

November 28, 2025

Vatsalya Paper Industries LLP: Ratings reaffirmed

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|--|--------------------------------------|-------------------------------------|--|
| Long-term Fund-based – Term loan | 10.05 | 30.50 | [ICRA]BB-(Stable); reaffirmed |
| Long-term Fund-based – Cash credit | 32.00 | 32.00 | [ICRA]BB-(Stable); reaffirmed |
| Short-term Non Fund-based – Bank Guarantee | 1.70 | 2.50 | [ICRA]A4; reaffirmed |
| Long-term Fund-based – Working capital term loan | 11.66 | 5.06 | [ICRA]BB-(Stable); reaffirmed |
| Long-term/Short-term – Unallocated limits | 33.42 | 5.00 | [ICRA]BB-(Stable)/[ICRA]A4; reaffirmed |
| Long-term-Fund-based-Overdraft | 0.00 | 5.00 | [ICRA]BB-(Stable); reaffirmed |
| Total | 88.83 | 80.06 | |

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of ratings considers Vatsalya Paper Industries LLP's (VPIL) experienced promoter group with a strong track record in kraft paper manufacturing, healthy capacity utilisation, and location-specific advantages owing to the company's proximity to ports, which facilitates sizeable wastepaper imports. The ratings also take comfort from the company's revenue growth of around 15% on a YoY basis in FY2025, driven by improved realisations, and a further 17% growth in H1 FY2026 supported by both higher realisations and about 11% increase in volumes. The operating profit margins (OPM) have strengthened to 7.9% in FY2025 from 5.4% in FY2024, aided by energy cost savings following commissioning of solar power plants.

However, the ratings remain constrained by the susceptibility of profit margins to volatility in raw material prices (primarily wastepaper and coal), given the company's limited ability to pass on the cost increases to customers. Product concentration risk persists due to dependence on a single product category — kraft paper. While reduction in power costs is expected to support margins, debt protection metrics are likely to remain under pressure in the near term owing to the debt-funded capex. Additionally, the company's pricing power is limited due to its presence in a highly fragmented and competitive industry. VPIL's partnership structure also exposes it to the risk of capital withdrawal.

The Stable outlook reflects ICRA's expectation that VPIL will continue to benefit from the resourcefulness of its partners, strategic location of the plant near ports, and steady demand for kraft paper.

Key rating drivers and their description

Credit strengths

Vast experience of partners in manufacturing operations and paper industry – Mr. Ankit Dalmia, founder of VPIL and the principal partner, has more than ten years of experience in the kraft paper manufacturing industry through his association with Sankalp Paper Industries Pvt. Ltd. Mr. Rajesh Kalani is an experienced entrepreneur with expertise in finance and accounting, and a diversified business background spanning textiles, embroidery, printing, real estate, and investments.

Locational advantage and repetitive orders from customers – The firm sources a major portion of its wastepaper requirements from imports and benefits from its strategic proximity to Kandla and Mundra ports, which helps reduce sourcing costs. In addition to catering to packaging industry players, VPIL supplies kraft paper to textile manufacturers in Gujarat and Maharashtra. Its location in Surat, the textile hub of Gujarat, provides proximity to key customers and enables strong client relationships, as reflected in its history of repeat orders.

Credit challenges

Modest financial risk profile – Although VPIL reported a healthy revenue growth of about 15% in FY2025, its scale of operations remains modest with an operating income of Rs. 250.3 crore, primarily due to limited capacity buffer, which restricts further business expansion. The company's capital structure continues to be leveraged, as reflected in a high gearing of 4.2 times as on March 31, 2025, owing to its relatively low net worth base. However, coverage indicators are expected to improve in the near term, supported by the benefits of energy cost savings from the commissioned solar power plant, which are translating into healthier operating margins.

Susceptibility of profitability to raw material prices and forex fluctuations – Wastepaper, the key raw material, accounts for around 70% of total costs, followed by power and fuel (approximately 18%). Consequently, the firm's profitability remains vulnerable to fluctuations in wastepaper and coal prices, given its limited ability to pass on cost increases to customers. Moreover, with a significant portion of wastepaper sourced through imports and sales confined to the domestic market, its profitability is also exposed to adverse foreign exchange movements in the absence of an effective hedging mechanism.

Concentration risk associated with dependence on single product – The firm faces significant product concentration risk because of its low diversification and high dependence on a single product, kraft paper. This reliance limits its ability to mitigate sector-specific downturns and exposes it to fluctuations in demand from packaging and textile industries. The absence of a broader product portfolio also constrains growth opportunities and makes the business more vulnerable to competitive pressure in a fragmented market.

Risks related to partnership nature of firm – VPIL's constitution as a limited liability partnership exposes it to the inherent risk of partner withdrawals, which could adversely impact its capital structure. While there have been withdrawals in the past, these were supported by steady infusions. In recent fiscals, withdrawals have remained limited and are expected to stay low in the near term. Additionally, the promoters infused an unsecured loan of Rs. 4.25 crore in FY2025 to support capex and have indicated their willingness to provide funding support, as required.

