

August 08, 2025

Ruchira papers Limited: [ICRA]A (Stable); assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term – Unallocated limits	50.00	[ICRA]A(Stable); assigned
Total	50.00	

*Instrument details are provided in Annexure I

Rationale

The assigned rating factors in Ruchira Papers Limited's (RPL) established operational track record of over four decades in the paper manufacturing industry, supported by the extensive experience of its promoters which has enabled the company to maintain strong relationships with its clientele, thus yielding repeat orders. RPL's diversified product portfolio includes printing and writing paper (PWP; such as copier paper and white paper used in notebooks and stationery), cup stock paper, industrial-grade paper, and kraft paper, among others.

The rating also considers the company's locational advantage, with its manufacturing facility situated in proximity to major agricultural belts, which provides easy access to agricultural waste-based raw materials like wheat straw and bagasse, thereby reducing logistics costs and supporting cost efficiencies. RPL's revenues have registered a healthy compound annual growth rate (CAGR) of 12.5% over FY2022–FY2025, backed by growth in volumes and realisations. However, in FY2025, the company witnessed marginal revenue growth of less than 1%, primarily due to pricing pressures in the PWP segment arising from cheaper imports. While revenue growth is expected to remain muted in FY2026 due to planned production cuts, the capacity expansion in the PWP segment is expected to support scale-up in operations over the medium term. Despite a muted revenue growth, the operating margin improved to 16.1% in FY2025 from 12.4% in FY2024, supported by reduced raw material (wheat straw) costs. Going forward, the margin profile is expected to remain healthy, aided by economies of scale and the ongoing capex towards debottlenecking of the PWP plant, which is likely to enhance operational efficiencies. The company's financial profile has been healthy in the past, given its low leverage and is likely to remain comfortable, despite the planned debt-funded capex, with expected TD/OPBDITA of around 1.5 times in FY2026.

The rating, however, remains constrained by the exposure of the company's earnings to volatility in raw material prices, which are influenced by international prices, especially for wastepaper and wood pulp. The ratings also consider intense competition from organised and unorganised players in the paper manufacturing industry, limiting the pricing flexibility. The realisations (in the PWP segment) declined sharply in the past two years owing to competition from cheaper imports. ICRA also notes that the paper industry is exposed to economic cycles, as the global demand-supply balance impacts the health of the domestic industry and subsequently its profit margins. The rating also considers the risks associated with changes in raw material-related regulations on the availability and usage of water and other inputs in the manufacturing process. ICRA also notes that RPL is currently undertaking a sizeable debt-funded capex of Rs. 173 crore towards expanding its PWP capacity by 10,000 MTPA, increasing it to 70,000 MTPA, along with increased scope for introducing value-added products. The expanded capacity is expected to be operational by September 2025, while the commissioning of the value-added machinery is likely by March 2026. Timely completion of the capex within budgeted cost and successful ramp-up of operations remain critical.

The Stable outlook on RPL's rating reflects ICRA's opinion that the company's earnings growth would be supported by the capacity expansion in the PWP segment and healthy demand.

Key rating drivers and their description

Credit strengths

Established presence of promoters in the paper industry – RPL was incorporated as a public limited company in 1980 by Mr. Umesh Chander Garg, Mr. Jatinder Singh, and Mr. Subhash Chander Garg. All the three promoters have more than 45 years of experience in the paper industry. The company has a diversified product portfolio which includes printing and writing paper (copier paper, and white paper used for notebooks and stationery applications), cup stock paper, industrial grade paper, and kraft paper, among others.

Location advantage in sourcing raw materials – RPL relies on agri-based inputs such as wheat straw and bagasse, sourced locally from Punjab and Haryana (agriculture belt), for its PWP segment, while primary raw material for kraft paper production is wastepaper. Given the favourable location of its plant in a major agricultural belt, the company benefits from adequate supply of raw materials and relatively lower logistics costs.

Comfortable financial risk profile characterised by low gearing and healthy debt coverage metrics – The company's revenue rose at a CAGR of 12.3% during FY2022-FY2025, supported by growth in volumes and realisations. The operating margin improved consistently to 16.1% in FY2025 from 12.4% in FY2024, on the back of a stronger product mix and operating leverage benefits from increased scale. The financial risk profile of the company remained comfortable over the past four years due to limited reliance on external borrowings, which resulted in a conservative capital structure with a gearing of 0.2 times and Total Debt/OPBDITA of less than 1 times as on March 31, 2025. RPL has availed term loans amounting to Rs. 109 crore to fund its ongoing capex of around Rs. 175 crore, of which Rs. 24.2 crore was drawn as on March 31, 2025, and the balance is expected to be fully drawn in the current fiscal. Consequently, the company's leverage and coverage metrics are likely to moderate in FY2026. Nonetheless, they are expected to remain comfortable and improve over the medium term, supported by healthy earnings and absence of any large debt-funded capex plans.

