Ruchira Papers Limited

August 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	199.00 (Enhanced from 147.00)	CARE A; Stable	Upgraded from CARE A-; Stable
Long Term / Short Term Bank Facilities	5.75	CARE A; Stable / CARE A1	Upgraded from CARE A-; Stable / CARE A2+
Short Term Bank Facilities	7.00	CARE A1	Upgraded from CARE A2+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in ratings assigned to Ruchira Papers Limited (RPL) factors in heathy operational performance in FY25 (refers to period from April 01, 2024 to March 31, 2025) marked by stable scale of operations with improved profitability margins on the back of significant savings in fuel cost and lower raw material prices. Ratings upgrade also factors in steady operational cash flows generated over the years, leading to lower dependence on working capital borrowings resulting in comfortable overall gearing and debt coverage indicators, despite a sizeable capex undertaken by the company. Ratings continue to derive strength from experienced promoters and established market position through wide distribution network. However, ratings continue to remain constrained considering working capital intensive operations, margins susceptible to raw material price volatility and highly competitive and cyclical nature of paper industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained operating margins with growth in the total operating income above Rs.1000 crore.
- Ability to sustain steady cash flow from operations over the years thereby reducing the dependence on working capital funding.

Negative factors

- Deterioration in scale of operations with the PBILDT margin below 8% on a sustained basis.
- Any large debt-funded capex and increased reliance on working capital borrowings resulting in deterioration in overall gearing ratio to above 0.50x in the medium term

Analytical approach: Standalone approach

Outlook: Stable

The stable outlook reflects that RPL is likely to sustain its comfortable financial risk and liquidity profile amidst healthy cash flow generation from operations over the medium term.

Detailed description of key rating drivers:

Key strengths

Sustained scale of operations with improvement in profitability margins

The company's TOI has registered a compounded annual growth rate (CAGR) of ~9% over the last five fiscal years, culminating at ₹659.23 crore in FY25, nearly unchanged from ₹657.60 crore in FY24. This stability was largely driven by the strong performance of the kraft paper segment. While net sales realisation NSR normalised across writing & printing paper (WPP) manufacturers post-COVID-19, kraft paper reported an NSR increase from ₹28/kg in FY24 to ₹32/kg in FY25. Its share in total revenue also grew year-on-year, rising from 40% to 44%. Profitability improved significantly, with PBILDT margin rising by 382 bps to 16.26%, driven by reduction in raw material costs and substantial fuel savings. The raw material cost stood at ~53% of total sales in FY25

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

(PY: ~56%). The reduction in power and fuel cost stemmed from long-term coal linkages with Coal India, which replaced costly open market procurement—lowering coal prices from ~₹9,010/tonne in FY24 to ~₹7,651/tonne in FY25. Around 32,000 tonnes of coal were sourced through central and state government schemes at base rates, with state allocations exempt from premium charges. Benefits commenced in January 2024 and are expected to continue for 5–7 years. The profit after tax (PAT) margin also improved by 273 bps to 10.21% in FY25 (PY: 7.48%), on the back of higher PBILDT.

Comfortable financial risk profile

The company's capital structure continued to remain comfortable with an overall gearing ratio of 0.18x as on March 31, 2025 (PY: 0.11x) supported by steady cash flow generation over the years, leading to lower dependence on working capital funding. The debt coverage indicators continued to remain comfortable with total debt to gross cash accruals (GCA) of 1x as on March 31, 2025 (PY: 0.66x). Moreover, improved operational profitability led to strong interest coverage (PBILDT/Interest) of 26.12x as on March 31, 2025 (PY: 23.12x). The company is planning to incur capex of ₹173.08 crore in FY25 and FY26 for the purpose of capacity enhancement in WPP segment alongside the procurement of new machinery, to be imported from the US. The entire debt has already been tied up. The capital expenditure for enhancing capacity in the WPP line is slated for completion by September 2025, while the investment related to procuring machinery from the US is expected to conclude by March 2027. Despite the debt addition, the company's overall gearing ratio is expected to remain comfortable at 0.29x as on March 31, 2026.

Experienced promoters with company having established market presence

Established in 1980, RPL was founded by three seasoned industry veterans— Umesh Chander Garg (Managing Director), Jatinder Singh (Chairman), and Subhash Chander Garg (Co-Chairman). With over five decades of experience each, the trio continues to actively steer the company. Umesh Chander Garg (age 73) oversees production and maintenance, leveraging his practical expertise. Jatinder Singh (age 68 years), a B.Tech graduate from Punjab University, leads finance and administrative functions. Subhash Chander Garg (age 80 years), a law graduate with deep specialisation in taxation, handles taxation, marketing, and sales. Their long-standing leadership has been instrumental in RPL's sustained growth and operational resilience.

