



Press Release
KHERANI PAPER MILLS PRIVATE LIMITED
September 12, 2025
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	55.00	ACUITE A- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	55.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE A-' (read as ACUITE A minus)** from '**ACUITE BB+' (read as ACUITE double B plus)** on the Rs. 55.00 Cr. bank facilities of Kherani Paper Mills Private Limited (KPMPL). The outlook is '**Stable**'.

Rationale for upgrade

The rating upgrade and migration from "Issuer Non-Cooperating takes into account the receipt of interest payment confirmation (received on Sept 05, 2025) on the Non convertible debentures' debt servicing due as on August 31, 2025, issued by KPMPL's group company i.e Gayatrishakti Paper and Boards Limited (GPBL). The rating also takes into account the stable growth in the operating revenue and profitability margins of the group. The improving financial risk profile and adequate liquidity position of the group also provides comfort to the rating. The rating is however constrained on account of working capital intensive operations of the group and susceptibility of profitability to volatile raw material prices, global realisations and demand.

About the Company

Mumbai based Kherani Paper Mills Private Limited (KPMPL) was originally incorporated in 1988 and subsequently takenover by the present management i.e. G.N. Agarwal Group in the year 1992. It is engaged in the manufacturing of duplex board in different grammages ranging from 180 GSM to 550 GSM. Its factory is situated at Vapi, Gujarat with a manufacturing capacity of the plant is 48,000 MTPA. The present directors of the company are Mr. Gajendra Nagin Agarwal, Ms. Meena Gajendra Agrawal and Ms. Tanisha Nikhar Agarwal.

About the Group

Gayatrishakti Paper and Boards Limited

Mumbai based, Gayatrishakti Paper and Boards Limited was founded in 1996 as a public limited company and is promoted by the G.N. Agarwal group. The company manufactures premium coated paper boards (duplex board) & kraft paper. It's duplex unit is located in Gujarat Industrial Development Corporation (GIDC) at Vapi and kraft paper unit at Sarigam. The present directors of the company are Mr. Gajendra Nagin Agarwal, Ms. Meena Gajendra Agrawal, Mr. Mahesh Narottam Jalan, Mr. Nikhar Gajendra Agarwal, Mr. Arun Kumar Lahoti, Mr. Pralhad Mansing Aher, Mr. Vinay Doulat Parashar, Mr. Mahesh Shyamnarayan Dwivedi and Ms. Suman Agarwal.

Gayatrishakti Tissue Private Limited (GTPL)

Incorporated in 2022, GTPL is a subsidiary of GPBL, engaged in manufacturing of virgin and non-virgin tissue papers. Situated in Vapi, the plant has a manufacturing capacity of 36,000 MTPA. The company is promoted by Mr. Gajendra Nagin Agarwal and Ms. Meena Gajendra Agrawal.

Unsupported Rating

Not Applicable

Analytical Approach

Rationale for Consolidation or Parent / Group / Govt. Support

To arrive at the rating, Acuité has consolidated the business and financial risk profiles of Gayatrishakti Paper and Boards Limited (GPBL), Kherani Paper Mills Private Limited (KPMPL) and Gayatrishakti Tissue Private Limited (GTPL), hereinafter referred to as G.N. Agarwal group. The consolidation is on account of common management, significant crossholdings, similar line of business and significant financial linkages among the three entities.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

GPBL is the flagship company of the G. N. Agarwal group, which is engaged in the manufacturing of premium coated paper boards (duplex boards). The chairman and managing director of the company, Mr. G. N. Agarwal, has been associated with the paper industry for more than three decades. The extensive experience of the promoters and the management has helped the company build a strong presence in the market thereby establishing healthy relationships with its consumers. The group has an established track record with large distribution network of dealers providing access to a wide range of packaging industries such as food products, personal care, FMCG products, oral care and hygiene products, and the e-commerce industry, among others.

Acuité believes that the group will continue to benefit from its extensive experience in the paper industry and established market presence through a healthy network of dealers and distributors.

Stable operating performance

While the volumes of the paper business have declined marginally due to cheap imports, the operating revenue of group improved to Rs. 1,152.04 Cr. in FY2025 (Prov.) as against Rs. 1,049.59 Cr. in FY2024, majorly on account of commencement of commercial operations of GTPL's tissue plant in November 2024. The operating margin also improved to 11.49 percent in FY2025 (Prov.) from 10.59 percent in FY2024 due to decline in material and power costs and better realisations (especially in the tissue business). The PAT margin stood at 3.31 percent in FY2025 (Prov.) as against 2.34 percent in FY2024.

Going forward, the operating revenues and margins are expected to improve significantly in FY2026 with full year operations of the tissue business and continued stable operations of the paper business.

Improving financial risk profile

The tangible networth of the group improved to Rs. 346.00 Cr. on March 31, 2025 (Prov.) from Rs. 257.41 Cr. on March 31, 2024 on account of equity infusion in GPBL and GTPL (~Rs. 26.52 Cr.) and accretion of profits. This increase in networth has led to a marginal decline in the gearing which stood at 1.93 times on March 31, 2025 (Prov.) as against 1.99 times on March 31, 2024 (Prov.). The TOL/TNW levels also stood improved at 2.70 times as against 3.09 times on March 31, 2024. However, the debt protection metrics stood moderate with Debt-EBITDA levels of 4.96 times on March 31, 2025 (Prov.) (4.57 times on March 31, 2024), interest coverage ratio (ICR) of 2.45 times in FY2025 (Prov.) (2.43 times in FY2024) and debt service coverage ratio (DSCR) of 1.06 times in FY2025 (Prov.) (0.96 times in FY2024) respectively. Moreover, in April 2025, GPBL raised NCDs of Rs 315 Cr. with an elongated maturity period upto 2033 to refinance its existing debt and utilise for working capital requirements.

