August 04, 2026

Ruchira papers Limited: Rating Reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long-term – Unallocated limits	50.00	50.00	[ICRA]A(Stable); reaffirmed	RBI
Total	**50.00**	**50.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The 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 writing and printing paper (WPP; such as copier paper and white paper used in notebooks and stationery), cup stock paper, industrial-grade paper and kraft paper, which supported the company in recording consistent volume growth in the past five years, while revenues remain susceptible to fluctuating realisations and product mix. The rating also considers the company's locational advantage, with its manufacturing facility situated in proximity to major agricultural belts, providing easy access to agricultural waste-based raw materials like wheat straw and bagasse, thereby reducing logistics costs and supporting cost efficiencies.

In FY2026, the company's revenue declined marginally by 1.4% to Rs. 655 crore due to pricing pressures in the WPP segment arising from the continued influx of cheaper imports and a 36-day planned shutdown of the WPP plant in Q3 FY2026 for capacity enhancement and machinery modernisation. RPL's WPP realisations declined by around 4% YoY and production declined by nearly 3,000 MT YoY in FY2026. Conversely, kraft paper realisations improved by around 2% YoY and the production increased by around 4,000 MT, supported by healthy demand levels. Enhanced capacity in the WPP segment and continued demand are likely to result in healthy revenue growth for the company in FY2027. RPL's OPM declined to 12.3% in FY2026 from 16.1% in FY2025, owing to lower WPP realisations, an unfavourable product mix due to the lower contribution from the relatively higher-margin WPP segment, and higher wheat straw costs. Going forward, better product mix, with the likely scale-up in WPP volumes, operating leverage benefits and efficiency gains from modernisation initiatives are expected to support margin recovery.

The company undertook a sizeable debt-funded capex programme of Rs. 235-240 crore during FY2025-FY2026 towards the WPP capacity expansion, acquisition of a second-hand 1,65,000 MTPA paper machine from the USA, and a chlorine dioxide (ClO_2) plant, which is expected to improve operational efficiency. While the acquired paper machine is currently non-operational, it provides an opportunity for future capacity expansion. Consequently, the company's total debt increased to Rs. 183.4 crore as on March 31, 2026 (Rs. 85.7 crore as of March 31, 2025), resulting in moderation in its debt metrics with total debt/OPBDITA increasing to 2.3 times as on March 31, 2026 (0.8 times in the previous year). However, expected improvement in operating margins and reduction in debt levels, on the back of scheduled debt repayments, are expected to result in improvement in total debt / OPBITDA to less than 2 times in FY2027.

The rating remains constrained by the exposure of the company's earnings to volatility in raw material prices influenced by international prices. This is especially for wastepaper and wood pulp, along with wheat straw prices, which are susceptible to adverse climatic conditions, including El Niño-induced weak monsoons. The rating also considers the intense competition from organised and unorganised players, along with cheaper imports, limiting the pricing flexibility of paper manufacturers. Further, the paper industry remains exposed to economic cycles, as the global demand-supply balance impacts the health of the domestic industry and subsequently the profit margins. The rating further considers the risks associated with changes in raw material-related regulations related to the availability and usage of water and other inputs in the manufacturing process.

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

Key rating drivers and their description

Credit strengths

Established presence of promoters in the paper industry – RPL, incorporated as a public limited company in 1980 by late Mr. Umesh Chander Garg, Mr. Jatinder Singh, and Mr. Subhash Chander Garg, benefits from the extensive experience of its promoters. 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 WPP 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 financial profile is marked by healthy net worth and a comfortable capital structure with TOL/TNW of 0.5 times as of March 31, 2026 (PY: 0.3 times). The company reported robust credit metrics over the years with limited reliance on external borrowings. However, its debt metrics moderated in FY2026, as TD/OPBITDA increased to 2.3 times as of March 31, 2026 (PY: 0.8 times), due to pressure on its operating profitability, coupled with sizeable debt-funded capex undertaken over FY2025-FY2026, with a large portion of the term debt (around Rs. 80 crore out of the total Rs. 109 crore) being drawn in FY2026. Nevertheless, the company's overall financial profile remains comfortable, and the credit metrics are expected to improve going forward, supported by an uptick in earnings and the absence of any major debt-funded capex plans.

