PRIME RESEARCH

Pick of the Week

HDFC securities 25 YEARS
Powering India's Investments

West Coast Paper Mills Ltd

Riding the Packaging Wave

May 31, 2026

West Coast Paper Mills Ltd

Reco	BUY
Industry	Paper Products
LTP (May 29, 2026)	495.6
Entry Range	494-508
Add on Dips	435-444
Base Case Target	558
Bull Case Target	612
Time Horizon	4 Quarters

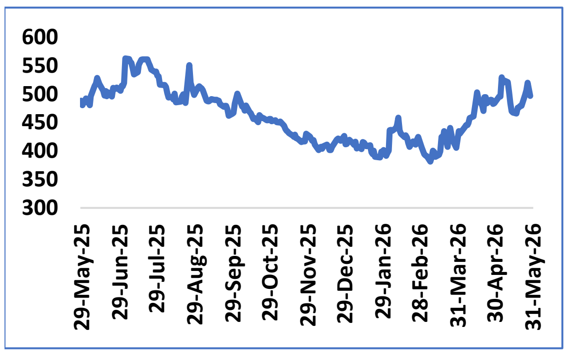
Stock Info

HDFC Scrip Code	WESCOAEQNR
BSE Code	500444
NSE Code	WSTCSTPAPR
Bloomberg	WCPM: IN
Equity Capital (Rs Cr)	13.21
Face Value (Rs)	2
Equity Share O/S (Cr)	6.61
Market Cap (Rs Cr)	3273
Book Value (Rs)	546.2
Avg. 52 Wk Volumes	2,77,550
52 Week High	583
52 Week Low	375

Share Holding Pattern (%) (Mar'26)

Promoters	56.58
Institutions	16.35
Non-Institutions	27.07
Total	100.0

One Year Price Chart



* Refer at the end for explanation on Risk Ratings

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One of the largest integrated paper manufacturer; Riding the Packaging Wave

West Coast Paper Mills Ltd (WCPM) is amongst India's leading manufacturer of paper & paper products at its integrated paper plant at Dandeli in Karnataka with an installed capacity of 320,000 MTPA. West Coast has established market position and its subsidiary, Andhra Paper Limited (APL), in the domestic writing and printing paper (WPP) industry. WCPM's capabilities in manufacturing a variety of wood-free paper, cupstocks, special grade papers, among others. Besides, its integrated nature of operations with adequate in-house capacity to manufacture virgin pulp, along with their captive power plants provide comfort. We note that both the companies operate near to peak capacity and thus better product mix, improved realisations and strong growth from its cables segment to be growth drivers in the medium term. Company is continuously working by phase wise investment at Paper Division, Dandeli for improving paper quality, produce new speciality products and reduction of usage of steam, power, chemical, water and also minimize the breakdown of machines.

During Q4FY26, the company reported strong operational performance on QoQ and YoY basis in both of its segments. It was on account of strong cost control measures and lower Power, Fuel and Water expenses. We believe the company would see gradual improvement in realisations and operational efficiencies to drive better margin and thus profitability in the coming quarters. Company has non-current investments of Rs 335 crore and current investments of Rs 1158 crore and cash & equivalents of Rs 39 crore as of March-2026.

We feel that investors can buy the stock in the band of Rs 494-508 and add more on declines to Rs 435-444 (8.25x FY28E EPS and ~4x FY28E EV/EBITDA) for base case target Rs 558 (10.5x FY28E EPS and 5.35x FY28E EV/EBITDA) and bull case target of Rs 612 (11.5x FY28E EPS and 5.75x FY28E EV/EBITDA) over the next 4 quarters.

Our Take

West Coast Paper Mills Ltd (WCPM) is amongst India's leading manufacturer of paper & paper products at its integrated paper plant at Dandeli in Karnataka with an installed capacity of 320,000 MTPA. West Coast has established market position and its subsidiary, Andhra Paper Limited (APL), in the domestic writing and printing paper (WPP) industry. WCPM's capabilities in manufacturing a variety of wood-free paper, cupstocks, special grade papers, among others. Besides, its integrated nature of operations with adequate in-house capacity to manufacture virgin pulp, along with their captive power plants provide comfort. We note that both the companies operate near to peak capacity and thus better product mix, improved realisations and strong growth from its cables segment to be growth drivers in the medium term.

Company is continuously working by phase wise investment at Paper Division, Dandeli for improving paper quality, produce new speciality products and reduction of usage of steam, power, chemical, water and also minimize the breakdown of machines.

During FY20, WCPM had acquired Andhra Paper Ltd (APL) (erstwhile International Paper APPM Ltd) which has an installed capacity of 2,59,000 MTPA. To meet the increasing demand generated by global 5G rollouts, West Coast Optilinks has doubled its optical fiber cable production capacity with a new manufacturing unit in Fab City, Hyderabad, Telangana. West Coast Optilinks (WCO) is also establishing its own Optical Fiber Draw Towers factory at the same site, slated for operation during the current financial year. This will ensure a reliable raw material source for both the optical fiber cable manufacturing units in Mysore and Hyderabad. Telecommunication cables business contributed ~8% to consolidated revenue in FY26.

During Q4FY26, the company reported strong operational performance on QoQ and YoY basis in both of its segments. It was on account of strong cost control measures and lower Power, Fuel and Water expenses. We believe the company would see gradual improvement in realisations and continuation of operational efficiencies to drive better operational performance and thus profitability in the coming quarters.

