Kuantum Papers Limited

July 20, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Fixed deposit	MCA	33.22	CARE A-; Stable	Downgraded from CARE A; Stable and continues to be on notice of withdrawal for one year

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) downgraded the rating assigned to fixed deposits of Kuantum Papers Limited (KPL), and the instrument, which was placed on 'Notice of Withdrawal' for one year vide our Press Release dated November 04, 2025, continues. The downgrade reflects the anticipated pressure on the company's financial risk profile arising from a significant increase in input costs in the current fiscal year, which is expected to adversely impact operating margins, and high debt repayment obligations in FY27 (FY refers to April 01 to March 31). Geopolitical disruptions and the resultant uncertainties have marginally delayed the execution of the ongoing capital expenditure programme. Paper machine 3 (PM) is now expected to be rebuilt and upgraded by August 2026, compared to the earlier estimated completion by June 2026. As part of the project implementation, the company is scheduled to undertake a planned plant shutdown of ~45 days commencing June 29, 2026, which is likely to temporarily affect production volumes and earnings. Timely ramp-up of operations post commissioning of capex remains critical for supporting the company's future growth trajectory and generation of adequate gross cash accruals (GCA). The company also continues to maintain an adequate liquidity position, providing some cushion against near-term operational challenges.

The rating continues 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.

However, the rating continues to remain constrained by highly competitive nature of paper industry with fluctuation in raw material prices and strict pollution control norms.

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 in 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

- A further delay in the commissioning of the capex programme or ramp-up of additional capacity, leading to lower-than-expected operating margins with interest coverage (PBILDT/interest) ratio falling below 3.20x.
- Any weakening of the liquidity position of the company with lower than estimated GCA impacting the debt-servicing obligations for FY27.

Analytical approach: Standalone

Outlook: Stable

CareEdge Ratings expects the company to have stable operational performance, improvement in financial risk profile post commissioning of the capex in the near-to-medium term.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority
[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Detailed description of key rating drivers

Key strengths

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

KPL is engaged in manufacturing paper for over four decades, establishing long-standing business relationships with customers and securing regular orders from them. Jagesh Kumar Khaitan, Chairman, has an overall experience of over 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.

Stable operational performance

In FY26, total operating income (TOI) declined marginally to ₹1,093.16 crore from ₹1,107.04 crore in FY25, while the PBILDT margin fell to 14.89% from 22.30%. This decline was primarily driven by lower net sales realisations (NSR) across the industry and increased input cost due to floods in Punjab followed by geopolitical tensions in West Asia and disruption to global trade routes, affecting procurement and logistics costs in FY26. As part of the company's strategic initiative to enhance capacity and operational efficiencies, PM1, 2, and 4 was shut down in FY26 for 35 days. The shutdown affected both revenue and profit, however, production increased to 162,885 metric ton (MT) in FY26 from 160,861 MT in FY25 resulting from increased capacity post rebuilt and modernisation of capacity.

The company's operating income and profitability is expected to remain modest in FY27 due to increasing raw material costs post geo-political tensions, continued pressure of imports from China and ASEAN countries, the government-imposed duties, changes in the Goods & Services tax (GST) structure affecting certain paper grades, and planned shutdown of PM3 for 45 days commencing June 29, 2026.

Diversified product profile alongside established distribution network

KPL manufactures a diversified range of writing and printing paper (WPP) products, including maplitho, cream wove, copier paper, and value-added specialty grades, such as azure laid paper, parchment paper, cartridge paper, ledger paper, stiffener paper, coloured paper, and base paper used for specialty paper products such as paper cups, paper straws, and thermal rolls. These products are available across a GSM range of 42–200 GSM and cater to a wide range of end-use applications, including books, notebooks, calendars, diaries, newspaper supplements, pamphlets, and computer stationery. The company continues to expand its product offerings in line with market requirements and has recently introduced 'Kuantum Korra', a product specifically targeted at the notebook segment. The diversified product portfolio supports revenue stability by reducing dependence on single product category. KPL has established a widespread marketing and distribution network comprising over 90 dealers across India, with a presence in key markets, such as Delhi, Haryana, Uttar Pradesh, Madhya Pradesh, Punjab, West Bengal, and Maharashtra, and exports paper to international markets. Supported by its established brand portfolio, extensive distribution reach, and long-standing customer relationships, KPL benefits from a stable customer base, reflected in repeat business from a majority its customers.

Locational advantages in form of easy raw material availability

KPL derives significant locational advantages from its manufacturing facility's strategic location in the agricultural belt of Punjab, which facilitates ready access to key agro-residue-based raw materials such as wheat straw, kana grass, and bagasse, and wood-based inputs, including wood chips, wood logs, and bamboo. The proximity to raw material sources ensures adequate availability of inputs, reduces transportation costs, and supports operational efficiency. The company has established long-term relationships with its suppliers, aiding in the reliability and efficiency of its procurement process. Over the years, KPL has also diversified and strengthened its supplier base to mitigate sourcing risks and ensure uninterrupted availability of raw materials, spares, and other critical inputs required for smooth production operations.

