Tulsi Paper Mills Private Limited

May 14, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	0.36 (Reduced from 1.20)	CARE BBB; Negative	Downgraded from CARE BBB+; Stable
Long-term / Short-term bank facilities	27.00	CARE BBB; Negative / CARE A3	Downgraded from CARE BBB+; Stable / CARE A3+
Short-term bank facilities	51.75	CARE A3	Downgraded from CARE A3+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Tulsi Paper Mills Private Limited (TPMPL) considers significant decline in profitability marked by operational losses leading to deterioration in debt coverage indicators in FY25 (Provisional; period refers from April 01 to March 31). TPMPL continues to face challenges due to increased competition, which has negatively impacted its sales realisation. Ratings further remain constrained considering moderate scale of operations and TPMPL's presence in a highly fragmented and cyclical paper industry, profit margins susceptible to wastepaper price volatility and foreign exchange rate, and stringent pollution control norms. Ratings also consider pendency of insurance claim finalisation due to loss incurred in a fire incident in FY23.

However, ratings continue to derive strength from the promoters' vast experience in paper industry and marketing support from the group and established though concentrated customer base. Ratings continue to favourably factor in TPMPL's comfortable capital structure backed by healthy net worth base and efficient working capital utilisation.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustaining scale of operations marked by total operating income (TOI) of over ₹250 crore with improvement in profitability marked by profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 5% on a sustained basis.
- Improvement in interest coverage ratio above 5x on a sustained basis.

Negative factors

- Decline in scale of operations marked by TOI below ₹200 crore and continued net losses.
- Any major debt-funded capex or increase in working capital requirement resulting in deterioration in overall gearing above 0.75x.
- Deterioration in liquidity position marked by increase in average working capital utilisation by 70% or increase in cycle by 150 days.

Analytical approach: Standalone

Outlook: Negative

The outlook has been revised from 'Stable' to 'Negative' due to the anticipated increase in the utilisation of working capital bank limits, and delay or lower-than-expected receipt of the insurance claim, which could impact the company's liquidity. However, the outlook may be revised back to 'Stable' if the company maintains its comfortable capital structure and liquidity and receives the insurance claim in a timely manner.

Detailed description of key rating drivers:

Key strengths

Vast experience of promoters in paper industry with marketing support from group

TPMPL is promoted by three promoter groups, Daga, Gangani, and Patel families. The Daga family has established operations in the paper trading business in Surat, Gujarat, through their other companies - Daga Impex Private Limited (DIPL) and Daga Polymers Private Limited (DPPL). Jatanlal M. Daga, Managing Director of TPMPL, holds overall around two decades of experience, and Ashokkumar Daga, Director, has over a decade of experience in the paper trading business through group companies, such

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

as Rajasthan Trading Company (RTC), DPPL, and DIPL. Ashokkumar Gangani, Jayeshkumar Gangani, and Mahendra Patel have overall experience of over two decades in paper manufacturing through TPMPL and in the construction business through other associate concerns.

Established marketing arrangements and customer base though concentrated customer base

TPMPL is in paper business since last around two decades and has an established dealer network of ~25 dealers; largely spread across Gujarat and Maharashtra. However, TPMPL's customer profile remained concentrated with top five customers constituting ~80% in FY25 (84% in FY24) with over 25% of sales to DIPL against ~24% in FY24.

Comfortable capital structure despite deterioration in debt coverage indicators

TPMPL's capital structure remained comfortable over years with below unity overall gearing ratio. Overall gearing remained at 0.14x as on March 31, 2025, against 0.07x as on March 31, 2024, on back of strong tangible net worth and negligible term debt and moderate utilisation of working capital limits. Overall gearing is further expected to remain comfortable with no major debt availment expected in the near term. However, debt coverage indicators of TPMPL deteriorated as marked by weak interest coverage ratio on the back of reported operational losses. The interest expense being served through working capital changes. Debt coverage indicators are expected to improve going forward with fire insurance claim receivable in near term.

Key weaknesses

Moderate scale of operations with operational losses in FY25

The scale of operations as marked by TOI registered degrowth of ~7% in FY25. The TOI remained at ₹265.03 crore in FY25 against ₹285.34 crore in FY24, mainly due to decline in sales realisations owing to increase in wastepaper prices which the company could not pass on to its customers due to stiff competition considering entry of new players. Further, sales volume reported marginal 1% decrease. Capacity utilisation remained almost same at ~95% in FY25 and FY24. TPMPL's profitability significantly deteriorated, with operational losses of ₹6.30 crore in FY25 compared to operational profits of ₹11.07 crore in FY24. This substantial decline is primarily due to a rise in the prices of key raw material, wastepaper, which increased by ~7% y-o-y in FY25 driven by higher freight expenses due to container shortages. Consequently, the company reported net loss of ₹10.67 crore in FY25 against net profit of ₹5.87 crore in FY24.

Update on fire incident occurred in FY23

A fire broke out in TPMPL's raw material storage area, in November 2022, following which the manufacturing facility was shut down for 12 days. The company had submitted total claim of ₹34.93 crore considering fire occurred. Initially, it was expected to receive the claim in H1FY25, but due to the involvement of processes and approvals, the receipt was delayed. However, the claim is now under final stage of approval and ~₹30 crore is expected to be received in Q1FY26 as articulated by management. Delay in receipt of claim or non-receipt is key rating monitorable.

Presence in highly fragmented and cyclical industry

The Indian duplex board industry is highly fragmented with stiff competition from several organised players and unorganised players. Given that the entry barriers to industry are low, players in this industry do not have pricing power and are exposed to competition-induced profitability pressures which the company is currently experiencing. The paper industry is also cyclical and sensitive to economic cycles, which impacts its demand-supply dynamics. The subdued demand scenario, and multi-fold increase in import of paper products from ASEAN countries (due to duty-free access under Free Trade Agreement) and heightened competition due to capacity addition in the industry led to oversupply situation, which is envisaged to persist in the near term.

