

Lemit Papers LLP

November 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	222.09 (Enhanced from 177.60)	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	4.25	CARE BB+; Stable / CARE A4+	Reaffirmed
Short Term Bank Facilities	10.00	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Lemit Papers LLP (LPL) continues to remain constrained due to the entity's modest operating performance during FY25 (period refers to from April 01 to March 31), marked by operating and net losses incurred owing to subdued sales realizations. The ratings also take into account the susceptibility of profitability to volatile raw material prices and foreign exchange (forex) fluctuations, environmental risks associated with paper mills, LPL's presence in a highly competitive and fragmented paper packaging industry, and its constitution as a limited liability partnership (LLP). The ratings further factor in the pending finalisation of the insurance claim related to the fire incident during FY26.

However, the ratings continue to derive comfort from the strong and resourceful promoter profile with their longstanding experience across varied industries along with onboarding new client. The ratings, further derive comfort from improvement in the entity's capital structure and liquidity profile following sizeable fund infusion by the new partners in FY25 and 7MFY26.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in the scale of operations with sustained turn around in profitability, backed by onboarding of a reputed customer.
- Improvement in debt coverage indicators on sustained basis.

Negative factors

- Decline in Total Operating Income (TOI) or any further increase in net losses on a sustained basis.
- Any withdrawal of funding support by the promoters resulting in deterioration in overall gearing above 2.0x.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CareEdge Ratings) expectation of the entity's ability to sustain the growth in its scale of operations in the medium term supported by the longstanding business experience of its new partners along with its association with a reputed client, and improvement in its financial risk profile with continued infusion of need-based funds from the new partners.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operations and weak debt coverage indicators along with continued operating losses

During FY25, the entity registered TOI of Rs.202.11 crore, as against Rs.271.54 crore in FY24 and a projected TOI of ~Rs.260 crore for FY25. The lower-than-expected sales were primarily due to reduced sales volume and lower net sales realizations (NSR), driven by subdued demand in export markets and a highly competitive industry landscape that created an oversupply situation in domestic market. The entity reported revenue of Rs.271.03 crore till October 31, 2025, and is expected to achieve a turnover of ~Rs.400 crore in FY26, largely on account of increased capacity utilization with onboarding of ITC limited (ITC) for sale of its products.

LPL incurred operating-level losses in FY25 due to higher input prices resulting from the use of better-quality raw materials required to meet ITC specifications, coupled with a decline in NSR. Consequently, debt coverage indicator also stood weak and

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

remained negative. Though operating losses are expected to narrow in FY26, with breakeven anticipated in H2FY26, supported by better realizations and operational synergies.

Loss by fire incidence

On May 4, 2025, a fire broke out in LPL's raw material storage area. However, since the raw materials were stored in a godown located at a considerable distance from the manufacturing plant, LPL's operations were not impacted and even no casualties were reported. The company has submitted a total insurance claim of ~Rs.21 crore in relation to the incident. The necessary survey has been completed, and approvals are currently in process. The claim is pending for approval with the authority. The quantum and receipt of insurance settlement, as envisaged, will remain a key rating monitorable.

Susceptibility of profitability to volatile raw material prices and forex rates

The key raw material used in the manufacturing of duplex paper boards is wastepaper, which constitutes the major portion of raw material consumption in the paper packaging industry. Margins in the packaging industry are highly susceptible to changes in raw material prices, and volatility in wastepaper prices therefore poses a significant risk to the entity's operating margins. The raw material cost constituted ~91% of the total cost of sales during FY25, increasing from ~73% in FY24 with change in raw material to manufacture the product as per ITC specification, thereby exposing LPL to raw material price volatility, which directly affects its profitability.

Furthermore, LPL sources its raw materials from both domestic and foreign suppliers (with wastepaper in India largely being imported), exposing the entity to foreign exchange risk. Although the entity reported gains from foreign currency fluctuations during FY23–FY25 (October 1, 2022, to March 31, 2025), it does not have an active foreign currency hedging strategy in place, which may adversely impact profitability in the event of unfavourable forex movements.

Highly competitive & fragmented industry

The Indian paper and paper products industry is highly fragmented with stiff competition from few organised players having presence in multiple segments of the industry, and large number of medium-to-small sized players. This limits pricing power to a certain extent.

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.

However, demand for packaging paper is expected to grow steadily in the medium term considering growing demand for better quality packaging for fast-moving consumer goods (FMCG) products marketed through organised retail, growing e-commerce, rising healthcare spending and changing lifestyle and food preferences with increasing adoption of ready-to-eat food.

Environmental risk associated with paper mills

Water is a key element in the production of paper as it is consumed in major processes like raw material cleaning and pulp mill. Paper manufacturing process leads to generation of high volume of effluents as major proportion of water intake is discharged as effluent. LPL's manufacturing facility consumes wastepaper as a key raw material and in order to ensure required treatment of wastewater released from the plant, LPL's facility includes an effluent treatment plant (ETP) with a zero-discharge facility which lowers the risk associated with environment.

Constitution as a LLP

Being a LLP, LPL is exposed to the inherent risk of the partners' capital being withdrawn at time of personal contingency, and the entity being dissolved upon the death/retirement/insolvency of the partners. However, with a strong profile of the new promoter group, this risk is mitigated to a large extent.

Key strengths

Experienced and resourceful promoter group

In August 2024, LPL's partnership structure changed with the onboarding of a new promoter group. The entity is now managed by Mr. Darshan Patel, Mr. Dipam Patel, and Mr. Dignesh Patel. These promoters have an established presence in the cosmetics industry through Vini Cosmetics Private Limited (VCPL), which offers personal care and over-the-counter products. VCPL owns several reputed brands such as Fogg and White Tone (talcum powder) and has a strong operational and financial profile.

