

Kquantum Papers Limited

November 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE A; Stable and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A1 and Withdrawn
Fixed Deposit	33.22	CARE A; Stable	Reaffirmed and Placed on Notice of withdrawal for one year

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has reaffirmed and withdrawn the outstanding ratings of 'CARE A; Stable/CARE A1' [Single A; Outlook: Stable/ A One] assigned to bank facilities of Kquantum Papers Limited (KPL) with immediate effect. This action has been taken at the request of KPL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CareEdge Ratings.

CareEdge Ratings has reaffirmed and placed the outstanding rating assigned to fixed deposits of KPL on 'Notice of Withdrawal' with immediate effect. The aforesaid rating would continue to remain on 'Notice of Withdrawal' for one year, after which it would be withdrawn. This action has been taken at the request of KPL.

Ratings assigned to bank facilities and instrument of KPL continue to derive comfort from experienced management team and resourceful promoters, established supplier and distribution network, diversified product profile and proximity of manufacturing plant to raw material sources. Ratings continue to factor in stable operational and financial performance in FY25 (refers to April 01, 2024 to March 31, 2025) marked by healthy cash accruals during the year despite slight moderation in scale of operations due to reduction in net sales realisations (NSR) across the paper industry. Though the operating profit margins also declined, it continued to remain strong compared to peers owing to the company's continuous focus on process and cost optimisation measures post implementing backward integration project in March 2021. However, ratings continue to remain constrained due to intense competition in the writing and printing paper industry and profitability margins vulnerable to volatile raw material prices, and project implementation and stabilisation risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Improvement in scale of operations leading to profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of over 22% on a sustained basis.
- Significant reduction total debt (TD) to PBILDT to less than 1x, improvement in capital structure and healthy liquidity position.
- Successful implementation and stabilisation of the planned capacity enhancement project, without time and cost overruns.

Negative factors:

- Deterioration in operational performance, impacting debt coverage indicators such as interest coverage ratio falling below 8.5x and total debt to gross cash accruals (TD/GCA) increasing beyond 2.5x.
- Decline in scale of operations with moderation in PBILDT margin below 20%.

Analytical approach: Standalone approach

Outlook: Stable

CareEdge Ratings expects the company to have stable operational performance, and believes that KPL shall sustain its comfortable financial risk profile in the medium term.

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

Detailed description of key rating drivers:

Key strengths

Stable operational performance

The company reported ~9% y-o-y degrowth in total operating income which stood at ~₹1,107.04 crore in FY25 (FY refers to April 01 to March 31) (PY: ~₹1,211.30 crore). Operating margins contracted sharply by 706 bps to 21.91% in FY25 (PY: 28.97%), primarily due to the normalisation of NSR following an abnormal post-COVID surge. With NSR now stabilized, profitability has been adversely impacted. The profit after tax (PAT) margin also moderated by 477 bps and stood at 10.40% in FY25 (PY: 15.18%) due to a decline in PBILDT.

Q1FY26 (refers to April 01, 2025 to June 30, 2025): In Q1FY26, the total operating income of the company reported year-on-year decline of ~21% and stood at ~₹222.92 crore (Q1FY25: ~₹280.75 crore). As part of the company's strategic initiative to enhance capacity and operational efficiency, its primary machine, PM4—accounting for approximately 56% of the plant's total capacity—was shut down for a comprehensive rebuild over a 35-day period from May 26, 2025, to June 29, 2025. Consequently, production declined from 41,315 metric tonne in Q4FY25 to 32,545 metric tonne in Q1FY26, reflecting a reduction of 8,770 metric tonne or 21.2%. This disruption led to a contraction in PBILDT margin by ~3.5%, despite an improvement in NSR, which rose by ₹480 per metric tonne—from ₹65,255 per metric tonne in Q4FY25 to ₹65,704 per metric tonne in Q1FY26.

Comfortable financial risk profile

The capital structure remained comfortable with overall gearing of 0.79x as on March 31, 2025 (PY: 0.72x). The total debt comprises term loan of ₹504.95 crore, fixed deposit of ₹29.36 crore, loans and advances of ₹22.05 crore and working capital borrowings of ₹97.28 crore. There was an increase in term loan considering the ongoing capacity upgradation and rebuild capex where the production capacity is expected to increase from 450 metric tonne per day (TPD) to 675 TPD by March 2026.

The coverage indicators moderated due to decline in profitability. The interest coverage (PBILDT/interest) and TD/GCA stood at 6.17x and 3.56x, respectively (PY: 8.07x and 2.13x, respectively).

Long track record of operations with an experienced management team and resourceful promoter

KPL is engaged in manufacturing paper for over four decades, thereby establishing long-standing business relationships with customers and securing regular orders from them. Jagesh Kumar Khaitan, Chairman, has an overall experience of around five decades and has been associated with the company since its inception. The company's day-to-day affairs are managed by Pavan Khaitan, son of Jagesh Kumar Khaitan, who is assisted by a team of highly experienced professionals in their respective domains. Promoters have extended continuous financial support to fund business requirements. There is a track record of financial support by promoters in the form of unsecured loans.