Valuation & Recommendation

We expect revenue to grow at ~9% CAGR over FY26-28E as the utilization levels are optimum. Operating margin is expected to see gradual rebound albeit on extremely lower base. It would be driven by steady improvement in paper realisations and better profitability in the cable segment. Cable segment contribution stood at 8% of sales and that is expected to increase to ~11% of sales in FY28E. Company has non-current investments of Rs 335 crore and current investments of Rs 1158 crore as of March-2026. We feel that the low valuation of the stock and improving industry dynamics remain a key attraction. Gross debt stood at Rs 328 crore as compared to Rs 441 crore as of March-2025. Corporate action by way of merger between APL and West Coast paper could be another trigger, though its timing is uncertain.

We feel that investors can buy the stock in the band of Rs 494-508 and add more on declines to Rs 435-444 (8.25x FY28E EPS and ~4x FY28E EV/EBITDA) for base case target Rs 558 (10.5x FY28E EPS and 5.35x FY28E EV/EBITDA) and bull case target of Rs 612 (~11.5x FY28E EPS and 5.75x FY28E EV/EBITDA) over the next 4 quarters.

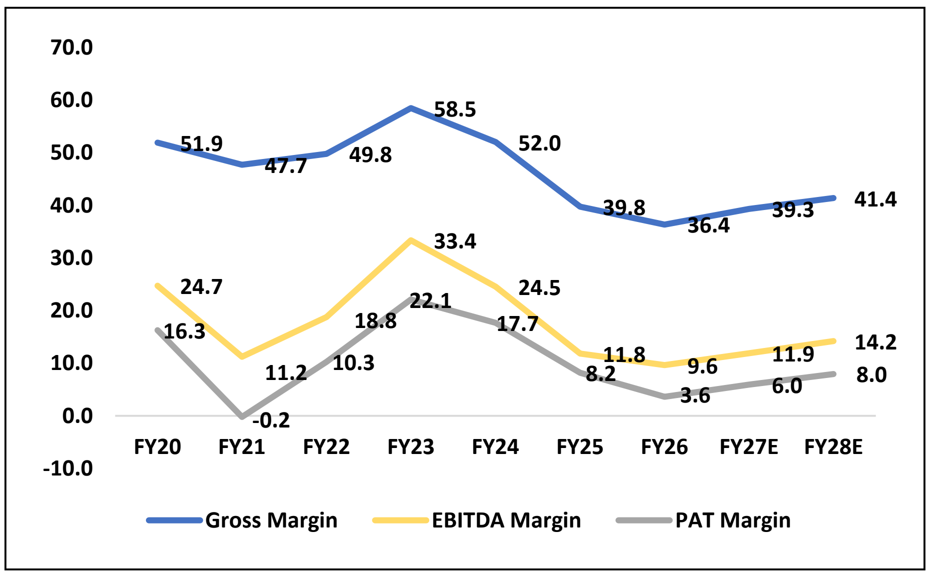
Financial Summary

Particulars (in Rs Cr)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	FY24	FY25	FY26	FY27E	FY28E
Operating Income	1245	1041	19.6	1036	20.2	4447	4062	4279	4643	5122
EBITDA	157	81	94.7	77	104.8	1092	481	412	554	727
PAT	52	44	17.7	27	92.6	692	311	151	250	349
Diluted EPS (Rs)	7.85	6.66	17.7	4.07	92.6	104.7	47.1	22.8	37.9	52.8
RoE-%						23.8	9.2	4.2	6.7	8.7
P/E (x)						4.8	10.6	21.8	13.1	9.4
EV/EBITDA (x)						3.1	7.1	8.2	6.1	4.7

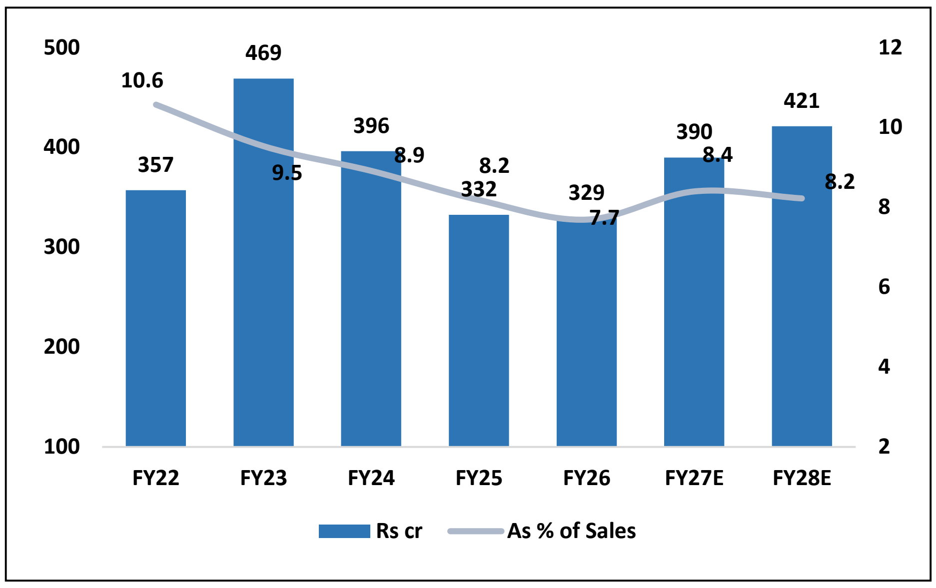
(Source: Company, HDFC sec)