The promoters also have a longstanding presence in the paper packaging industry, and they recently entered the manufacturing of packaging products through Paras Webcoat Private Limited (PWPL). PWPL has been associated with ITC Limited (ITC) since 2006 for PE lamination of ITC's paper products.

The promoters have infused ~Rs.221 crore into LPL during FY25 against sale consideration to former partners while the remaining amount was utilized to support the entity's operations and fund its capex. Additionally, the promoters infused Rs.67.5 crore in the form of unsecured loans (USL) till October 31, 2025 which are utilized to repay USL of the former partners, working capital requirement and fund the strategic acquisition of Camerich Papers Private Limited (CPPL).

Onboarding of a reputed Client

LPL entered into a commercial agreement with ITC Limited (ITC) in August 2024 on a Principal-to-Principal (buyer-seller) basis for the sale of its products to ITC. Under the arrangement, products are to be manufactured in accordance with ITC's specifications, with ITC-specified branding and inspections conducted prior to dispatch. To support the transition toward ITC-led sales, the entity is undertaking a capex of Rs.25 crore to enhance product quality. ITC retains ownership of all trademarks and know-how. Post execution of agreement with ITC, the entity has booked majority of its revenue from sales to ITC.

Improvement in financial risk profile with sizeable fund infusion though planned debt funded capex

The capital structure of the entity improved and remained comfortable marked by overall gearing of 0.89x as at FY25 end, which had improved significantly from 3.05x as on March 31, 2024, following the infusion of capital by the promoters. The total outside liabilities to tangible networth ratio remained comfortable at 1.22x as at FY25 end against 3.91x as at FY24 end. The networth of the entity stood at Rs.154.47 crore as at FY25 end (Rs.37.41 crore at FY24 end). LPL is planning to acquire CPPL with total acquisition cost of Rs.78 crore expected to be funded through Rs.58.5-crore term loan and the balance through promoters' funds already infused.

Given the planned debt-funded capex for product quality improvement, the acquisition of CPPL, and higher utilization of working capital facilities to support the expanding scale of operations, some moderation in LPL's capital structure is expected. However, with the sizeable fund infusion by the promoters, the capital structure is expected to remain moderate.

Liquidity: Adequate

The liquidity position of the entity has improved and remains adequate, supported by significant fund infusion by the promoters and moderate utilization of working capital limits. The average utilization of bank working capital facilities remained moderate at ~80% over the 12 months ended October 2025. The entity had sanctioned working capital limits of Rs.40 crore as on March 31, 2025, and received sanction for an additional Rs.40 crore enhancement, which is expected to further strengthen its liquidity position. The entity's unencumbered cash and bank balance stood at ~Rs.1.27 crore as on March 31, 2025, increasing to ~Rs.3.33 crore as at October 31, 2025.

However, during FY25, LPL reported a negative cash flow from operations of Rs.60.64 crore, compared with a positive cash flow of Rs.10.26 crore in FY24, primarily due to operating losses and an increase in year-end inventory. The operating cycle of the entity stood moderate at 37 days in FY25, slightly higher than 33 days in FY24, supported by a credit period of approximately 58 days received from suppliers. The current ratio was 0.85x and the quick ratio was 0.23x as at FY25 end (compared with 0.77x and 0.28x, respectively, as at FY24 end).

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

LPL is a LLP, established in Morbi, Gujarat, for manufacturing duplex paper board (white and grey backed), which finds application across various industries for its packaging requirement. The plant is located at Khakrechi, near Morbi, with an installed capacity of 150,000 Metric Tonnes Per annum (MTPA) and got operationalized in October 2022.

As of August 2024, LPL's partnership structure changed, with onboarding of new partners. The entity is now managed by Mr. Darshan Patel, Mr. Dipam Patel, and Mr. Dignesh Patel.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	7MFY26(UA)
Total operating income	271.54	202.11	271.03
PBILDT	-0.06	-49.31	NA
PAT	-15.52	-45.63	NA
Overall gearing (times)	3.05	0.89	NA
Interest coverage (times)	-0.01	-4.80	NA

A: Audited UA: Unaudited; 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		-	-	-	70.00	CARE BB+; Stable
Fund-based - ST-EPC/PSC		-	-	-	10.00	CARE A4+
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	4.25	CARE BB+; Stable / CARE A4+
Term Loan-Long Term		-	-	March 2030	152.09	CARE BB+; Stable

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	Term Loan-Long Term	LT	152.09	CARE BB+; Stable	-	1)CARE BB+; Stable (03-Dec-24)	1)CARE BB-; Stable (07-Nov-23)	1)CARE BB-; Stable (17-Jan-23) 2)CARE BB-; Stable (25-Jul-22)

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
2	Fund-based - LT-Cash Credit	LT	70.00	CARE BB+; Stable	-	1)CARE BB+; Stable (03-Dec-24)	1)CARE BB-; Stable (07-Nov-23)	1)CARE BB-; Stable (17-Jan-23) 2)CARE BB-; Stable (25-Jul-22)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	4.25	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (03-Dec-24)	1)CARE BB-; Stable / CARE A4 (07-Nov-23)	1)CARE BB-; Stable / CARE A4 (17-Jan-23) 2)CARE BB-; Stable / CARE A4 (25-Jul-22)
4	Fund-based - ST-EPC/PSC	ST	10.00	CARE A4+	-	1)CARE A4+ (03-Dec-24)	1)CARE A4 (07-Nov-23)	-

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 - ST-EPC/PSC	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Term Loan-Long Term	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

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