Profitability margins susceptible to wastepaper price volatility and fluctuating foreign exchange rate

Raw material forms ~65-70% of the total cost of goods sold for TPMPL. Waste-paper is a key raw material for manufacturing duplex board paper, prices of which are affected by two prime factors: prices in international market and the monsoon season. The prices of wastepaper being a key raw material, remained volatile in the international market due to mismatch between demand and supply of wastepaper post lockdown imposed due to COVID-19 in different countries. The prices of other raw materials (chemicals and coal), being globally traded commodity, have also inherently been volatile. The imported raw material forms ~75-80% of the total raw material purchase and the entity sells its final product in the domestic market only, which leads to exposure to volatile foreign exchange rates. TPMPL has reported foreign exchange fluctuation gain of ₹0.10 crore in FY25 against ₹0.26 crore in FY24.

Stringent pollution control norms

The paper industry is one of the most-polluting industries, as identified and categorised by Central Pollution Control Board (CPCB), as it is one of the largest users of fresh water. With water used in nearly every step of the manufacturing process, the paper industry produces large volume of wastewater and residual sludge waste, presenting issues in wastewater treatment, discharge and sludge disposal. TPMPL has adequate effluent treatment plant (ETP) in place with capacity of 900 kilo litres per day (KLPD) of treated water.

Liquidity: Adequate

Liquidity remained adequate characterised by comfortable liquidity ratios and moderate utilisation of its working capital bank facilities despite cash losses in FY25. Current ratio remained comfortable at 3.65x as on March 31, 2025, against 6.03x as on March 31, 2024. Repayment of term debt obligations remained minimal at ₹0.36 crore in FY26. Average utilisation of fund-based and non-fund-based limit remained moderate at ~30% and 40% in 12-months ended April 30, 2025. Operating cycle remained in similar line with previous year at 106 days in FY25 (FY24: 105 days). The company reported cash losses of ₹6.77 crore in FY25 due to adverse industry scenario. Operations were managed by working capital changes, further comfort is drawn from unutilised working capital limits. The liquidity is expected to remain adequate going forward considering expected fire insurance claim receivable of ₹30 crore in Q1FY26.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Paper & Paper Products
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Forest materials	Paper, forest & jute products	Paper & paper products

Palsana, Surat-based (Gujarat) TPMPL was incorporated in 2007 by Daga and Gangani families. TPMPL is engaged in manufacturing duplex paper board with installed capacity of 82,500 metric tonnes per annum (MTPA) as on March 31, 2025. The company manufactures types of duplex boards, white back, grey back, coated, uncoated and are available in different stiffness ranging from 230 to 550 GSM, which is broadly used for packaging in industries such as textiles, pharmaceuticals, cosmetics, food & beverages, consumer and industrial products among others. TPMPL's manufacturing plant is a wastepaper-based unit where ~75% of wastepaper is imported, and rest is procured from domestic market. TPMPL also has a coal-based captive co-generation power plant of 4.8 MW, which meets its large part of power requirement.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (P)
Total operating income	285.34	265.03
PBILDT	11.07	-6.30
PAT	5.87	-10.67
Overall gearing (times)	0.07	0.14
Interest coverage (times)	10.61	NM

A: Audited P: Provisional NM: Not meaningful; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30-06-2025	0.36	CARE BBB; Negative
Fund-based - LT/ ST-Cash Credit		-	-	-	27.00	CARE BBB; Negative / CARE A3
Fund-based - ST-Forward Contract		-	-	-	0.75	CARE A3
Non-fund-based - ST-Bank Guarantee		-	-	-	1.00	CARE A3
Non-fund-based - ST-Letter of credit		-	-	-	50.00	CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT/ ST-Cash Credit	LT/ST	27.00	CARE BBB; Negative / CARE A3	-	1)CARE BBB+; Stable / CARE A3+ (04-Jul-24)	1)CARE BBB+; Stable / CARE A3+ (06-Mar-24) 2)CARE A-; Negative / CARE A2 (20-Jun-23)	1)CARE A-; Stable / CARE A2 (03-Aug-22)
2	Fund-based - LT-Term Loan	LT	0.36	CARE BBB; Negative	-	1)CARE BBB+; Stable (04-Jul-24)	1)CARE BBB+; Stable (06-Mar-24) 2)CARE A-; Negative (20-Jun-23)	1)CARE A-; Stable (03-Aug-22)
3	Non-fund-based - ST-Letter of credit	ST	50.00	CARE A3	-	1)CARE A3+ (04-Jul-24)	1)CARE A3+ (06-Mar-24) 2)CARE A2 (20-Jun-23)	1)CARE A2 (03-Aug-22)
4	Fund-based - ST-Forward Contract	ST	0.75	CARE A3	-	1)CARE A3+ (04-Jul-24)	1)CARE A3+ (06-Mar-24) 2)CARE A2 (20-Jun-23)	1)CARE A2 (03-Aug-22)
5	Non-fund-based - ST-Bank Guarantee	ST	1.00	CARE A3	-	1)CARE A3+ (04-Jul-24)	1)CARE A3+ (06-Mar-24) 2)CARE A2 (20-Jun-23)	1)CARE A2 (03-Aug-22)
6	Non-fund-based - ST-Proposed non fund based limits	ST	-	-	-	-	1)Withdrawn (20-Jun-23)	1)CARE A2 (03-Aug-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Fund-based - ST-Forward Contract	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple
5	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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