Therefore, with increasing accruals and elongation of the repayment period through NCDs, the overall financial risk profile of the group is expected to improve further.

Weaknesses

Working capital intensive operations

The operations of the group are working capital intensive, as evident from gross current asset (GCA) of 138 days on March 31, 2025 (Prov.) as against 114 days on March 31, 2024. The GCA are majorly driven by high inventory and debtor days which stood at 60 days each on March 31, 2025 (Prov.) (51 days and 56 days respectively on March 31, 2024) to maintain the requisite stock and customer relations. Further, the overall bank limit utilisation stood at 81.39 percent for the last six months ended March 2025. The current ratio of the group stood at 1.36 times on March 31, 2025 (Prov.).

Going forward, restriction in elongation of the working capital cycle will be a key rating sensitivity.

Susceptibility of margins to fluctuations in raw material prices and competition from global markets

The paper manufacturers in India are exposed to the risk of volatility in wastepaper prices, given the limited availability of quality fibres and international pricing changes as majority of the waste paper is imported in India. Therefore, the profitability remains susceptible to raw material price fluctuations, however, the group protects its margin through pass through of such changes to its customers. Further, the domestic paper industry is also exposed to intense competition from global players with cheap imports from countries like Indonesia, China, Chile, etc.

which affect their sales volumes and price realizations.

ESG Factors Relevant for Rating

On the environment front, group has restored to clean sources of energy like solar power for running its plants to save power emissions. In its new tissue manufacturing facility, the group has installed a waste to energy boiler, which uses plastic waste to generate steam. Further, the group has an effluent treatment plant system for treatment of water. On the social front, the group has developed healthy employment practices such as insurance benefits, health and safety policies, corporate social responsibility programs for upskilling, vocational training, gender equality and rural development. It also promotes gender diversity and inclusivity.

On the governance front, the group has adopted requirement of corporate governance from provision of Companies Act 2013. The board of directors comprises of professionals having expertise and experience in the industry with one executive director, two non-executive directors and two of independent directors. Further, the group has constituted an audit committee and developed whistleblower policy to ensure a healthy governance mechanism.

Rating Sensitivities

- Significant growth in operating revenue while sustaining profitability margins.
- Improved cash accrual generation and absence of any significant debt raise leading to improvement in the coverage indicators
- Elongation in the working capital cycle affecting the liquidity of the group

Liquidity Position

Adequate

The adequate liquidity position of the group is supported by the generation of net cash accruals (NCAs) of Rs. 70.91 Cr. against maturing repayment obligations of Rs. 64.03 Cr. in FY2025 (Prov.). Going forward, the NCAs are expected to remain in the range of Rs. 80 – 95 Cr. with maturing repayments in the range of Rs. 18 – 34 Cr. for FY2026 and FY2027. The overall bank limit utilisation stood at 81.39 percent for the last six months ended March 2025. The current ratio of the group stood moderate at 1.36 times on March 31, 2025 (Prov.). Furthermore, the group had a cash and bank balance of Rs. 19.64 Cr. on March 31, 2025 (Prov.).

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	1152.04	1049.59
PAT	Rs. Cr.	38.14	24.56
PAT Margin	(%)	3.31	2.34
Total Debt/Tangible Net Worth	Times	1.93	1.99
PBDIT/Interest	Times	2.45	2.43

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any Other Information

A routine survey and search was conducted by the officials of the Income Tax department on September 02, 2025 at the premises of the group. As understood by Acuite, the survey and search operations carried by the officials was an industry wide routine survey.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Sep 2025	Cash Credit	Long Term	25.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A- Stable)
	Term Loan	Long Term	5.29	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A- Stable)
	Term Loan	Long Term	7.25	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A- Stable)
	Term Loan	Long Term	5.95	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A- Stable)
	Proposed Long Term Bank Facility	Long Term	11.51	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A- Stable)
05 Jun 2025	Proposed Long Term Bank Facility	Long Term	11.51	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	7.25	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	5.95	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	5.29	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
05 Jul 2024	Proposed Long Term Bank Facility	Long Term	5.64	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	7.46	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	16.90	ACUITE A- Stable (Reaffirmed)
02 Jun 2023	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	9.62	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	20.25	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.13	ACUITE A- Stable (Reaffirmed)
28 Sep 2022	Cash Credit	Long Term	25.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	7.75	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	15.50	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Proposed Long Term Bank Facility	Long Term	6.75	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
19 Sep 2022	Cash Credit	Long Term	25.00	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Term Loan	Long Term	7.75	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Term Loan	Long Term	15.50	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Proposed Long Term Bank Facility	Long Term	6.75	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A- Stable Upgraded (from ACUITE BB+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.51	Simple	ACUITE A- Stable Upgraded (from ACUITE BB+)
Aditya Birla Finance Limited	Not avl. / Not appl.	Term Loan	31 Mar 2023	Not avl. / Not appl.	31 Mar 2028	5.95	Simple	ACUITE A- Stable Upgraded (from ACUITE BB+)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	12 Sep 2022	Not avl. / Not appl.	31 Dec 2026	5.29	Simple	ACUITE A- Stable Upgraded (from ACUITE BB+)
Aditya Birla Finance Limited	Not avl. / Not appl.	Term Loan	26 Dec 2019	Not avl. / Not appl.	31 Dec 2026	7.25	Simple	ACUITE A- Stable Upgraded (from ACUITE BB+)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name
1	Gayatrishakti Paper and Boards Limited
2	Kherani Paper Mills Private Limited
3	Gayatrishakti Tissue Private Limited

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About Acuité Ratings & Research

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