Neutral: $\leq 7\%$

Details of Compliance and Grievance Officer:		
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Institutional Equities | Broking | Distribution | Private Wealth | Investment Banking

NSE & BSE – INZ000199335 | NSDL& CDSL – IN-DP-155-2015 | Research Analyst - INH300002902, Merchant Banker - INM000012670 | Portfolio Manager - INP000006509 | ARN-0006