Credit challenges

Successful ramp-up of recently enhanced WPP capacity remains crucial for recovery in margins – The company has undertaken significant capacity expansion at its WPP plant, which is expected to increase to 90,000 MTPA over the medium term from 60,000 MT in FY2026. The ramp up in capacity is expected to be gradual to around 72,000 MT in FY2027 and 78,000 MT by FY2028. Healthy utilisation of the enhanced capacity and scale-up of operations, along with an improvement in realisations, remain crucial for growth prospects and margin recovery.

Susceptibility of profit margins to volatility in raw material prices and competition from imports – RPL relies on agri-based inputs such as wheat straw and bagasse for its WPP segment, while wastepaper is the primary raw material for kraft paper production. Given that raw materials' expense is the company's major cost, its margins remain vulnerable to fluctuations in input prices and availability. Limited pricing flexibility, owing to intense competition from organised and unorganised players as well as cheaper imports from China and other Southeast nations, further exacerbates the risk. Many organised players have also enhanced their capacities over the recent past, which intensifies competitive pressures. ICRA also notes that the paper industry remains 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 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, availability and usage of water and other inputs in the manufacturing process.

Environmental and social risks

Environment considerations – Pulp and paper manufacturing process causes 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, the company has been complying with all regulatory requirements for effluent and waste treatment. The company's proactive adoption of water-saving and energy-efficient technologies helps reduce operational costs. 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 disruption if they fail to properly manage human capital in terms of 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 WPP segment over the long term. However, shift from plastic to paper in FMCG and food and food products sectors and ban on 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. 40-60 crore in FY2027, and buffer in undrawn working capital limits of Rs. 20 crore as of March 2026. The company has bank debt repayment obligations of Rs. 20-22 crore per annum in FY2027 and FY2028 and capex plans of Rs. 20-25 crore in FY2027, which are likely to be serviced comfortably through the retained cash flows.

Rating sensitivities

Positive factors – The rating 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 rating may be downgraded, if material decline in earnings or any large debt-funded capex weakens its capital structure or coverage indicators. Further, pressure on the rating may arise in case of any adverse change in the company's financial policy, including dividend payouts, affecting the capital structure or liquidity position. 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 late Mr. Umesh Chander Garg, Mr. Jatinder Singh, and Mr. Subash Chander Garg. The company manufactures and markets kraft paper and printing & writing paper (WPP), 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 WPP, as on March 31, 2026. It also has a captive co-generation power plant of 8.1 MW, catering to the power requirements of its WPP plant. RPL has a diversified product portfolio comprising kraft paper and WPP. In the WPP 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	FY2025	FY2026
Operating income	664.8	655.3
PAT	67.3	44.1
OPBDIT/OI	16.1%	12.3%
PAT/OI	10.1%	6.7%
Total outside liabilities/Tangible net worth (times)	0.3	0.5
Total debt/OPBDIT (times)	0.8	2.3
Interest coverage (times)	26.0	9.5

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:

CRA	Status	Date of Release
CRISIL	Crisil B /Stable (ISSUER NOT COOPERATING*; Rating continues at the same level)	November 27, 2025

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Aug 04, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Unallocated Limits	Long-term	50.00	[ICRA]A(Stable)	Aug 08, 2025	[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	Financial Sector Regulator^
NA	**Unallocated limits**	NA	NA	NA	50.00	[ICRA]A(Stable)	RBI

Source: Company

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Please click here to view details of lender-wise facilities rated by ICRA

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

ANALYST CONTACTS

Jitin Makkar
+91 124 4545 368
jitinm@icraindia.com

Srikumar Krishnamurthy
+91 44 4596 4318
ksrikumar@icraindia.com

Nithya Debbadi
+91 40 6939 6416
Nithya.Debbadi@icraindia.com

Astha Bansal
+91 80 4332 6422
astha.bansal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches