

Pakka Limited

March 06, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	618.42 (Reduced from 622.43)	CARE BBB-; Negative	Downgraded from CARE BBB; Stable Negative outlook assigned
Short-term bank facilities	12.52 (Enhanced from 8.51)	CARE A3	Downgraded from CARE A3+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Downgrade in ratings assigned to bank facilities of Pakka Limited factors time and cost overruns and pending approvals for commercial operation date (COD) extension and additional term loans related to ongoing large capex under Project Jagriti. The downgrade also factors moderation in operational and financial performance of the company in 9MFY26 largely due to a planned shutdown and risks related to non-exercising of warrants, posing pressure on the funding tie up of the project. Stabilisation of the existing paper machinery 3 (PM3) and new paper machinery 4 (PM4) post COD, remain critical for supporting the company's future growth trajectory and generation of adequate gross cash accruals (GCA). Ratings continue to remain constrained by highly competitive nature of paper industry with fluctuation in raw material prices and strict pollution control norms. However, ratings continue to derive strength from its promoters' extensive experience and long operational track record with advantages in raw material procurement. Ratings also continue to derive comfort from comfortable capital structure and moderate debt coverage indicators.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations to ~₹600.00 crore and maintenance of profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 20% on a sustained basis.
- Sustained improvement in operational cash flows to maintain healthy liquidity and improvement in debt coverage indicators.
- Total debt/PBILDT of less than 4.0x on a sustained basis.

Negative factors

- Significant decline in scale of operations with the PBILDT margin below 20% in future years (excluding FY26).
- Any higher-than-envisaged debt-funded capex/advances to group entities adversely affecting capital structure, leading to overall gearing above 1.50x.
- Any further delay in COD of project Jagriti or lower-than-envisaged cash flow from operations adversely affecting liquidity position.

Analytical approach: Standalone

Outlook: Negative

The outlook has been revised to 'Negative' from 'Stable' due to uncertainty around the timely commissioning of project Jagriti, arising from the cost and time overruns, and pending tie-up of means of finance for the escalated project cost and extension of COD from lenders. The outlook may be revised to stable once the company obtains required approvals for the means of finance and achieves stabilisation of operations of PM3 and PM4.

Detailed description of key rating drivers:

Key strengths

Experienced and professional management team with long track record of operations

Pakka Limited, formerly known as Yash Pakka Limited until July 06, 2023, was founded in 1981 by late KK Jhunjhunwala. The company is currently managed by Ved Krishna, Managing Director, with over 25 years of industry experience and overseeing the company's overall operations and the help of professionals. The company has a long-standing presence in the paper packaging industry, spanning over four decades, which has helped in establishing long-standing business relationships with customers.

Locational advantages in form of easy raw material availability

The primary raw material, bagasse, used by the company in its manufacturing process is agro based. The plant is in Uttar Pradesh, which is the sugarcane hub of India, ensuring ample bagasse availability. Pakka Limited procures its bagasse fibre requirement

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

from a 100-km radius, ensuring reliable and consistent supply. The company also benefits from long-term contracts with these suppliers, which enhances its supply chain efficiency.

Cost-effective production set-up with integrated operations

The paper packaging industry is capital and energy intensive. The company has set up a cost-effective production mechanism that comprises a captive power plant using rice husk with a capacity of 8.8 MW that addresses its major power requirement and reduces power cost, and an integrated soda recovery plant with a capacity of 145 metric tonne per day (MTPD) that recovers caustic soda and reduces chemical cost. Pakka Limited is increasing the capacity of its captive power plant to 15 MW to cater to the steam and power requirement of the new and modified plant.

Comfortable capital structure and moderate debt coverage indicators

The company's capital structure remains comfortable, supported by its comfortable adjusted net worth base (adjusted for group company investments) of ₹425.47 crore as on March 31, 2025, with overall gearing of 0.42x as on March 31, 2025 (PY: 0.69x). The improvement is primarily driven by increase in share capital of the company and issue of share warrants at premium as part of promoter contribution in project Jagriti. However, total debt to GCA (TD/GCA) moderated to 2.95x in FY25 (PY: 2.86x) because of sizable term debt availed for partly funding capex in Ayodhya, Uttar Pradesh.

Key weaknesses

Cost and time overrun with extension sought in date of commencement of commercial operations (DCCO) in project Jagriti

Pakka Limited is undertaking a large capex of ₹676.26 crore equivalent to 1.38x of its tangible net worth (TNW) as on March 31, 2025, which is spread over FY24-FY26 (refers to April 01, 2023, to March 31, 2026). The capex aims to expand the company's production capacity from 130 MTPD to 246 MTPD through installation of a new PM4 of 100 MTPD capacity, 10 MTPD increase in the existing paper mill, and an upgrade of the pulp mill to increase bleached capacity to 180 MTPD from 130 MTPD. The project cost of ₹676.26 crore was to be funded through a debt-equity mix of ₹441.45 crore (~65%), and ₹235.01 crore (~35%) respectively. However, delays in financial closure, firming up PM4-related redesigning aspects, which will provide an additional 15 MTPD capacity and adverse forex movements have led to a cost escalation of ₹67.74 crore. Consequently, the COD has been extended by four months to August 01, 2026, from previously scheduled COD of April 01, 2026, and means of finance is expected to remain unchanged with debt-equity ratio of 1.87:1, subject to sanction of additional term loans. While the company is targeting to commence operations from August 2026, it has approached consortium lenders to extend COD by nine months (January 01, 2027) to maintain a prudent buffer. It also proposed enhancement in term loans to maintain existing debt equity mix. Timely approval of the enhanced term loans and the DCCO extension will remain key monitorable for project execution and liquidity management. CareEdge Ratings notes that the cost overrun does not require immediate cash outflow and is not critical to achieving COD. The company plans to meet the incremental project cost through internal accruals and realign supplier payments (related to capex) for funding of project cost.

Project implementation and stabilisation risk

The company has incurred ₹465.41 crore of project cost (~62.56% of the total capex of ₹744.00 crore) as on December 31, 2025, funded through a mix of debt of ₹218.28 crore and balance from equity and internal accruals. Further, as per latest Lender's Independent Engineer Report (LIE) report dated December 2025, the company has achieved physical progress of 57.61%, financial progress of 69.36% and has obtained all the "pre-establishment" approvals required for the project. CareEdge Ratings notes a significant fall in the company's share price, below the warrants exercise price. As of Q3FY26, only 25% of the warrant exercise amount has been received. This may result in subscribers allowing the warrants to lapse, which may reduce the equity contribution to the project by ₹73.44 crore. However, management has indicated that it plans to bridge this potential shortfall through internal accruals. Timely completion of the capex, and stabilisation of operations post commissioning will remain key monitorable. These factors will be key for the company to generate sufficient GCA to meet its debt-servicing obligations in a timely manner.

Moderate scale of operations with operational disruptions impacted 9MFY26 performance

In FY25, total operating income (TOI) remained largely stagnant at ₹411.20 crore, compared to ₹408.24 crore in FY24, primarily due to reduction in net sales realisations (NSR) across the industry. As part of the phased rollout under Project Jagriti, which includes the expansion of PM3 and the pulp machine, the company undertook a planned shutdown of its manufacturing unit from June 16, 2025, to July 24, 2025. This shutdown led to nil pulp sales during the period, adversely affecting both revenue and profit margins in Q1FY26 and Q2FY26. Operations normalised in Q3FY26, though revenue and profit margins declined in 9MFY26 to ₹254.25 crore and ₹14.30 crore, respectively, from ₹313.88 crore and ₹44.13 crore, respectively, in 9MFY25. However, in terms of production cost efficiency, against the peers and the industry trend, Pakka's cost of procurement is competitive. The additional

capacity of 10 tonnes per day from PM3 and 70 MT of additional pulp is expected to support higher revenue and profitability from Q4FY26 onwards. Going forward, optimal utilisation of PM3 and the timely implementation and stabilisation of PM4 will remain critical for generating adequate operational cash flows and supporting the company's financial profile.

Highly fragmented and competitive industry with raw material price volatility

The paper packaging industry is highly competitive with intense competition from organised and unorganised players. This limits pricing power of the manufacturers and puts pressure on profitability. Pakka Limited uses agro-based raw material, procured primarily from the domestic markets and subject to seasonal availability that leads to high price volatility. The operating profitability of the company remains highly susceptible to raw material price volatility. Also, the paper packaging industry is recognised as one of the most environmentally impactful sectors, classified by the Central Pollution Control Board (CPCB) due to its extensive use of freshwater resources. Given that water is integral to every stage of the manufacturing process, the industry generates significant volume of wastewater and residual sludge waste, posing challenges in wastewater treatment, discharge, and sludge disposal. However, Pakka Limited has implemented an effluent treatment plant (ETP) to treat wastewater generated by the company. The company also complies with CPCB regulations and norms governing environmental standards.