Credit challenges

Project implementation and stabilisation risks for the ongoing capex – The company is undertaking two debt-funded capex projects aggregating to Rs. 173 crore across FY2025 and FY2026. This includes capex of Rs. 99 crore towards debottlenecking and enhancing operational efficiencies, which will also result in capacity expansion by 10,000 MT of its PWP plant, and Rs. 74 crore towards installation of new equipment which would be used for value-added products production. The total capex is being funded through term loans of Rs. 109 crore, and the rest through internal accruals. As on March 31, 2025, the company incurred capex of Rs. 92.6 crore, which was funded through term loans of Rs. 24.2 crore and Rs. 68.3 crore of internal accruals. The rest of the capex (Rs. 84.2 crore) is expected to be incurred in FY2026, which would be funded through undrawn term loans. While the increased capacity is expected to result in incremental top line and improve margins over the medium term, timely completion of the project without any cost overruns, and successful ramp-up of the expanded capacity, will be key monitorable, going forward.

Susceptibility of profit margins to key raw material prices – RPL relies on agri-based inputs such as wheat straw and bagasse for its PWP segment, while primary raw material for kraft paper production is wastepaper. Raw materials' expense is the company's major cost. Hence, its margins remain vulnerable to fluctuations in raw material prices. Limited pricing flexibility owing to the intense competition in the industry further exacerbates the risk. ICRA also notes that the paper industry is exposed to economic cycles, as shifts in the global demand-supply dynamics directly influence the domestic sector's performance and profitability.

Exposure to changes in wastepaper-related regulations – RPL's profitability remains vulnerable to any regulatory changes in the paper industry. The paper manufacturing industry is exposed to environmental risks as its production causes air, water and land pollution. Discarded paper and paperboard also make up a sizeable portion of solid municipal waste in landfill sites. Thus,

the entity remains exposed to the risks associated with changes in wastepaper-related regulations on the availability and usage of water and other inputs in the manufacturing process.

Environment and Social Risks

Environmental considerations – The paper manufacturing industry is exposed to environmental risks of air, water and land pollution, as discarded paper and paperboard make up a sizeable portion of waste in landfills. Pulp and paper manufacturing processes cause a notable amount of industrial air, water, and land pollution. Also, water treatment is important because pulping and bleaching process can release complex organic and inorganic pollutants that need to be treated. However, as per the company's disclosures, it has been complying with all the regulatory requirements for effluent and waste treatment. Moreover, its reliance on agro-based raw materials such as wheat straw, bagasse, and sarkanda rather than virgin wood pulp, partially mitigates exposure to deforestation-related risks and positions it favourably in a tightening regulatory environment.

Social considerations – Entities operating in the labour-intensive paper industry are exposed to the risk of disruptions, if they fail to properly manage human capital in terms of their safety and overall well-being. Further, any significant rise in wage rates, shortage of a skilled workforce and exposure to hazardous chemicals could impact the operations and cost structure of paper manufacturing companies. Shifting consumer preferences with digitisation could impact the demand for the PWP segment over the long term. However, shift from plastic to paper in the FMCG and food and food products sectors and banning of single-use plastics augur well for the paper packaging industry.

Liquidity position: Adequate

RPL's liquidity position is adequate with expected retained cash flows of Rs. 50-70 crore over the next 12 months, and buffer in undrawn working capital limits of Rs. 15-30 crore as of May 2025. The company has repayment obligations of Rs. 2.2 crore in FY2026 and Rs. 20.4 crore in FY2027, which are likely to be serviced comfortably through the retained cash flows. The company has capex plans of Rs. 85-90 crore in FY2026, likely to be funded through a term debt of Rs. 85 crore, which has been tied-up.

Rating sensitivities

Positive factors – The ratings could be upgraded, in case of healthy scale-up in the revenues, supported by ramp-up of expanded capacity, while maintaining healthy margins leading to an improvement in debt metrics.

Negative factors – The ratings may be downgraded, if material decline in earnings or any large debt-funded capex weakens its capital structure or coverage indicators. Specific credit metric that could lead to a rating downgrade is Total Debt/OPBITDA of more than 2.0 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of Ruchira Papers Limited.

About the company

Ruchira Papers Limited (RPL) was incorporated as a public limited company in 1980 by Mr. Umesh Chander Garg, Mr. Jatinder Singh, and Mr. Subash Chander Garg. The company manufactures and markets kraft paper and printing & writing paper (PWP), catering to both domestic and international markets. Its manufacturing facility is in Kala Amb, Himachal Pradesh, with a total installed capacity of 1,18,800 MTPA for kraft paper and 60,000 MTPA for PWP, as on March 31, 2025. It also has a captive co-generation power plant of 8.1 MW, catering to the power requirements of its PWP plant. RPL has a diversified product portfolio comprising kraft paper and PWP. In the PWP plant, the company manufactures a diverse set of products including premium invitation and wedding card paper branded as 'Mogra', copier paper, and white paper used for notebooks and stationery applications, cup stock paper, primarily used in the manufacturing of paper cups. It also manufactures industrial-grade paper.

Key financial indicators (audited)

Standalone	FY2024	FY2025
Operating income	661.2	664.8
PAT	49.2	67.3
OPBDIT/OI	12.4%	16.1%
PAT/OI	7.4%	10.1%
Total outside liabilities/Tangible net worth (times)	0.3	0.3
Total debt/OPBDIT (times)	0.5	0.8
Interest coverage (times)	23.1	26.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA:

CRA	Status	Date of Release
CRISIL	CRISIL B /Stable (ISSUER NOT COOPERATING*; Revised from 'CRISIL BB+/Stable ISSUER NOT COOPERATING*')	September 30, 2024

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	August 08, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Unallocated Limits	Long-term	50.00	[ICRA]A(Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Unallocated Limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Unallocated Limits	NA	NA	NA	50.00	[ICRA]A(Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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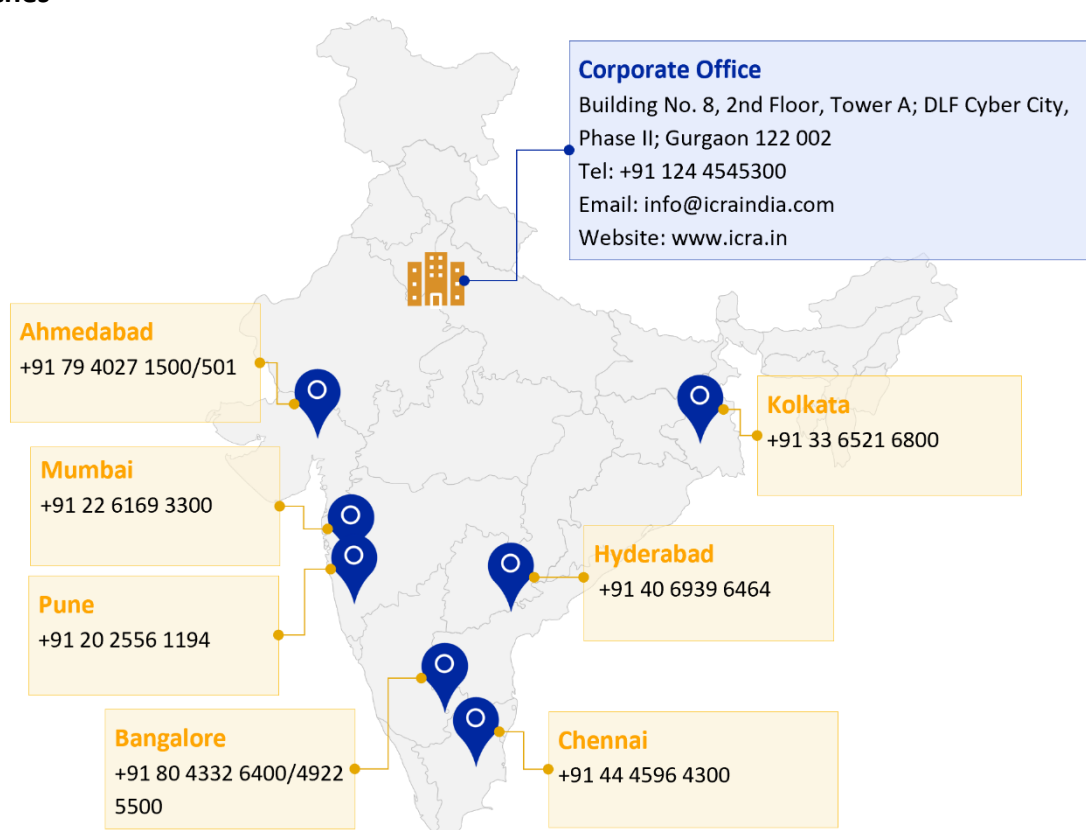
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