

## Nippon Paper Mills Private Limited

June 25, 2025

Facilities	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
Long-term bank facilities	140.50	CARE B; Stable	Assigned
Short-term bank facilities	10.00	CARE A4	Assigned

Details of facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Nippon Paper Mills Private Limited (NPMPL; formerly Dwarkapati Smelters Private Limited) take into account the fragmented nature of industry leading to intense competition, susceptibility to volatility in raw material price fluctuation, nascent stage of operation and stretched liquidity position. The ratings also take note of the project implementation risk related to the capacity expansion of 200 MT per day for its duplex line and 5MW cogen power plant with total project cost of ₹125 crore.

The above constraints are offset by its experienced promoters, diversified product basket with flexibility to change product mix, and diversified customers base with presence in diverse end user industries.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in scale of operation above ₹100 crore with PBILDT margin above 10% on a sustained basis.
- Successful completion and ramp-up of the expansion unit with no major time or cost overrun.

#### Negative factors

- Any major time or cost overrun in the completion of the expansion unit.
- Deterioration in overall gearing ratio above 1.50x on a sustained basis.

### Analytical approach: Standalone

### Outlook: Stable

CARE Ratings believes that the entity shall sustain its moderate financial risk profile over the medium term.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Fragmented nature of industry leading to intense competition

The kraft paper industry is highly fragmented due to low entry barriers, leading to stiff competition among numerous organized and unorganized players. This intense competition results in significant pricing pressure and a challenging business environment. The paper industry is cyclical and depends on various factors, including general economic conditions, industry demand, and supply. The recent surge in new capacity additions has resulted in an oversupply situation, with supply growth outpacing demand growth.

##### Susceptibility to volatility in raw material price fluctuation

The company's kraft paper manufacturing business is heavily dependent on wastepaper as its primary raw material, which is sourced from domestic markets apart from power & fuel and chemicals. This reliance makes the business vulnerable to price fluctuations driven by supply and demand dynamics. These raw materials and finished goods are globally traded commodities with volatile prices.

##### Nascent stage of operation

The company began its operations in July 2024 and is currently in the early stages of development. The company has earned revenue of ₹78.90 crore in FY25 (Prov.) with PBILDT margin of 17.87%. With high capital cost, PAT margin stood at 0.84% in FY25 (Prov.). The company earned GCA of ₹8.90 crore vis-à-vis debt repayment obligation of ₹0.36 crore in FY25.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

### Project implementation risk

The company is planning to install another plant having a capacity of 200MT per day for its duplex line and a 5MW cogen power plant with a total project cost of ₹124.83 crore. The same shall be funded out of term loan of ₹64.50 crore and balance ₹60.33 crore shall be funded in the form of equity and unsecured loans.

The orders for machineries involved in setting up the plant have already been placed, and the plant is expected to be operational by August 2025. As on May 31, 2025, the company has already incurred around ₹65 crore. The same is funded by term loan of around ₹30 crore, and for the balance ₹35 crore, the same is funded by the promoters through ₹33 crore in equity infusion and ₹2 crore of unsecured loans.

### Key strengths

#### Experienced promoters

NPMPL is promoted by Sanjay Kumar Dalmia, Akash Agarwal, Vivek Kumar Banka, Sonal Choudhary and Neelu Banka. The overall operations of the company are managed by Vivek Kumar Banka, who has over two decades of experience in the paper industry, along with a team of experienced professionals.

#### Diversified product basket with flexibility to change product mix

NPMPL has diversified paper product portfolio with manufacturing facilities for Newsprint (NP), Printing and Writing Paper (PWP) and Kraft Paper (KP) catering to diverse end-user segments. The company is expanding its product base to include the manufacturing of paper bags. However, the company is focusing on the production of PWP and KP. NP market is not good and accordingly the company is not focusing on manufacturing the same. Additionally, NPMPL is establishing a duplex board plant, which is expected to be operational by August 2025, to produce primary packaging.

#### Diversified customers base with presence in diverse end user industries

Given NPMPL's diversified product basket, the company has diversified customer base from varied end-user industries. NP is used by print media for printing newspapers. PWP finds application in notebooks, textbooks, and copier paper (education sector). KP is used in packaging operations for packing, wrapping individual items, bundling and void fill.

Currently, the company has a customer base in West Bengal, Bihar, Odisha, and Jharkhand. With the commencement of duplex board production, the company will also begin exporting its products. Additionally, the company plans to start manufacturing paper bags, which will be sold both domestically and internationally. However, top 10 customers constitute around 70% of the total revenue. Going forward the customer base is going to diversify.

#### Liquidity: Stretched

The liquidity position of the company is stretched marked by some instances of overdrawal in its working capital limits, not exceeding 30 days. The company has a debt repayment obligation of ₹4.63 crore in FY26 against which the company is expected to generate sufficient cash accruals. The average working capital limit utilisation stood at 97% during the last 11 months period ended June 2025.

### 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

NPMPL, based in Kolkata, West Bengal, was incorporated on March 26, 2019. Dwarkapati Smelters Private Limited acquired all the assets of Kohinoor Paper and Newsprint Private Limited (KPNPL) for a consideration of ₹53.45 crore, without assuming any liabilities under the liquidation process. Consequently, the company took over total assets worth ₹201.53 crore. The scheme received approval from the NCLT on February 23, 2024 for merger of KPNPL with NPMPL. The company started its operations from July 2024.

The company spent a total of around ₹110 crore in acquisition and upgradation. The acquisition cost amounts to ₹53.45 crore, while the upgradation costs are ₹56.55 crore which was partially funded out of term loan of ₹42 crore and balance out of equity/unsecured loans from promoters.

The company is in the manufacturing of KP, PWP, NP, duplex with a production capacity of 140 metric tons per day. The company is setting up another plant of 200 metric tons per day.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	0.72	78.90
PBILDT	-0.09	14.10
PAT	0.02	0.66
Overall gearing (times)	0.52	NA
Interest coverage (times)	NM	2.77

A: Audited; UA: Unaudited; NM: Not Meaningful; NA: Not Available; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	29.00	CARE B; Stable
Fund-based - LT-Term Loan		-	-	December 2034	106.50	CARE B; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	5.00	CARE B; Stable
Non-fund-based - ST-Letter of credit		-	-	-	10.00	CARE A4

#### 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-Cash Credit	LT	29.00	CARE B; Stable				
2	Non-fund-based - ST-Letter of credit	ST	10.00	CARE A4				
3	Non-fund-based - LT-Bank Guarantee	LT	5.00	CARE B; Stable				
4	Fund-based - LT-Term Loan	LT	106.50	CARE B; Stable				

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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	Simple

**Annexure-5: Lender details**

To view the 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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