August 5, 2026

Aryan Paper Mills Pvt. Ltd.: Ratings reaffirmed; outlook revised to Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Fund based-Term Loan	151.50	140.26	[ICRA]BBB- (Stable); reaffirmed; Outlook revised to Stable from Negative	RBI
Fund based- Working Capital Facilities	35.00	35.00	[ICRA]BBB- (Stable); reaffirmed; Outlook revised to Stable from Negative	RBI
Non-fund based – Letter of Credit	4.00	4.00	[ICRA]A3; reaffirmed	RBI
Non-fund based – Credit exposure limit	2.40	2.40	[ICRA]A3; reaffirmed	RBI
Fixed Deposit	15.00	15.00	[ICRA]BBB- (Stable); reaffirmed; Outlook revised to Stable from Negative	MCA
Total	**207.90**	**196.66**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR will not be available for activities and instruments, which fall under the regulatory purview of financial sector regulators other than SEBI.

Rationale

The revision in the outlook to Stable on Aryan Paper Mills Pvt. Ltd.'s (APML) long-term rating reflects the improvement in the company's operating performance following the ramp-up of operations at its expanded kraft paper manufacturing facility, which was commissioned in September 2024, and the expected sustenance of the improved performance, going forward as well. The first full year of operations from the expanded facility was FY2026, during which APML reported a healthy 44% YoY growth in sales to Rs. 375.9 crore, supported by a 53% increase in sales volumes and capacity utilisation of around 85%. In Q1 FY2027, revenue grew by 34% on a YoY basis to Rs. 116.5 crore from Rs. 86.9 crore in Q1 FY2026, supported by 29% growth in sales volumes and improved realisations. The company is expected to clock a healthy revenue growth of 9-12% in FY2027 on the back of better product mix, supporting growth in realisations and continued demand. The company's operating margin also improved materially to 9.2% in FY2026 from 4.6% in FY2025, supported by better operating leverage and stabilisation of the new unit. The operating margin is expected to improve by 50-100 bps in FY2027, supported by better product mix and improved operating efficiency.

The ratings continue to favourably factor in APML's established track record in the kraft paper business, the promoters' experience in paper manufacturing, and the company's established customer and dealership network. The expanded capacity and ability to manufacture wider kraft paper rolls, lower-GSM paper and higher burst-factor products are expected to support product diversification, growth in export sales and operating efficiencies over the medium term. The ratings also factor in ICRA's expectation of benefits from renewable energy and energy-efficiency initiatives, which could support power cost savings over the medium term.

Nevertheless, the ratings remain constrained by the company's leveraged capital structure and moderate debt protection metrics, following sizeable debt-funded capex undertaken during FY2024-FY2025. The company had total debt of Rs. 204.4 crore as on March 31, 2026, with term loans forming a major share of the debt profile. While the ramp-up in operations and increased profitability are expected to support accrual generation, sustained improvement in coverage indicators will remain key monitorables.

The ratings also remain constrained by APML's concentrated product portfolio, largely comprising kraft paper, and its exposure to volatility in wastepaper prices and foreign exchange movements. While export revenues provide a partial natural hedge, the company's ability to pass on input cost increases to its customers in a timely manner will remain critical for sustaining margins. Further, the kraft paper industry remains competitive, with the presence of several organised and unorganised players, which could constrain pricing flexibility and profitability.

The Stable outlook reflects ICRA's opinion that APML will sustain healthy revenue growth and earnings, supported by improved product mix and operating efficiencies, resulting in gradual improvement in its debt metrics.

Key rating drivers and their description

Credit strengths

Established track record in kraft paper industry and extensive experience of promoters – APML has an established track record of more than three decades in the manufacturing of kraft paper. Mr. Sunil Shah, Promoter and Managing Director of the company, has three decades of experience in the industry and is also assisted by an experienced management team.

Healthy capacity utilisation levels and established network of dealers – The company expanded its installed capacity to 1,25,000 MTPA in September 2024 from 55,000 MTPA earlier. Capacity utilisation stood at around 85% in FY2026 with ramp-up of the expanded facility, better product output and addition of new customers, and is expected to improve further in the coming quarters. The company's established presence in the kraft paper industry and wide dealer network continue to support its market position and offtake.

Credit challenges

Sustained volume growth and better product mix critical for improvement in credit metrics – APML increased its capacity to 1,25,000 MTPA in FY2026 from 55,000 MTPA in FY2024, which led to a strong growth in sales volumes over the last two years. The credit profile remains constrained by APML's concentrated product portfolio, primarily comprising kraft paper, and its elevated leverage owing to the sizeable debt-funded capex undertaken in the past. Total Debt/OPBDITA improved to 5.8 times in FY2026 from 17.9 times in FY2025, though it remained high, while DSCR remained moderate at around 1.0 times. Sustenance of healthy sales volumes, improved realisations and stable operating margins will remain key to supporting accrual generation, gradual deleveraging and improvement in coverage metrics.

