August 29, 2025

Aryan Packaging Industries: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Cash Credit	7.50	7.50	[ICRA]BB (Stable); Reaffirmed
Long-term Fund-based – Term Loan 2	0.99	0.52	[ICRA]BB (Stable); Reaffirmed
Long-term Fund-based – Term Loan 3	14.90	13.66	[ICRA]BB (Stable); Reaffirmed
Short-term Non-fund Based – Letter of Credit^	(0.50)	(0.50)	[ICRA]A4+; Reaffirmed
Total	**23.39**	**21.68**	

**Instrument details are provided in Annexure I; ^ Sub-limit of long-term fund-based Cash Credit facility such that the total utilisation should not exceed Rs. 7.50 crore*

Rationale

The ratings consider the extensive experience of Aryan Packaging Industries' (API) partners in the paper and packaging industry, its reputed customer base, as well as the operational synergies derived from its association with Aryan Paper Mills Private Limited (APML), a well-established kraft paper manufacturer. APPL procures its key raw material, kraft paper, from APML, which is used in the manufacturing of corrugated boxes, thereby ensuring a steady supply. In FY2025, the company's revenue declined by 3% to Rs. 69.6 crore (prov.), primarily due to lower supplies to one of its key customers, which impacted its overall scale of operations. The reduced scale of operations and elevated kraft paper prices resulted in a 230 bps contraction in operating margin to 3.5% in FY2025 (prov.). However, the company is expected to record healthy revenue growth of 25-30% in the current fiscal, supported by the introduction of value-added products and new customer additions, which are likely to aid margin recovery to steady levels of 5-6%.

The ratings, however, are constrained by the vulnerability of API's profit margins to adverse movements in kraft paper prices as well as the highly fragmented and competitive industry structure. ICRA also notes that API's financial risk profile remained average, marked by limited net worth base and moderate scale of operations. The ratings also factor in the recently concluded debt-funded capex, which is likely to keep the debt protection metrics in check until commensurate returns from the capex are realised. The risks inherent in a partnership firm are also considered for the rating action, as any significant capital withdrawal may adversely impact its capital structure.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will register steady growth in revenues, supported by stable demand conditions, new customer additions and the company's increasing focus on value-added products.

Key rating drivers and their description

Credit strengths

Extensive experience of the partners and established presence in paper and packaging industry – API is promoted and managed by the Vapi (Gujarat)-based Aryan Group, which is an established player in the kraft paper and corrugated box manufacturing sector. The firm benefits from the established clientele and dealership network of the Group and the backward integration of kraft paper supplies.

Backward integration through associate concerns – Kraft paper accounts for more than 70% of API's raw material requirements. Other raw materials include chemicals and dyes. The firm procures a part of its input (paper) from Group companies (around 40% of total raw materials purchased in FY2025), wherein it also enjoys an extended credit period as and when needed, which supports its liquidity.

Reputed customer profile – The firm's customers include established brands such as Amazon India, Parle Products Pvt. Ltd., and Bayer Crop Science Limited, among others. Established relationships with its customers ensure steady order flow, providing adequate revenue visibility.

Credit challenges

Average financial risk profile – API's financial risk profile remains average, characterised by a modest net worth base of Rs. 7.6 crore as on March 31, 2025, and a moderate scale of operations, with revenues of Rs. 69.6 crore in FY2025. The company's profitability has remained range-bound over the past three fiscals, with operating margins moderating in FY2025 due to elevated kraft paper prices. With limited accretion to reserves and increased borrowings for capacity expansion, the debt coverage indicators also weakened, reflected in an interest coverage ratio of 1.18 times and DSCR of 0.92 times as on March 31, 2025. Nevertheless, the debt protection metrics are expected to improve over the medium term, supported by commensurate returns from the capex and improvement in the operating margins.

Commensurate returns from debt-funded capex remain a key monitorable – In FY2024, API increased its installed capacity to 28,000 metric tonnes per annum (MTPA) from 12,000 MTPA to support its growth plans. The capex was funded through a debt of Rs. 15 crore, as well as internal accruals, equity infusion and unsecured loans. However, production has not ramped up despite the capacity addition. This led to higher fixed overheads, impacting the margins. The increase in debt levels has moderated the debt coverage metrics over the past few fiscal years. API's ability to successfully ramp up sales from the enhanced capacity and generate commensurate returns will remain critical going forward.

Profitability vulnerable to volatility in input prices; fragmented industry structure with stiff competition – The main raw material for API is kraft paper, followed by coal, which accounts for 70-80% of the total raw material cost. In the previous few fiscal years, the prices of these inputs have remained volatile. The firm has limited control over its raw material prices, and its ability to pass on the price fluctuations to its end-customers is also limited. Hence, the entity's profitability is exposed to adverse fluctuations in kraft paper and coal prices. The firm's pricing ability also remains limited as the corrugated box manufacturing industry is highly fragmented with stiff competition from numerous organised as well as unorganised players.

Inherent risks of a partnership firm – As API is a partnership firm, it is exposed to discrete risks, including the possibility of large capital withdrawal by the partners, which may impact its liquidity position, and the net worth base.

Liquidity position: Adequate

The firm's liquidity is adequate, with expected retained cash flows of Rs. 1-2 crore and a buffer in undrawn working capital limits of around Rs. 1.5-2.0 crore against repayment obligations of Rs. 1.5 crore in FY2026 and minimal capex of around Rs. 0.5-1.0 crore.

Rating sensitivities

Positive factors – ICRA could upgrade the firm's ratings if it demonstrates healthy growth in revenue and profitability, leading to healthy cash accruals on a sustained basis. Strengthening the net worth, leading to improvement in the capital structure, along with improvement in the liquidity profile, may also lead to ratings upgrade.

Negative factors – Substantial decline in revenues or operating margins, resulting in lower cash flows on a sustained basis, could trigger a downgrade. Any large capital withdrawals or a stretch in the working capital cycle, or sub-optimal utilisation of its capacities, leading to a material deterioration in the capital structure or liquidity, could also trigger ratings downgrade.

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 API

About the company

Aryan Packaging Industries was established in 1979 in Vapi, Valsad. It is a part of the Aryan Group, which also includes Aryan Packaging Products Private Limited and Aryan Paper Mills Private Limited. The business has a wide range of product offerings, including kraft paper, corrugated packaging, printed corrugated boxes, paper packaging, and laminated corrugated packaging boxes etc. The Group supplies corrugated boxes for Amazon India West as well as to brands such as Parle.

Key financial indicators (audited)

	FY2024	FY2025*
Operating income	71.9	69.6
PAT	-0.4	-1.4
OPBDIT/OI	5.8%	3.5%
PAT/OI	-0.6%	-2.0%
Total outside liabilities/Tangible net worth (times)	3.4	4.3
Total debt/OPBDIT (times)	6.6	10.9
Interest coverage (times)	2.1	1.2

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Aug 29, 2025	Date	Rating	Date	Rating	Date	Rating
Fund Based-Cash Credit	Long Term	7.50	[ICRA]BB (Stable)	Aug 22, 2024	[ICRA]BB (Stable)	Aug 30, 2023	[ICRA]BB (Stable)	Aug 30, 2022	[ICRA]BB (Stable)
Fund Based-Term Loan	Long Term	0.52	[ICRA]BB (Stable)	Aug 22, 2024	[ICRA]BB (Stable)	Aug 30, 2023	[ICRA]BB (Stable)	Aug 30, 2022	[ICRA]BB (Stable)
Fund Based-Term Loan	Long Term	13.66	[ICRA]BB (Stable)	Aug 22, 2024	[ICRA]BB (Stable)	Aug 30, 2023	[ICRA]BB (Stable)	Aug 30, 2022	[ICRA]BB (Stable)

	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Aug 29, 2025	Date	Rating	Date	Rating	Date	Rating
Interchangeable-Letter of Credit	Short Term	0.50	[ICRA]A4+	Aug 22, 2024	[ICRA]A4+	Aug 30, 2023	[ICRA]A4+	Aug 30, 2022	[ICRA]A4+
Unallocated-Unallocated	Long Term/ Short Term			-	-	Aug 30, 2023	[ICRA]BB (Stable)/ [ICRA]A4+	Aug 30, 2022	[ICRA]BB (Stable)/ [ICRA]A4+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund Based-Cash credit	Simple
Long-term Fund Based -Term Loan 2	Simple
Long-term Fund Based -Term Loan 3	Simple
Short-term Non-fund Based – Letter of Credit^	Very simple

^ Sub-limit of long-term fund-based Cash Credit facility such that the total utilisation should not exceed Rs. 7.50 crore

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	**Long-term Fund Based-Cash credit**	NA	NA	NA	7.50	[ICRA]BB (Stable)
NA	**Long-term Fund Based-Term Loan 2**	FY2023	NA	FY2026	0.52	[ICRA]BB (Stable)
NA	**Long-term Fund Based-Term Loan 3**	FY2023	NA	FY2031	13.66	[ICRA]BB (Stable)
NA	**Short-term Non Fund Based- Letter of Credit^**	NA	NA	NA	(0.50)	[ICRA]A4+

^ Sub-limit of long-term fund-based Cash Credit facility such that the total utilisation should not exceed Rs. 7.50 crore

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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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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