Diversified product profile alongside established distribution network

KPL manufactures a wide range of writing and printing paper (WPP), including maplitho, cream wove, copier paper, and value-added specialty products such as azure laid papers, parchment paper, cartridge paper, ledger paper, stiffener paper, coloured paper, and base paper for specialty paper products, including paper cups, paper straws, and thermal rolls in the 42–200 grams per sq metre (GSM) range. Paper manufactured by the company is used in printing books, notebooks, calendars, diaries, newspaper supplements, pamphlets, and computer stationery. The company has recently introduced a new product, 'Kuantum Korra', which is specifically designed for the notebook segment. The diverse product mix supports KPL's revenue stream. KPL has a pan-India network of over 90 dealers across Delhi, Haryana, Uttar Pradesh, Madhya Pradesh, Punjab, West Bengal and Maharashtra, and exports paper to overseas markets. Over the years, KPL has established a strong customer base and receives repeat orders from most clients.

Location advantage leading to easy availability of raw material

KPL utilises agricultural residues such as wheat straw, kana grass and bagasse, while wood comprising wood chips, wood logs and bamboo are main raw materials. The plant is in the agriculture belt of Punjab, because of which, availability of such raw materials is in abundance. Since KPL has an established business relation with dealers engaged in selling wheat straw (longstanding of about four decades in the industry), it experiences no major issues in procurement. In the past, the company

also widened supply chain partners to ensure regular availability of raw materials, spares and other inputs for an uninterrupted production.

Key weaknesses

Project implementation and stabilisation risk

The company is undertaking an expansion project of ~₹735 crore, spread over FY24 – FY26 for upgrading existing plant and machinery and debottlenecking capacities. The company plans to enhance its existing capacity of paper machines from 450 metric tonne per day (TPD) to 675 TPD, agro-pulp capacity from 165 TPD to 198 TPD and wood pulp capacity from 200 TPD to 240 TPD. It also plans to upgrade its turbine from 38 megawatt (MW) to 41.5 MW, install new centrifugal compressors for power cost reduction, expand its product basket with 50 TPD specialty grade coated paper, and improve plantation infrastructure. The project is to be funded by term loan of ₹535 crore and balance from internal accruals. The entire term loan has been sanctioned by banks. As on March 31, 2025, ~45% of the project is completed and has been funded by ₹200.88 crore of debt and balance through internal accruals.

Highly competitive industry and margins susceptible to volatile raw material prices

The paper industry is highly fragmented with intense competition from organised and unorganised players. This limits pricing power of manufacturers and affects profitability. The industry is impacted by economic cycles. KPL primarily uses agro-based raw material, which is purchased from domestic markets. Seasonal availability of agro-based raw materials leads to high volatility in their prices. Therefore, the company's operating profitability remains highly susceptible to raw material price volatility. However, the company has insulated itself by undertaking backward integration and enhancing capacities of pulp, paper, and co-generation power plant and setting up a chemical recovery plant.

Liquidity: Adequate

The liquidity of the company is adequate with sufficient cushion in gross cash accruals (GCA), which is expected to remain in the range of ₹180-₹190 crore considering the current NSR trend, against which the scheduled repayment obligations for FY26 (FY refers to April 01 to March 31) are ₹122.94 crore. The company has displayed a trend of strong cash flow from operations, which, despite normalised NSR (compared to the aberration in FY22-FY23), stood at ~₹177 crore in FY25. The utilisation of the working capital limits stood at ~69% for the immediately preceding 12 months, where the company has sufficient drawing power compared to sanctioned limits. The unencumbered cash and bank balance stood at ₹2.30 crore as on June 30, 2025.

Environment, social, and governance (ESG) risks

Environment: KPL continues to prioritise sustainability by using agro-residues, such as wheat straw, sarkanda, and bagasse, reducing reliance on forest-based raw materials. Its Social Farm Forestry Program has expanded to 13,870 acres, targeting 50,700 acres by FY29 to ensure a sustainable wood supply and support local farmers. On the environmental front, the company has commissioned a surface water treatment plant to reduce groundwater usage and supplies treated water to nearby villages for irrigation. Energy efficiency has improved through the installation of Twin Roll Presses and AI-based process controls under Project Nirmaan.

Social: KPL actively engages in community development through CSR initiatives focused on education, healthcare, and rural upliftment, aligning efforts with local needs via regular interactions with panchayats. The company promotes inclusive growth by offering local employment and skill development, particularly in agro-based sourcing regions. It also emphasises employee health and safety through structured programmes and adherence to OHSAS standards.

Governance: KPL maintains a strong governance framework with a diverse and experienced Board, supported by regular oversight of ESG and CSR initiatives through its CSR Committee. The company ensures transparency through detailed BRSR disclosures and upholds ethical practices, stakeholder engagement, and regulatory compliance. It has also embraced digital transformation via SAP S/4 HANA and AI-led Project Nirmaan, enhancing operational control, cybersecurity, and process automation.