Story in Charts

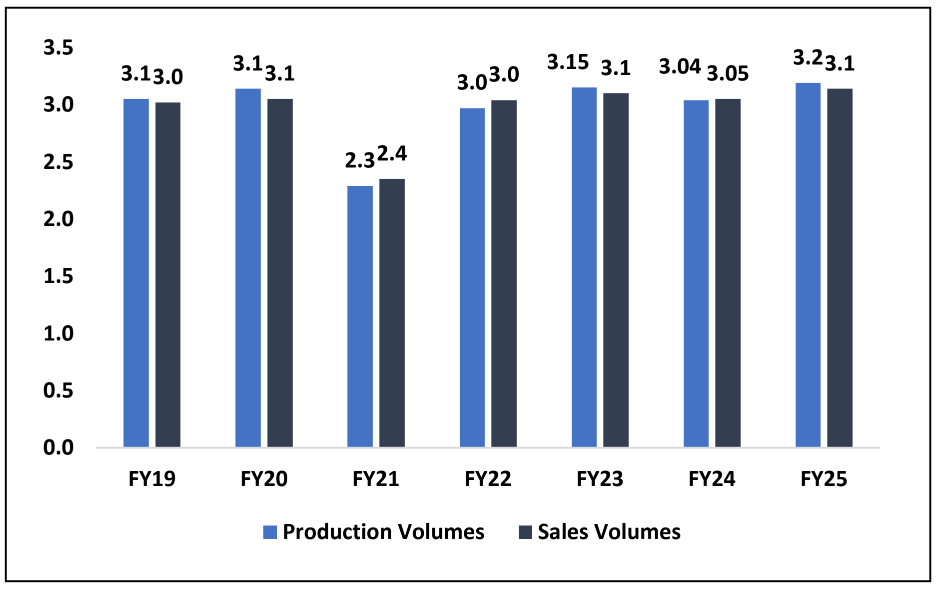
Margin to see gradual recovery



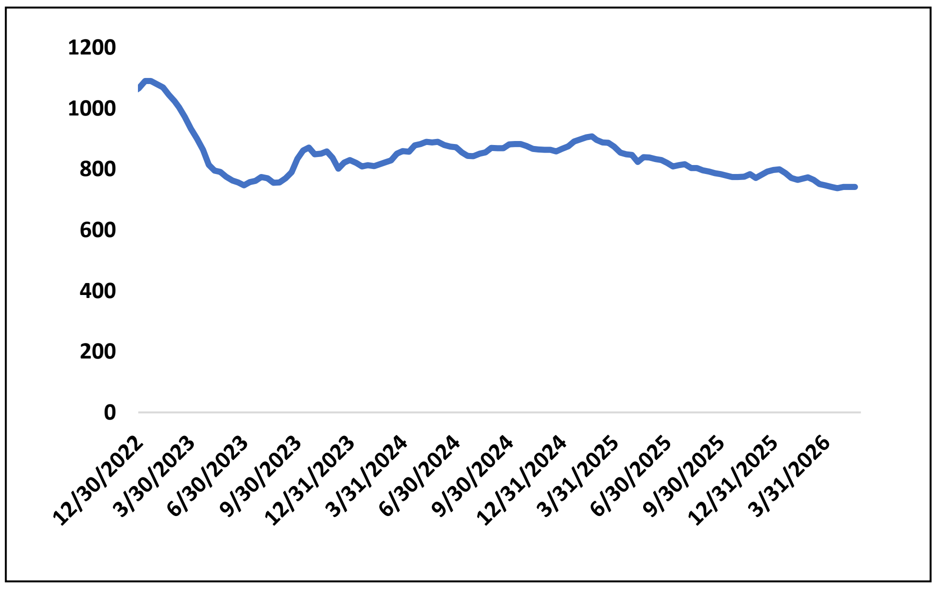
Power, Fuel & Water expenses trend



Volume Trend (lakh MTPA)



Pulp price (US$/Tonne)



(Source: Company, HDFC sec)

Q4FY26 result update

- Overall performance was better than expectations in the quarter. Consolidated total revenue for the quarter increased 19.6% YoY at Rs 1245.3cr as against the estimate of Rs 1135cr. Operating margin improved 485bps YoY at 12.6% as, against the expectation of 10%. Net profit was up 17.8% YoY to Rs 51.8 cr. PBT for the quarter increased by 51.2% YoY to Rs 84.8 cr. Other Income declined 93% YoY to Rs 3.1 cr.

Both Paper and Telecom Cable segments reported strong performance in Q4FY26

- Paper and Paper Board revenue grew 19.2% YoY to Rs 1,159 cr. Telecom Cables revenue increased by 23.7% YoY to Rs 86 cr.
- Higher volumes with a better product mix and operational efficiency led to improved performance during the quarter. In the Cable division, the backwards-integrated draw tower has now stabilised and is expected to provide strong operational support to the Optical Fibre Plant.
- Total Revenue grew 5.3% YoY at Rs 4279 crore while EBITDA declined 14.3% YoY at Rs 412 crore mainly on account of lower gross margin. Net profit was down 51% YoY at Rs 150.7 crore in FY26. It was due to lower operating margin and other income.
- Board declared a dividend of Rs 3 per equity share for FY26. EPS for the quarter stood at Rs 7.85 and it was at Rs 22.8 for FY26.
- The paper industry continued to operate in a challenging environment during the year, with margins impacted mainly by rising imports of paper, resulting in competitive pricing pressure. While demand in core writing and printing grades remained broadly stable, realisations were affected across segments.
- West Coast Paper also reported a weak set of numbers as expected due to lower product prices and higher input costs. High penetration of imports continued to result in a weak pricing scenario that is likely to turn around from FY27 onwards, driven by price hikes for different segments of paper products. Also, wood prices may come down, which would help restore margin along with an improvement in realisation.
- The escalation of the US–Iran conflict in early 2026, along with disruptions in Strait of Hormuz, hurt pulp shipment reliability and raised freight costs. The global supply chain volatility has resulted in significant increase in the cost of imported pulp, waste paper, chemicals and coal, which could affect the margin in H1FY27.
- FY27 is shaping up to be a year of recovery and reset for the Indian paper industry. After two demanding years marked by margin compression, import surges, and global supply-chain volatility, multiple drivers are converging to support stronger volumes, improved realisations, and better profitability-provided policy support holds and global pulp markets stabilise as expected.