Margins remain susceptible to adverse fluctuations in wastepaper and coal prices as well as forex movements – APML's profitability remains exposed to sharp fluctuations in raw material prices, particularly wastepaper, which constitutes a major portion of its input cost. A significant share of the company's wastepaper requirement is met through imports, making it vulnerable to global demand-supply dynamics and price volatility. The company's ability to fully pass on these cost increases to customers is constrained by the intense competition in the kraft paper industry, which can exert pressure on its margins. APML remains exposed to foreign exchange rate movements, given that 55-65% of its raw material requirement is imported.

Product concentration risk and fragmented industry structure with stiff competition – APML is involved in the manufacturing of a single product, i.e., kraft paper, exposing the company to product concentration risk. Further, the kraft paper industry is highly fragmented, with stiff competition from numerous organised and unorganised players. However, APML produces kraft paper with a burst factor (BF) of 20-35. Competition in the higher BF range (above 20) is less intense than the lower BF range due to the complexity of the manufacturing process and the capital costs involved in setting up the production line for higher range BF paper.

Liquidity position: Adequate

The company's liquidity is Adequate, supported by the expected retained cash flows of Rs. 10-12 crore in FY2027, and buffer in working capital limits of Rs. 4-5 crore as of June 2026. Moreover, the company is in the process of enhancing its working capital limits by Rs. 15 crore and it has sufficient drawing power to increase its working capital borrowings. Against these sources of cash, it has debt repayment obligations of Rs. 11-12 crore and capex plans of Rs. 5-10 crore in FY2027. ICRA notes that the promoters are likely to provide timely financial support in case of any liquidity mismatch.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is a healthy growth in APML's revenue and earnings, supported by improved utilisation of the expanded facility and favourable product mix, leading to an improvement in debt metrics.

Negative factors – Pressure on the ratings could arise from moderation in revenues or margins due to lower capacity utilisation, weaker realisations, adverse wastepaper price movement or delay in passing on input cost increases to customers. Any weakening in liquidity because of higher working capital intensity, additional debt-funded capex or absence of timely promoter support, if required, would also be a negative trigger. Specific trigger for downgrade would include DSCR remaining below 1.2 times 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 the company

About the company

APML was incorporated in 1990 by Mr. Sunil K. Shah and his associates. The company's manufacturing facilities are in the Gujarat Industrial Development Corporation (GIDC) area of Vapi, Gujarat. The entity manufactures kraft paper in varying grammage and BF specifications, which are used to produce corrugated boxes for packaging materials. With modifications and expansions over the years, the installed production capacity of the plant has gradually increased to 1,25,000 MTPA. The company also has a 4.8-MW co-generation plant, a 1.25-MW wind power plant, and a 0.331-MW solar plant to support its energy requirements.

Key financial indicators (audited)

APML (Standalone)	FY2025	FY2026
Operating income	262.7	384.1
PAT	-7.2	2.5
OPBDIT/OI	4.6%	9.2%
PAT/OI	-2.8%	0.6%
Total outside liabilities/Tangible net worth (times)	3.5	3.4
Total debt/OPBDIT (times)	17.9	5.8
Interest coverage (times)	1.0	1.6

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

	Current rating (FY2027)			Chronology of rating history for the past 3 years					
	FY2027			FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Aug 5, 2026	Date	Rating	Date	Rating	Date	Rating
Fund Based-Cash Credit	Long Term	35.00	[ICRA]BBB- (Stable)	Aug 29, 2025	[ICRA]BBB- (Negative)	Aug 22, 2024	[ICRA]BBB- (Stable)	Aug 30, 2023	[ICRA]BBB (Negative)
Fund Based-Term Loan	Long Term	140.26	[ICRA]BBB- (Stable)	Aug 29, 2025	[ICRA]BBB- (Negative)	Aug 22, 2024	[ICRA]BBB- (Stable)	Aug 30, 2023	[ICRA]BBB (Negative)
Non Fund Based - Letter of Credit	Short Term	4.00	[ICRA]A3	Aug 29, 2025	[ICRA]A3	Aug 22, 2024	[ICRA]A3	Aug 30, 2023	[ICRA]A3+
Non-Fund Based Limits	Short Term	2.40	[ICRA]A3	Aug 29, 2025	[ICRA]A3	Aug 22, 2024	[ICRA]A3	Aug 30, 2023	[ICRA]A3+
Fixed Deposit	Long Term	15.00	[ICRA]BBB- (Stable)	Aug 29, 2025	[ICRA]BBB- (Negative)	Aug 22, 2024	[ICRA]BBB- (Stable)	Aug 30, 2023	[ICRA]BBB (Negative)
Unallocated Limits	Short Term	-	-	-	-	-	-	Aug 30, 2023	[ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund based-Term Loan	Simple
Fund based- Working Capital Facilities	Simple
Non-fund based – Letter of Credit	Simple
Credit exposure limit	Simple
Fixed Deposit	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	Financial Sector Regulator#
NA	**Term loans**	FY2016	NA	FY2033	140.26	[ICRA]BBB- (Stable)	RBI
NA	**Cash credit**	NA	NA	NA	35.00	[ICRA]BBB- (Stable)	RBI
NA	**Letter of credit**	NA	NA	NA	4.00	[ICRA]A3	RBI
NA	**Credit exposure limit**	NA	NA	NA	2.40	[ICRA]A3	RBI
NA	**Fixed deposit**	NA	NA	NA	15.00	[ICRA]BBB- (Stable)	MCA

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

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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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