Liquidity position: Stretched

VPIL's liquidity profile remains stretched, reflected in a modest free cash and bank balance of Rs. 0.17 crore as on March 31, 2025, along with fixed deposits of Rs. 0.86 crore under lien against government authorities and bank borrowings. The firm's fund-based working capital limits were highly utilised, averaging around 95% over the past 12 months ended in September 2025. Additionally, VPIL has sizeable debt repayments of Rs. 8.4 crore in FY2026 and Rs. 5.4 crore in FY2027. The promoters have infused Rs. 18.6 crore as unsecured loans, subordinated to bank borrowings, and have committed to provide further funding support, as required.

Rating sensitivities

Positive factors – ICRA could upgrade VPIL's ratings, if the entity report sustained improvement in revenue and earnings, leading to overall improvement in debt protection metrics and liquidity profile on a sustained basis.

Negative factors – Pressure on VPIL's ratings could arise if there is substantial decline in revenue or earnings, or any major debt-funded capex or material capital withdrawals, impacting its liquidity position and debt coverage indicators on a sustained basis.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Corporate Credit Rating Methodology |
| Parent/Group support | Not Applicable |
| Consolidation/Standalone | The ratings are based on the standalone financial profile of Vatsalya Paper Industries LLP |

About the company

Vatsalya Paper Industries LLP (VPIL), established in March 2017, was set up by Mr. Ankit Dalmia to manufacture kraft paper. The firm manufactures kraft paper at its plant in Surat, Gujarat. It commenced operations in September 2018 with an installed capacity of 72,000 MTPA, which was enhanced to 90,000 MTPA in FY2021. The firm is now promoted by Mr. Dalmia, Ms. Shalini Kanodiya, Mr. Manoj Kalani, Omkarchand Rathi & Sons, Mr. Rahul Dhoot, and Mr. Rajesh Kalani.

Key financial indicators (audited)

| Vatsalya Paper Industries LLP - Standalone | FY2024 | FY2025 |
|--|--------|--------|
| Operating income | 217.8 | 250.3 |
| PAT | -1.0 | 4.5 |
| OPBDIT/OI | 5.4% | 7.9% |
| PAT/OI | -0.5% | 1.8% |
| Total outside liabilities/Tangible net worth (times) | 7.3 | 5.8 |
| Total debt/OPBDIT (times) | 5.9 | 4.3 |
| Interest coverage (times) | 1.5 | 2.4 |

Source: Company, ICRA Research; 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

| Instrument | Current ratings (FY2026) | | | Chronology of rating history for the past 3 years | | | | | |
|---------------------------|--------------------------|-------------------------|-----------------------------|---|-----------------------------|--------------|-----------------------------|--------------|--------------------|
| | Type | Amount rated (Rs crore) | November 28, 2025 | FY2025 | | FY2024 | | FY2023 | |
| | | | | Date | Rating | Date | Rating | Date | Rating |
| Cash credit | Long Term | 32.00 | [ICRA]BB- (Stable) | Aug 14, 2024 | [ICRA]BB- (Stable) | May 19, 2023 | [ICRA]BB- (Stable) | May 25, 2022 | [ICRA]BB- (Stable) |
| Overdraft | Long Term | 5.00 | [ICRA]BB- (Stable) | - | - | - | - | - | - |
| Unallocated limits- | Long Tem/Short Term | 5.00 | [ICRA]BB- (Stable)/[ICRA]A4 | Aug 14, 2024 | [ICRA]BB- (Stable)/[ICRA]A4 | May 19, 2023 | [ICRA]BB- (Stable)/[ICRA]A4 | - | - |
| Term loan | Long Term | 30.50 | [ICRA]BB- (Stable) | Aug 14, 2024 | [ICRA]BB- (Stable) | May 19, 2023 | [ICRA]BB- (Stable) | May 25, 2022 | [ICRA]BB- (Stable) |
| Working capital term loan | Long Term | 5.06 | [ICRA]BB- (Stable) | Aug 14, 2024 | [ICRA]BB- (Stable) | May 19, 2023 | [ICRA]BB- (Stable) | May 25, 2022 | [ICRA]BB- (Stable) |
| Bank guarantee | Short Term | 2.50 | [ICRA]A4 | Aug 14, 2024 | [ICRA]A4 | May 19, 2023 | [ICRA]A4 | May 25, 2022 | [ICRA]A4 |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|--|----------------------|
| Long-term Fund-based – Term loan | Simple |
| Long-term Fund-based – Cash credit | Simple |
| Short-term Non Fund-based – Bank Guarantee | Very simple |
| Long-term Fund-based – Working capital term loan | Simple |
| Long-term/Short-term – Unallocated limits | NA |
| Long-term Fund-based – Overdraft | Simple |

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 – Term loan | FY2018 | NA | FY2026 | 30.50 | [ICRA]BB- (Stable) |
| NA | Long-term Fund-based – Cash credit | NA | NA | NA | 32.00 | [ICRA]BB- (Stable) |
| NA | Short-term Non Fund-based – Bank Guarantee | NA | NA | NA | 2.50 | [ICRA]A4 |
| NA | Long-term Fund-based – Working capital term loan | FY2022 | NA | FY2027 | 5.06 | [ICRA]BB- (Stable) |
| NA | Long-term/Short-term – Unallocated limits | NA | NA | NA | 5.00 | [ICRA]BB- (Stable)/[ICRA]A4 |
| NA | Long-term Fund-based – Overdraft | NA | NA | NA | 5.00 | [ICRA]BB- (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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