Key Rationale

Strong market position in the domestic WPP industry

Leadership position in domestic WPP segment; extensive dealership network

- WCPM has cemented a strong market position in the domestic WPP industry owing to its long industry presence, extensive dealership network across the country and technical capabilities to manufacture a wide variety of writing paper, cupstocks and specialised paper from its 3.2 lakh MTPA paper manufacturing plant at Dandeli, Karnataka, and the 2.6 lakh MTPA paper manufacturing plant under APL.
- It has a consolidated capacity of 5,79,000 metric tonnes per annum (mtpa). With a track record of over six decades, WCPM commands a strong market position in most segments. The paper industry is fragmented, with over 700 paper mills in existence, and fewer than 70-80 mills have a capacity of over 50,000 mtpa. Besides, fewer than 10 companies in the country have a scale and integration comparable to that of WCPM. WCPM has an in-house pulp manufacturing facility and steam-based captive power to meet its power requirement, and a farm forestry coverage of around 0.3 million hectares in APL.

Capex outlay

- Company's top line declined 8.5% to Rs. 4,076 crore in FY25, its scale of operations continues to remain large. The decline in revenue was largely due to lower net sales realisation amid pressure from influx of cheap imports into India. WCPM's manufacturing capacity utilisation remained healthy at more than 95% in FY25 and FY26. Further, the company derives more than 75% of its revenue from the WPP segment, which attracts better realisations compared to the board segment. Company reported 5.3% growth in consolidated revenue led by 3.3% growth in Paper segment.
- The group is likely to incur capex of around Rs 400 crore in FY27 and FY28 towards paper capacity and addition of tissue paper capacity of 35,000 tpa. It has already incurred a capex of Rs 520 crore towards pulp capacity and boiler installation during FY24-26, which is likely to improve operating efficiency and ensure adequate availability of pulp for expanded capacities (except for the grades required to be imported) over the near to medium term.

Presence in Value-added Products

- WCPM's product mix is moderately diversified, consisting of maplitho, copier, cupstock, and speciality paper. The company has increased the proportion of value-added niche products in its portfolio for the past two to three years to diversify its end-user segments and create a mix of products with high growth potential and stable demand. Copier and maplitho paper account for 30%-35% each of the total volume, followed by cupstock (around 20%) and speciality and industrial paper (10%-15% each). Speciality paper, which has diverse uses, not only commands higher realisations but also faces lower import threat. Furthermore, cupstock is a growth segment, aided by a plastic ban in various states and increasing awareness of plastic's environmental impact. Maplitho benefits from a stable demand as it caters to the education sector, but its growth potential is limited and faces considerable import threat.

E-commerce

- We expect that further growth will be driven by these and speciality paper segments induced by plastic substitution as the world replaces single-use plastic with eco-friendly paper-based alternatives. An increasing trend in the e-commerce space will use packaged paper for delivery purposes. Also, due to the ban on usage of plastic bags, companies have started using packaged paper for delivery purposes which could lead to higher demand for packaged paper. Paper cups and paper-based straws are also quickly gaining prominence in the food & beverage industry compared to plastic. We believe that paper segment is positioned to grow at healthy rate led by i) increased E-Commerce (online) penetration ii) higher packaging demand iii) light weight packaging iv) recyclable v) anti-plastic sentiments across the globe.

Integrated nature of operations with adequate pulp manufacturing capacity

- WCPM has an integrated manufacturing set-up with adequate in-house capacity for making pulp as well as captive power plants. Moreover, backwards-integrated operations help the company recover a substantial portion of chemicals used in the manufacturing process and generate energy from waste, which in turn results in a competitive cost structure vis-á-vis its domestic peers, thus supporting its margin profile. Favourable outlook for local paper demand because of lower per-capita domestic consumption than global standards – Long-term demand outlook for paper in the domestic market remains favourable because of its low per-capita usage as on date, compared to global standards and increasing usage of packaging products. However, rising digitisation remains a threat for the growth of the WPP segment on a long-term basis.