Liquidity: Adequate

The liquidity position of the company remains adequate as reflected by projected GCA of ~₹42.78 crore in FY26 against scheduled repayment of ₹13.02 crore. The company has free cash and bank balance of ₹15.00 crore as on December 31, 2025, and average utilisation of fund-based working capital limits (based on maximum level) remained at ~84% in the past 12 month's period ending December 2025. Tie-up of cost overrun of ₹67.74 crore in project and extension of COD remains key monitorable for liquidity position of the company. Additionally, optimal utilisation of PM3 and the timely implementation and stabilisation of PM4 will remain critical for generating adequate operational cash flows and supporting the company's liquidity position.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Paper & Paper Products](#)

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About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Forest materials	Paper, forest & jute products	Paper & paper products

Pakka Limited (formerly known as Yash Pakka Limited) was incorporated in 1981 and is engaged in manufacturing machine-glazed agro based 30 ~ 100 GSM paper of unbleached kraft, bleached kraft, and coloured kraft varieties. The company has also entered manufacturing tableware products since 2018. The company has manufacturing capacity of 136 MTPD at its plant in Ayodhya, Uttar Pradesh, and is undergoing expansion in production capacity under project Jagriti through installing PM4 with a capacity of 100 MTPD, increasing existing paper mill capacity by additional 10 MTPD and also upgrading the existing pulp mill to increase bleached capacity from 130 MTPD to 180 MTPD. This will boost the mill's total production capacity from current 136 MTPD to 246 MTPD.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total operating income	408.24	411.20	254.25
PBILDT*	93.17	82.45	40.02
Profit after tax (PAT)	48.67	56.70	14.30
Overall gearing (x)	0.69	0.42	NA
Interest coverage (x)	10.39	8.00	5.06

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

*PBILDT: Profit before interest, lease rentals, depreciation and tax

Status of non-cooperation with previous CRA:

Brickwork has continued to place ratings assigned to bank facilities of Pakka Limited in the 'issuer not -cooperating' category vide press release dated June 09, 2025, considering its inability to carry out review in the absence of requisite information from the company.

India Ratings has continued to place ratings assigned to bank facilities of Pakka Limited in the 'issuer not -cooperating' category vide press release dated July 18, 2025, considering its inability to carry out review in the absence of requisite information from the company.

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, 2029	483.57	CARE BBB-; Negative
Fund-based - LT-Working Capital Limits	-	-	-	-	134.85	CARE BBB-; Negative
Non-fund-based - ST-BG/LC	-	-	-	-	12.52	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-Term Loan	LT	483.57	CARE BBB-; Negative	1)CARE BBB; Stable (29-Apr-25)	1)CARE BBB; Stable (06-Jan-25)	1)CARE BBB (RWD) (07-Mar-24) 2)CARE BBB; Stable (06-Apr-23)	1)CARE BBB; Stable (16-Feb-23)
2	Fund-based - LT-Working Capital Limits	LT	134.85	CARE BBB-; Negative	1)CARE BBB; Stable (29-Apr-25)	1)CARE BBB; Stable (06-Jan-25)	1)CARE BBB (RWD) (07-Mar-24) 2)CARE BBB; Stable (06-Apr-23)	1)CARE BBB; Stable (16-Feb-23)
3	Non-fund-based - ST-BG/LC	ST	12.52	CARE A3	1)CARE A3+ (29-Apr-25)	1)CARE A3+ (06-Jan-25)	1)CARE A3+ (RWD) (07-Mar-24) 2)CARE A3+ (06-Apr-23)	1)CARE A3+ (16-Feb-23)

LT: Long term; ST: 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-Working Capital Limits	Simple
3	Non-fund-based - ST-BG/LC	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

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in</p>	<p>Analytical Contacts</p> <p>Puneet Kansal Director CARE Ratings Limited Phone: 120-4452018 E-mail: puneet.kansal@careedge.in</p> <p>Sandeep Aggarwal Associate Director CARE Ratings Limited Phone: 120-445-2062 E-mail: Sandeep.aggarwal@careedge.in</p> <p>Tripti Garg Lead Analyst CARE Ratings Limited E-mail: Tripti.garg@careedge.in</p>
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