Key weaknesses

Project implementation and stabilisation risk

KPL is undertaking capex of ₹735 crore for upgrading existing plant and machinery and de-bottlenecking operations. The capex aims to increase capacity of paper machines from 450 metric tonne per day (TPD) to 675 TPD, agro-pulp capacity from 165 TPD to 198 TPD, wood pulp capacity from 200 TPD to 240 TPD, turbine capacity from 38 megawatt (MW) to 41.5 MW and installation of new centrifugal compressors for power cost reduction, expansion of its product basket with 50 TPD specialty grade coated paper, and improved plantation infrastructure. The project is being implemented over FY24-FY26 and is being financed through a combination of debt and internal accruals in a ratio of 2.675:1.

However, delays in the receipt of critical machinery arising from geopolitical disruptions and supply chain constraints resulted in rebuilding of PM3 to August 2026 from previously scheduled commissioning in June 2026. As on May 31, 2026, ~91% of the project has been completed, with funding of ₹478.26 crore through debt and ₹188.13 crore 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.

Moderate financial risk profile
The capital structure remained comfortable with overall gearing of 0.80x as on March 31, 2026 (PY: 0.71x). Slight moderation in overall gearing resulted from high reliance on external borrowings owing to ongoing capacity upgradation and rebuild of production capacity to 675 TPD from 450 TPD. Elevated input cost due to reduction in NSR and increased input cost resulted in declining profitability, leading to a moderation in debt-coverage metrics reflected by interest coverage ratio and TD/GCA to 3.4x and 7.14x in FY26 from 6.14x and 3.56x in FY25, respectively. Further moderation in interest coverage ratio below 3.20x and sustained elevated levels of TD/GCA would be rating monitorable.

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. KPL uses agro-based raw material, procured primarily from the domestic markets and subject to seasonal availability leading to high price volatility. Operating profitability of the company remains highly susceptible to raw material price volatility. 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 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 company has demonstrated strong cash flow from operations (CFO) over the years despite economic downturns, where the same stood at ~₹220 crore in FY26 (PY: ~₹113 crore). The same is expected to remain comfortable in the projected years supported by healthy operating margins and moderate working capital cycle going forward.

However, lower-than-expected GCA has reduced KPL's liquidity cushion, given the large annual debt repayment obligations of ~₹186 crore in FY27. However, the comfort is derived from unencumbered cash and bank balance of ₹40.93 crore maintained by the company as on March 31, 2026. The average utilisation of the working capital limits also stood moderate at ~70% in the past 12 months ending June 2026 with sufficient cushion available in drawing power. The timely availability of proposed incremental working capital facilities of ~₹50 crore and the promoters support through infusion of unsecured loans will remain key monitorable. The timely ramp-up of operations following capacity expansion 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
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
Short Term Instruments
Withdrawal of Ratings

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. It is promoted by Jagesh Kumar Khaitan, Chairman, and Pavan Khaitan, Vice Chairman and Managing Director. KPL is engaged in manufacturing WPP at its manufacturing facility in Hoshiarpur, Punjab, with an installed capacity of 173,190 metric tonne per annum (MTPA) as on March 31, 2026. The company primarily uses agricultural residue-based raw materials, including kana grass, wheat straw, and bagasse. Its strategic location in Punjab's agriculture belt ensures abundant raw material availability. Over the years, KPL has diversified its product portfolio and established a strong market presence through a range of brands, including Kuantum Gold, Kappa Premium, Kopy+, Kosheen, Kresto, Kosmo Litho, and K-One.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)
Total operating income	1,107.04	1,093.16
PBILDT*	246.83	162.78
Profit after tax (PAT)	115.18	41.95
Overall gearing (times)	0.54	0.71
Interest coverage (times)	6.14	3.46

A: Audited; Note: these are latest available financial results
PBILDT: Profit before interest, lease rentals, depreciation and taxation.

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	MCA	Simple	Unsecured FD	01-Apr-2024	9.75	01-May-2029	33.22	CARE A-; 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 2026-2027	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
1	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE A; Stable (04-Nov-25) 2)Withdrawn (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)
2	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A1 (04-Nov-25) 2)Withdrawn (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)
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)
4	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE A; Stable (04-Nov-25) 2)Withdrawn	1)CARE A; Stable (24-Oct-24)	1)CARE A (RWD) (13-Feb-24)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2026-2027	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
						(04-Nov-25)	2)CARE A (RWD) (05-Jul-24)	2)CARE A; Stable (05-Feb-24) 3)CARE A; Stable (07-Jun-23)
5	Non-fund-based - ST-Credit Exposure Limit	ST	-	-	-	1)CARE A1 (04-Nov-25) 2)Withdrawn (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)
6	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE A; Stable (04-Nov-25) 2)Withdrawn (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)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: 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.

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About us:
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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