Telecom Cable

Strong performance from Cable segment; likely to continue

- The production of Optical Fibre Cable was 105481 kms during FY25 as against 84719 kms in FY24. The Sale of Optical Fiber Cable was 108626 kms during the year as against 79387 kms in FY24. Revenue stood at Rs 252 crore during FY25, up from Rs 188 crore in FY24. The segment revenue increased to Rs 342 crore, and EBIT also increased 58% YoY at Rs 24.5 crore during FY26. On a consolidated basis, the segment capital employed was at Rs 175 crore as of March 2026.
- To meet the increasing demand generated by global 5G rollouts, West Coast Optilinks has doubled its optical fiber cable production capacity with a new manufacturing unit in Fab City, Hyderabad, Telangana. West Coast Optilinks (WCO) is also establishing its own Optical Fiber Draw Towers factory at the same site, slated for operation during the current financial year. This will ensure a reliable raw material source for both the optical fiber cable manufacturing units in Mysore and Hyderabad

Business Operations

- West Coast has established a market position and its subsidiary, Andhra Paper Limited (APL), in the domestic writing and printing paper (WPP) industry. WCPM's capabilities in manufacturing a variety of wood-free paper, cupstocks, special grade papers, among others. Besides, its integrated nature of operations with adequate in-house capacity to manufacture virgin pulp, along with its captive power plants, provides comfort.
- The company is continuously working in a phase-wise investment at the Paper Division, Dandeli, for improving paper quality, producing new speciality products and reducing the usage of steam, power, chemicals, water and also minimising the breakdown of machines.
- The production of Paper and Paperboard was 318590 MT (99.6 % capacity utilization) during FY25 as against 303766 MT in FY24. The Sale of Paper and Paperboard was 313823 MT during the year as against 304950 MT in FY24.
- In FY26, the top line got impacted as compared to FY25, with the OPM further moderating to 9.5% from 15.8% in FY25 due to increased raw material costs, especially wood, and continued pressure

on net sales realisation owing to the influx of cheaper imports. Further, APL also witnessed operational challenges like labour strike and undertook annual maintenance shutdown in Q2 FY26, which significantly impacted its operating margin during the said quarter.

- Both WCPM and APL are running at near-full capacity, and expansion in capacities is imminent in the near-to medium term.
- FY26 was a transitional year for India's paper industry, marked by recovering demand, persistent import pressure, and global supply-chain volatility. Domestic demand continued to grow driven by e-commerce, FMCG, food delivery, the ban on single-use plastics and higher education spending, while the Union Budget's continued focus on manufacturing and MSMEs supported allied packaging demand.

Raw Material

- Domestic availability of wood has been impacted in the current fiscal year due to inadequate plantations in the last few years, which in turn is expected to increase WCPM’s consumption of high-cost imported wood. WCPM’s paper manufacturing unit is in proximity to the Kali river (Karnataka) and APL’s unit to the Godavari river (Andhra Pradesh), which provide adequate supply of water to the respective plants. Over the years, WCPM has undertaken various technological initiatives, which resulted in a decrease in water consumption per unit of paper produced. Moreover, APL undertakes large and regular plantations, which will continue to provide adequate raw material security to the consolidated entity in the future.

Demand Outlook

- Going ahead, we expect demand for W&P paper to be supported by the rolling out of the NEP (National Education Policy), and the W&P paper demand is expected to increase by 2-3% CAGR and reach ~6.1 million tonnes by FY27. Nevertheless, enrollment of students (schools as well as higher education) is expected to increase at a relatively faster pace of 1.5-2% CAGR over the next 3 years. Also, with new education policy coming to effect and a gradual rise in education spend by the government (~20% higher spend between fiscals 2020 and 2023 compared with the previous three fiscals) and increased thrust on education (through initiatives such as Sarva Shiksha Abhiyaan/Education for All) are likely to support demand for creamwove and maplitho paper (~60-65% of total W&P paper). The printing of textbooks in regional languages and in braille for visually impaired individuals is also expected to add to the demand of W&P paper.
- Demand for copier paper (24% of the W&P segment) is expected to increase at a 5-7% CAGR through fiscal 2027, primarily on account of moderate spending on stationery by corporates due to focus on digital-based communication. Demand growth for coated paper is expected to remain moderate at 2-4% CAGR through FY28. We have also noticed a shift in preference among publication houses toward folding box board over traditional art board for book covers. This remains a key monitorable.

Pulp Prices

- In CY2025, softwood and hardwood prices decreased by 8% and 17% on-year to US$ 720/ton and US$ 600/ton. The decrease was mainly on account of the oversupply situation, which was mainly driven by high inventory levels, weak global demand and the addition of new capacity in the downstream paper market. The demand in China declined significantly post US tariff, which impacted the overall global demand (China is the largest producer and consumer of pulp) and thus the prices, leading to a decline in prices. However, the situation has reversed now to some extent. There is supply constraint in the market which could result in pulp prices to remain elevated in CY2026.

Wastepaper

- In CY2025, prices decreased by ~12% YoY to US$ 210/ton on account of the oversupply situation amidst a tepid demand scenario. Demand from Southeast nations remains poor, which has further resulted in prices being subdued. There is material scarcity due to limited availability of recycled paper at the start of CY2026. This coupled with high costs of virgin pulp are expected to keep the wastepaper prices elevated compared to the previous year.
- The paper and paperboard (including newsprint) demand grew by 4% to reach 24.1 million tonnes in FY25. Overall paper demand is likely to grow at a healthy CAGR of 5-6% to ~27 million tonne by FY27 driven largely by paperboard and specialty paper demand. The newsprint segment continues to witness slow demand due to decline in English paper circulation on account of shift towards digitised versions of newspapers with proliferation of digitisation and smartphones. The paperboard segment is estimated to grow by 5-7% on the back of healthy demand from the end-use industries like FMCG, pharma and e-commerce. Specialty paper segment is estimated to grow

by a strong ~10% CAGR from FY25-27. The online retail growth is estimated to be ~19% and the quick commerce market is also estimated to witness a stupendous growth of more than 30% which has contributed significantly to the paperboard demand. The newsprint segment is on a declining trend and is expected to witness a de-growth of 10-11% in the coming fiscals by 2027. W&P demand is expected to increase at a modest 2-3% CAGR over the next 2-3 years.

