

Tulsi Paper Mills Private Limited

December 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	0.36	CARE BBB; Stable	Reaffirmed; Outlook revised from Negative
Long-term / Short-term bank facilities	27.00	CARE BBB; Stable / CARE A3	Reaffirmed; Outlook revised from Negative
Short-term bank facilities	51.75	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Tulsi Paper Mills Private Limited (TPMPL) have been reaffirmed, while revising the outlook from Negative to Stable, on the expectation of improvement in profitability in FY26 and receipt of a long-pending fire insurance claim in H1FY26 (refers to April 01 to September 30). Reaffirmation of ratings factors in its comfortable capital structure supported by a healthy net worth base, improved though moderate debt coverage indicators, and adequate liquidity. Ratings also continue to draw strength from the promoters' extensive experience in the paper industry, marketing support from the group, and an established yet concentrated customer base.

These strengths are partially offset by TPMPL's moderate and range-bound scale of operations with thin profitability. Ratings further continue to remain constrained due to exposure to a highly fragmented and cyclical paper industry. Profit margins remain susceptible to volatility in wastepaper prices and foreign exchange rates, and compliance challenges posed by stringent pollution control norms. Ratings also factor in the implementation and stabilisation risk with ongoing capacity expansion project.

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: Stable

CARE Ratings Limited (CareEdge Ratings) has revised the outlook to 'Stable' from 'Negative' on expectation of maintaining its scale of operations along with improving profitability, based on the performance in H1FY26 while sustaining current capital structure and maintaining adequate liquidity aided by successful receipt of pending insurance claim.

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

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 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 and improvement in debt coverage indicators

TPMPL's capital structure remained comfortable over years with below unity overall gearing ratio. Overall gearing remained at 0.16x as on September 30, 2025 and 0.18x as on March 31, 2025, against 0.07x as on March 31, 2024, on back of strong tangible net worth. However, capital structure is expected to deteriorate marginally with on-going debt funded capacity expansion project but will continue to remain comfortable. Further, with improvement in profitability, debt coverage indicators also improved marked by an interest coverage at 14.5x in H1FY26 compared to operating losses reported in FY25.

Key weaknesses

Moderate scale of operations with gradual profitability improvement

The scale of operations, as marked by TOI, remained moderate at ₹265.03 crore in FY25, compared to ₹285.34 crore in FY24. In H1FY26, TOI stood at ₹143.84 crore, and management expects full-year performance to be broadly in line with FY25.

Profitability showed improvement in H1FY26, with operating profit of ₹4.66 crore against operational losses of ₹6.26 crore in FY25, supported by better realisations and favourable market conditions for duplex paper board. However, sustainability of this improvement and ability to maintain reported profitability throughout the year is yet to be seen, given industry cyclicality and raw material cost trend. TPMPL reported net loss of ₹0.21 crore in H1FY26, primarily due to an exceptional fire-related loss of ₹2.82 crore, though gross cash accruals (GCA) turned positive at ₹1.59 crore against reported cash losses earlier.

On-going capacity expansion project

Operating at full capacity, TPMPL initiated a ₹54.43 crore expansion project to increase production from 82,500 metric ton per annum (MTPA) to 105,000 MTPA and enhance product quality. Total project cost is expected to be funded through term loan of ₹45.50 crore and balance ₹8.93 crore from insurance claim amount. Project is expected to be completed by December 2026 and commercial operations scheduled to commence from January 2027. Till November 25, 2025, TPMPL incurred ₹10.20 crore funded. With pending costs yet to be incurred, there exists project completion and stabilisation risk.

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 of TPMPL remained adequate following receipt of an insurance claim of ₹30.59 crore in June 2025. TPMPL incurred loss due to fire of ₹4.34 crore for stock and building. The claim amount was utilised for working capital and capacity expansion project. Average utilisation of working capital limits (fund-based and non-fund-based) remained moderate at ~60% in the last 12 months ended October 2025. Repayment of term debt obligations remained minimal at ₹0.36 crore in FY26. Operating cycle remained in similar line with previous year at 106 days in FY25 (FY24: 105 days). Current ratio remained comfortable at 3.44x as on March 31, 2025, against 6.03x as on March 31, 2024.

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 and jute products	Paper and 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 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 and 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 (A)	H1FY26 (Prov.)
Total operating income	285.34	265.03	143.84
PBILDT	11.07	-6.25	4.66
PAT	5.87	-7.79	-0.21
Overall gearing (times)	0.07	0.18	0.16
Interest coverage (times)	10.61	-5.48	14.50

A: Audited, Prov.: Provisional; 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		-	-	June 2025	0.36	CARE BBB; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	27.00	CARE BBB; Stable / 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; Stable / CARE A3	1)CARE BBB; Negative / CARE A3 (14-May-25)	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; Stable	1)CARE BBB; Negative (14-May-25)	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 (14-May-25)	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 (14-May-25)	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 (14-May-25)	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: 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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