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](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

About the Credit Enhancement Provider

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Forest Materials	Paper, Forest & Jute Products	Paper & Paper Products

KPL was incorporated in 1997 as 'ABC Paper Limited'. Paper operations commenced in 1980 under another group company, 'Amrit Banaspati Co. Limited' and merged with ABC Paper Limited in 2007. The company's name was changed to KPL in 2012. The company is promoted by Jagesh Kumar Khaitan, Chairman, and Pavan Khaitan, Vice Chairman and Managing Director. The company is engaged in manufacturing WPP at its manufacturing facility in Hoshiarpur, Punjab, with an installed capacity of 148,500 metric tonne per annum (MTPA) as on March 31, 2025. KPL primarily uses agricultural residue-based raw materials including kana grass, wheat straw, and bagasse. The plant is in the agriculture belt of Punjab, which ensures abundant availability of such raw materials. The company has expanded its product portfolio and brands over time and sells its products under brands, including Kuantum Gold, Kappa Premium, Kopy+, Kosheen, Kresto, Kosmo Litho, and K-One.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	1211.30	1,107.04	222.92
PBILDT	351.00	246.83	40.40
PAT	183.83	115.18	16.24
Overall gearing (times)	0.72	0.54	0.91
Interest coverage (times)	8.07	6.14	3.89

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

Status of non-cooperation with previous CRA: NA

Any other information: NA

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
Fixed Deposit		-	-	October 09, 2026	33.22	CARE A; Stable
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	March-2027	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Credit Exposure Limit		-	-	-	0.00	Withdrawn

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	-	-	1)CARE A; Stable (04-Nov-25)	1)CARE A; Stable (24-Oct-24) 2)CARE A (RWD) (05-Jul-24)	1)CARE A (RWD) (13-Feb-24) 2)CARE A; Stable (05-Feb-24) 3)CARE A; Stable (07-Jun-23)	1)CARE A-; Stable (05-Dec-22) 2)CARE BBB+; Stable (01-Sep-22)
2	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A1 (04-Nov-25)	1)CARE A1 (24-Oct-24)	1)CARE A1 (RWD) (13-Feb-24)	1)CARE A2+ (05-Dec-22)

						2)CARE A1 (RWD) (05-Jul-24)	2)CARE A1 (05-Feb-24) 3)CARE A1 (07-Jun-23)	2)CARE A2 (01-Sep-22)
3	Fixed Deposit	LT	33.22	CARE A; Stable	1)CARE A; Stable (04-Nov-25)	1)CARE A; Stable (24-Oct-24) 2)CARE A (RWD) (05-Jul-24)	1)CARE A (RWD) (13-Feb-24) 2)CARE A; Stable (05-Feb-24) 3)CARE A; Stable (07-Jun-23)	1)CARE A-; Stable (05-Dec-22) 2)CARE BBB+; Stable (01-Sep-22) 3)CARE BBB; Stable (22-Jun-22)
4	Fund-based - LT-Term Loan	LT	-	-	1)CARE A; Stable (04-Nov-25)	1)CARE A; Stable (24-Oct-24) 2)CARE A (RWD) (05-Jul-24)	1)CARE A (RWD) (13-Feb-24) 2)CARE A; Stable (05-Feb-24) 3)CARE A; Stable (07-Jun-23)	1)CARE A-; Stable (05-Dec-22) 2)CARE BBB+; Stable (01-Sep-22)
5	Non-fund-based - ST-Credit Exposure Limit	ST	-	-	2)CARE A1 (04-Nov-25)	1)CARE A1 (24-Oct-24) 2)CARE A1 (RWD) (05-Jul-24)	1)CARE A1 (RWD) (13-Feb-24) 2)CARE A1 (05-Feb-24) 3)CARE A1 (07-Jun-23)	1)CARE A2+ (05-Dec-22) 2)CARE A2 (01-Sep-22)
6	Fund-based - LT-Cash Credit	LT	-	-	1)CARE A; Stable	1)CARE A; Stable	1)CARE A (RWD)	1)CARE A-; Stable

					(04-Nov-25)	(24-Oct-24)	(13-Feb-24)	(05-Dec-22)
						2)CARE A (RWD) (05-Jul-24)	2)CARE A; Stable (05-Feb-24) 3)CARE A; Stable (07-Jun-23)	2)CARE BBB+; Stable (01-Sep-22)

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	Fixed Deposit	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-BG/LC	Simple
5	Non-fund-based - ST-Credit Exposure Limit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge 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.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saikat.roy@careedge.in	Analytical Contacts Puneet Kansal Director CARE Ratings Limited Phone: 120-4452018 E-mail: puneet.kansal@careedge.in Sachin Mathur Associate Director CARE Ratings Limited Phone: 91-120-4452054 E-mail: sachin.mathur@careedge.in Akanksha Dutta Lead Analyst CARE Ratings Limited E-mail: Akanksha.dutta@careedge.in
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