High Wood Cost to affect EBITDA; Gradual recovery likely over medium term

- WCPM's consolidated EBITDA margin declined to 12% in FY25 (FY24: 25%; FY23: supernormal high of 33%; FY22: 19%) and fell further to 9.5% in FY26. This was due to a sharp increase in wood prices, softening paper realisations from increased cheaper imports from China and ASEAN countries, and efficiency losses due to lockouts following a workers' strike at APL's Rajahmundry plant.
- After falling over FY18-21 due to improved supplies, wood costs have risen steadily since FY23, driven by overall inflation and increased competition from the plywood industry. Average wood costs increased around 25% YoY in FY25 and 8-10% YoY in FY26. Over the past two decades, the wood panel and paper industries have collaborated with farmers to promote large-scale plantations of fast-growing species, such as Poplar and Eucalyptus, to meet growing demand for wood. Wood availability has gradually improved since H2FY26. We believe that they are unlikely to return to previous lows. As a result, EBITDA margin is likely to remain lower than mid-cycle levels (average of 19-20% over the past 15 years) during FY27 and may witness a gradual recovery by FY28.

Key Challenges

Earnings remain vulnerable to volatility in demand and fluctuations in input prices

Fluctuations in Input prices hurt margin and profitability

- Operating performance remains vulnerable to cyclicality in the paper business (in terms of realisations), availability of water and raw materials, and volatility in pulp, chemicals and international coal prices, as seen in the last three years. In FY25, the company's operating margin declined to 12% from 24.5% in FY24 owing to a decline in net sales realisation. Operating margin further declined to ~9.5% in FY26 (12% in FY25) owing to an increase in raw material prices coupled with a further decline in realisation amid pressure from cheap imports into India. Further, APL witnessed operational challenges like labour strike and undertook annual maintenance shutdown in Q2FY26, which significantly impacted its operating margins during the said quarter.

Cyclicality in the paper industry

- WCPM's cash flows are exposed to the cyclicality in the paper industry. The domestic paper industry is small compared to the global industry, and prices in India are largely determined by international trends. Hence, the global demand-supply balance impacts the health of the domestic industry. Accordingly, its margins and profitability remain vulnerable to cyclicality in the global paper demand-supply dynamics. However, an integrated nature of operations keeps WCPM well placed in absorbing any price shock relative to other players in the industry. Furthermore, lumpy capacity additions not commensurate with demand growth could increase raw material prices and decrease finished product prices, weakening profit margin.

Large proposed capex

- APL has in-principle approval to explore opportunities for setting up a new manufacturing facility for paper board, WPP, chemical wood pulp mill at an investment of over Rs. 2,000 crore. The phasing of capex is expected to extend beyond FY27 and is currently in its nascent stage. Through this capacity expansion, WCPM intends to enhance its production capacity by 1.5-2.0 lakh MTPA, which would enable it to cater to the growing domestic demand and increase its market share in the paper industry. Given the sizeable capex in relation to the gross block, it is exposed to project execution risk over the medium term.

Accelerated shift towards digital education could impact W&P segment in the long term

- W&P segment witnessed growth between 2-3% in FY26 to reach 5.8 million tonnes. It is further estimated that the segment to witness a growth of 3-5% in the medium term. Demand for W&P has been rising due to growing demand in schools, offices, and colleges. Government's push through National Education Policy (NEP) has also been adding to the W&P's demand. Around 30-40% of incremental demand is coming from NEP.
- Demand for copier paper (~20% of the W&P segment) is expected to increase at 5-7% CAGR through fiscal 2027, primarily on account of moderation of spending on stationery by corporates due to focus on digital-based communication.
- Nevertheless, enrollment of students (schools as well as higher education) is expected to increase at a relatively faster pace of ~2% CAGR over the next 3 years. Also, with new education policy coming to effect and a gradual rise in education spend by the government (~20% higher spend

between fiscals 2020 and 2023 compared with the previous three fiscals) and increased thrust on education (through initiatives such as (Sarva Shiksha Abhiyaan/Education for All) are likely to support demand for creamwove and maplitho paper (~60-65% of total W&P paper).

Key Concerns

- Scarcity of wood pulp: Availability of wood pulp is a matter of concern not only for West Coast but to the whole industry for past many years, though its availability has improved significantly.
- Unfavorable crude price movement: Thus, any unfavorable movement in the prices of crude may impact profitability. Power, Fuel & Water cost has declined from 9.5% of sales in FY23 to 7.7% of sales in FY26. It is likely to be higher around ~8.5% of sales in FY27 and FY28.
- Volatility in raw material prices: Hardwood and wastepaper are the major raw materials for the manufacturing of paper. Prices of hardwood and wastepaper are highly volatile in nature and in turn affect the profitability of the companies in the paper industry. Long gestation periods for capacity addition and lead times for raw material generation, among other factors, make the paper industry inherently cyclical.