With over four decades of operational history, the company has built a solid reputation in the paper industry. It boasts a robust, nationwide marketing and distribution network that effectively supports sales of both kraft paper and WPP across India.

Key weaknesses

Working capital intensive nature of operations

In FY25, the company's operating cycle lengthened to 101 days (PY: 94 days), driven primarily by an increase in inventory holding, which rose to 64 days (PY: 59 days). This was necessitated by the seasonal availability of agri-residues such as bagasse, prompting the company to maintain adequate raw material inventory for uninterrupted production. Additionally, it ensures a sufficient stock of finished goods to meet immediate customer demand. The company extends a credit period of ~30 to 45 days to its clients, with the average receivable period standing at 43 days in FY25 (PY: 44 days). Meanwhile, the average creditor period remained low at 6 days in FY25 (PY: 9 days).

Highly competitive industry and margins susceptible to volatile raw material prices

The paper industry is highly fragmented in nature with stiff competition from a large number of organised as well as unorganised players. This limits the pricing power of the manufacturers and puts further pressure on profitability. Also, the industry is impacted by economic cycles. Other than wastepaper, RPL also uses agro-based raw material which is purchased from the domestic markets. With respect to the agro-based raw materials, there are limitations in their use due to seasonal availability leading to their high price volatility. Therefore, operating profitability of the company remains highly susceptible to raw material price volatility.

Cyclical nature of industry

The paper industry is highly competitive in nature with stiff competition from large number of organised and unorganised players and threat from imports. This limits the pricing power of the manufacturers in terms of flexibility to pass on the raw material price fluctuation to its customers. The demand for paper is directly correlated to the level of economic activity, as higher industrial output leads to increased demand for industrial paper for packaging; increased marketing spend benefits the newsprint and value-added segments; and greater education and office activities raises the demand for WPP.

Liquidity: Adequate

The liquidity position of the company is adequate as reflected by projected GCA to the tune of ~₹81.19 crore in FY25 against scheduled repayment of ₹2.25 crore. The average utilisation of working capital borrowings stood ~46% for the trailing 12 months ended May 2025. The company's current ratio stood strong at 2.43x (PY: 3.16x) as on March 31, 2025. The company is planning to incur capex in projected years which would be funded by a mix of debt and internal accruals in the ratio of 4:3. Moreover, the company reported healthy cash flow from operations of ₹101.94 crore in FY25 (PY: ₹41.24 crore) mainly considering increase in profitability.

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

RPL was incorporated as a public limited company in 1980 by Umesh Chander Garg, Jatinder Singh, and Subash Chander Garg. The company manufactures kraft paper and writing and printing paper with a total manufacturing capacity of 118,800 MTPA of kraft paper and 60,000 MTPA of writing and printing paper as on March 31, 2025, at its manufacturing plant in Kala Amb, Himachal Pradesh.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	657.60	659.23
PBILDT	81.78	107.17
PAT	49.19	67.33
Overall gearing (times)	0.11	0.18
Interest coverage (times)	23.12	26.02

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: RPL has been rated CRISIL B; Stable (Issuer Not Cooperating) vide Press release dated September 30, 2024 on account of unavailability of information.
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		-	-	March 2032	109.00	CARE A; Stable
Fund-based - LT-Working Capital Limits		-	-	-	90.00	CARE A; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	5.75	CARE A; Stable / CARE A1
Non-fund-based - ST-ILC/FLC		-	-	-	7.00	CARE A1

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-Working Capital Limits	LT	90.00	CARE A; Stable	-	1)CARE A-; Stable (01-Jul-24)	1)CARE A-; Positive (29-Jun-23)	1)CARE A-; Stable (23-Jun-22)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	5.75	CARE A; Stable / CARE A1	-	1)CARE A-; Stable / CARE A2+ (01-Jul-24)	1)CARE A-; Positive / CARE A2+ (29-Jun-23)	1)CARE A-; Stable / CARE A2+ (23-Jun-22)
3	Fund-based - LT-Term Loan	LT	109.00	CARE A; Stable	-	1)CARE A-; Stable (01-Jul-24)	1)CARE A-; Positive (29-Jun-23)	1)CARE A-; Stable (23-Jun-22)
4	Non-fund-based - ST-ILC/FLC	ST	7.00	CARE A1	-	1)CARE A2+ (01-Jul-24)	1)CARE A2+ (29-Jun-23)	1)CARE A2+ (23-Jun-22)
5	Fund-based - LT-Proposed fund based limits	LT	-	-	-	1)Withdrawn (01-Jul-24)	1)CARE A-; Positive (29-Jun-23)	-

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA

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-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Non-fund-based - ST-ILC/FLC	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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