Global Pulp Market

- The global pulp and paper market growth in this market is being driven by rising consumer awareness of health and wellness, resulting in an increasing demand for related products. The Pulp & Paper market is projected to reach US$ 339.5 billion in 2025, with an expected CAGR of 1.4% from 2025 to 2029. Technological advancements leading to efficient and sustainable production are also contributing to market expansion. Asia-Pacific dominated the pulp and paper market with a 53.3% share in 2024, and is expected to grow to US$ 391 billion by 2032. The containerboard market size is worth US$ 149.9 billion in 2025, growing at an 2.05% CAGR and forecast at US$ 166 billion by 2030. Throughout the forecast period, it is anticipated that the global containerboard market will expand significantly, primarily due to rising corrugated box and e-commerce shipments, increasing demand for packaged foods and businesses, and shifting preferences toward recyclable packaging options. The global carton board market, estimated at US$ 76.5 billion in 2025, is projected to expand to US$ 105 billion by 2030, growing at a CAGR of 6.5% during the forecast period. The carton board market is benefiting from the expansion of e-commerce logistics, which is being driven by shifts in consumer behavior and the rise of online shipping.
- India, the world's 15th largest paper producer, accounts for approximately 5% of the global paper market. Driven by steadily increasing demand for writing, printing and specialty papers, the Indian paper industry is projected to reach a market value of US$ 19.1 billion by 2033, growing at a CAGR of around 7.5% from 2024 to 2033. In 2024, the Indian pulp and paper market's projected output is estimated to reach US$ 9.96 billion, reflecting a moderate growth of 4.5% in FY24.
- Writing and printing: Writing and printing (W&P) paper, crucial for both educational institutions and businesses, maintains a substantial market share of 30%. The overall market for printing and writing paper is projected to reach US$ 204 billion in 2024, growing at a modest CAGR of 1.2% from 2025 to 2034. Market expansion is influenced by factors such as the development of diverse printing and writing paper types, rising demand for inkjet printing paper, and the continued use of printed catalog.
- Paper cup stock: Paper cups, also known as disposable cups, are typically made from bleached virgin paper pulp and coated with plastic or wax to prevent liquids from soaking through. They are often lined with polyethylene, which enhances durability, prevents moisture absorption, and helps retain the original flavor of the beverage. In 2024, the Indian paper cups market reached 23.2 billion units and is projected to grow to 29 billion units by 2033, reflecting a CAGR of 2.4% from 2025 to 2033. Key drivers of this growth include increasing usage at social and public gatherings, rising demand for cost-effective and sustainable alternatives, and growing environmental awareness.

Optic Fibre

- The Indian government's investments in fiber optic cable network infrastructure through ambitious Bharatnet Project is anticipated to drive market expansion. The Indian optical fiber market is poised for growth due to ongoing data cost reductions, growing demand for high-speed networking and services, increasing broadband access, technologies, and the expanding adoption of fiber-to-the-home (FTTH) connectivity. The new greenfield plant in Fab City, Hyderabad, Telangana, would provide a consistent supply of optical fibers, a crucial raw material for the company's optical fiber cable factories in Mysore and Hyderabad. The company's R&D team and application engineers have enabled portfolio expansion into telecom, utility and Data Center Segments. The company's backward integration into optical fiber manufacturing would widen its value chain and operational performance.

Company Background

- Incorporated in 1955, West Coast Paper Mills Limited (WCPM) is the flagship entity of the S K Bangur Group, based out of Kolkata. It produces writing and printing papers, cupstocks etc. from its 3.2 lakh metric-tonne-per-annum (MTPA) paper manufacturing plant located in Dandeli, Karnataka. The company is backward integrated with 2.65 lakh MTPA of in-house pulp production capacity and 75 MW captive power plants. The company, under its cable division, West Coast Optilinks, operates a manufacturing facility in hi-tech electronics zone in Mysuru and Hyderabad. The products under this segment include optical fibre cables, FRP ROD cables and glass roving. To meet the increasing demand generated by global 5G rollouts, West Coast Optilinks has doubled its optical fiber cable production capacity with a new manufacturing unit in Fab City, Hyderabad, Telangana. West Coast Optilinks (WCO) is also establishing its own Optical Fibre Draw Towers factory at the same site, which went operational in H2FY26. Paper and paperboard division (92% of revenue in FY26) West Coast Paper Mills Ltd. markets quality paper products under the WESCO brand. The company's diversified portfolio, comprising office stationery, premium printing materials, and value-added products. Cables division (8% of revenue) operates a manufacturing facility in Mysore, producing optical fiber cables for the Indian telecom and utilities sectors, as well as exporting to Europe and the Middle-East.

Andhra Paper

- Andhra Paper (APL) has total installed capacity is 2,59,000 MTPA finished paper and 2,00,000 MTPA virgin pulp as on March, 2026. APL has been operational for over five decades and is a prominent player in the Indian paper industry. The company's Rajahmundry unit is an integrated wood-based paper mill with a rated capacity to produce 1,82,400 MT of finished paper and 2,00,000 MT of bleached pulp annually. The unit manufactures uncoated writing and printing paper, mainly cut-sizes, industrial grade papers, and posters using Casuarina, Eucalyptus, and Subabul as the main sources of pulp wood. The Kadiyam unit has a rated capacity to produce 73,150 MTPA finished paper such as cream woven, azure laid, coloured cut-sizes, and industrial grade papers using recycled fibre and purchased pulp as base raw materials. Its integrated operations include a 259,000 MTPA pulp capacity and 74.8 MW of captive power generation. WCPM sells its products across India through its dealer network. WCPM and APL share common promoters-cum-management, and the treasury functioning for the entities are centralised. West Coast Paper Mills is the promoter of Andhra Paper with 72.45% stake in the company as of March 2026. The paper industry is fragmented, with over 700 paper mills in existence, and fewer than 70-80 mills have a capacity of over 50,000 mtpa. Besides, fewer than 10 companies have a scale and integration comparable to that of West Coast and APL.

Key growth drivers for Paper Industry

Financial Statements (Consolidated)

Income Statement

Particulars (Rs Cr)	FY24	FY25	FY26	FY27E	FY28E
Net Revenue	4447	4062	4279	4643	5122
Growth (%)	-9.6	-8.7	5.3	8.5	10.3
Operating Expenses	3356	3581	3866	4089	4395
EBITDA	**1092**	**481**	**412**	**554**	**727**
Growth (%)	-33.5	-55.9	-14.3	34.3	31.2
EBITDA Margin (%)	24.5	11.8	9.6	11.9	14.2
Depreciation	185	210	248	272	297
EBIT	906	271	164	282	429
Other Income	170	211	114	131	154
Interest expenses	24	38	42	32	25
PBT	1053	444	237	381	559
Tax	267	108	81	105	151
Non-Controlling Interest	-94	-24.5	-5	-26	-59
PAT	**692**	**311**	**151**	**250**	**349**
Growth (%)	-26.6	-55	-51.3	66.0	39.5
EPS	104.7	47.1	22.8	37.9	52.8

Balance Sheet

Particulars (Rs Cr) - As at March	FY24	FY25	FY26	FY27E	FY28E
SOURCE OF FUNDS					
Share Capital	13.2	13.2	13.2	13.2	13.2
Reserves	3229	3478	3595	3836	4196
Shareholders' Funds	**3242**	**3491**	**3608**	**3849**	**4209**
Long Term Debt	140	214	213	232	200
Net Deferred Taxes	100	116	128	135	148
Long Term Provisions & Others	166	199	182	194	215
Minority Interest	569	579	578	605	664
Total Source of Funds	**4217**	**4599**	**4708**	**5015**	**5435**
APPLICATION OF FUNDS					
Net Block	1802	2015	2206	2284	2317
Intangible Assets	277	276	268	268	268
Non-Current Investments	363	405	335	364	398
Long Term Loans & Advances	109	112	97	116	134
Total Non-Current Assets	**2551**	**2807**	**2906**	**3033**	**3116**
Current Investments	1367	1199	1158	1096	1009
Inventories	682	871	807	897	985
Trade Receivables	257	350	387	407	445
Short term Loans & Advances	12	2	1	1	3
Cash & Equivalents	44	33	38	213	488
Other Current Assets	160	232	157	201	274
Total Current Assets	**2526**	**2690**	**2548**	**2817**	**3204**
Short-Term Borrowings	111	218	101	90	65
Trade Payables	329	334	266	321	340
Other Current Liab & Provisions	348	265	303	331	378
Short-Term Provisions	72	80	77	92	103
Total Current Liabilities	**860**	**897**	**746**	**834**	**886**
Net Current Assets	1666	1792	1802	1983	2318
Total Application of Funds	**4217**	**4599**	**4708**	**5015**	**5435**

Cash Flow Statement

Particulars (Rs Cr)	FY24	FY25	FY26	FY27E	FY28E
Reported PBT	1,053	442	237	381	559
Non-operating & EO items	-170	-211	-114	-131	-154
Interest Expenses	24	38	42	32	25
Depreciation	185	211	248	272	297
Working Capital Change	-75	-293	33	-5	-61
Tax Paid	-252	-89	-45	-105	-151
OPERATING CASH FLOW (a)	**765**	**99**	**401**	**444**	**515**
Capex	-521	-447	-382	-350	-330
Free Cash Flow	244	-348	19	94	185
Investments	-364	65	80	-49	-51
Non-operating income	170	211	114	131	154
INVESTING CASH FLOW (b)	**-714**	**-172**	**-188**	**-267**	**-227**
Debt Issuance / (Repaid)	-42	165	-125	40	1
Interest Expenses	-24	-38	-42	-32	-25
FCFE	178	-222	-148	102	161
Share Capital	85	10	0	26	59
Dividend	-80	-64	-39	-35	-48
FINANCING CASH FLOW (c)	**-61**	**73**	**-206**	**-1**	**-13**
NET CASH FLOW (a+b+c)	**-11**	**0**	**7**	**175**	**275**

Key Ratios

Particulars	FY24	FY25	FY26	FY27E	FY28E
Profitability (%)					
Gross Margin	52.0	39.8	36.4	39.3	41.4
EBITDA Margin	24.5	11.8	9.6	11.9	14.2
EBIT Margin	20.4	6.6	3.8	6.1	8.4
PAT Margin	17.7	8.2	3.6	6.0	8.0
RoE	23.8	9.2	4.2	6.7	8.7
RoCE	21.3	5.8	3.5	5.6	7.9
Solvency Ratio (x)					
Net Debt/EBITDA	-1.1	-1.7	-2.1	-1.8	-1.7
D/E	0.1	0.1	0.1	0.1	0.1
Net D/E	-0.4	-0.2	-0.2	-0.3	-0.3
PER SHARE DATA (Rs)					
EPS	104.7	47.1	22.8	37.9	52.8
CEPS	132.7	78.8	60.4	79.0	97.8
BV	491	529	546.2	583	637
Dividend	8.0	5.0	3.0	5.0	7.0
Turnover Ratios (Days)					
Debtor days	21	31	33	32	32
Inventory days	48	70	72	71	70
Creditors days	50	45	33	38	38
VALUATION (x)					
P/E	4.8	10.6	21.8	13.1	9.4
P/B	1.0	0.9	0.9	0.9	0.8
EV/EBITDA	3.1	7.1	8.2	6.1	4.7
EV/Revenue	0.8	0.8	0.8	0.7	0.7
Dividend Payout (%)	7.6	10.7	13.1	13.3	13.3

(Source: Company, HDFC sec)

Kushal Mahendra Rughani

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