Press Release

Nikita Papers Limited
June 24, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	120.95	IVR BBB/ Stable (IVR triple B with Stable Outlook)	-	Rating assigned	Simple
Short Term Bank Facilities	40.00	IVR A3+ (IVR A three plus)	-	Rating assigned	Simple
Total	**160.95 (INR One hundred and sixty crore and ninety five lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Nikita Papers Limited (NPL) derives strength from experienced promoters, adequate financial risk profile and coverage indicators, consistent operating performance for the past three fiscal years, setting up captive power plant and a favorable long-term demand outlook for kraft paper. However, these rating strengths are partially constrained due to large working capital requirement, exposure to project execution risk related the power plant, intense competition, in the kraft paper segment and susceptibility of profitability to volatility in waste paper price.

The long-term rating outlook is Stable on the back of consistent financial and operating performance and an experienced management along with the recent equity raised by the company which will further improve its financial flexibility.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Sustenance of the capital structure and further improvement in debt protection metrics

- Improvement in working capital cycle
- Timely completion of the power plant project without any time and cost overrun.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Withdrawal of subordinated unsecured loan which is treated as quasi equity
- Further elongation in working capital cycle.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position
- Delay in the completion of the power project leading to time and cost overun

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The company promoters & directors are operating in the paper industry for over a 3 decades. The company has also employed competent and experience technical staff to support its operations. The long experience of the promoters in the company has enabled to build strong relation with customers and suppliers.

- **Consistent increase in profit for the past three fiscal years**

Over the past three years, the company's topline growth has remained relatively flat, with operations consistently running at almost full capacity. In FY24 (refers to period April 1st, 2023, to Mar 31, 2024), revenue declined by 13.11% y-o-y to Rs. 346.10 crore, due to a decline in realisation prices. However, in FY24 EBITDA increased by 72.42% y-o-y to Rs.47.72 crore, due to lower raw material costs. PAT was up by 281% y-o-y to Rs. 20.72 crore in FY24 due to one-time income of Rs. 4.48 crore which is net of subsidy received and tax paid of past years. For 9MFY25 (refers to period April 1st, 2024, to Dec 31, 2024), the company reported TOI and EBITDA of Rs. 271.78 crore and Rs. 43.30 crore, respectively, supported by increase in realization prices. Looking ahead, the company plans to commission a Rs. 50 crore, 9 MW captive power plant by June 2026. This facility will supply in-house power demand, reduce energy expenses and further enhancing profitability at the bottom line.

- **Adequate financial risk profile and coverage indicators**

Total debt was Rs.176.09 crore as on March 31, 2024, which increased from Rs.149.87 crore as on March 31, 2023, due to increase in bank borrowings. As on March 31, 2024, adjusted tangible net worth (adjusted for unsecured loans of Rs. 13.15 crore from directors considered as quasi equity and advance to related entity of Rs. 1.25 crore) was Rs. 93.00 crore, compared with Rs.67.77 crore as on March 31, 2023 (adjusted for unsecured loans of Rs. 13.15 crore from directors considered as quasi equity and advance to related entity of Rs. 1.25 crore). The financial risk profile has improved with adjusted TOL/TNW ratio of 2.26 times as on March 31, 2024 (2.80 times as on 31st March 2023), due to increase in adjusted tangible networth. Coverage indicators are moderate, as reflected in interest coverage of 3.41 times and DSCR of 1.72 times in FY24, compared with ISCR and DSCR of 2.55 times and 1.61 times in FY23 (refers to period April 1st, 2022, to Mar 31, 2023) Infomerics believes that going forward, the equity capital issued of Rs. 67.54 crore by way of IPO at in June 2025, will further solidify the company's capital structure.

- **Setting up captive power plant of 9MW for captive consumption**

The total cost of project is Rs. 50.00 crore which will be funded through equity issue of Rs. 67.54 made recently by the company. Till May 30, 2025, funds of Rs. 2.19 crore was incurred on civil work which was funded through internal accruals. The commercial operations from the said project will start from June 2026 and this will benefit the company by reducing its power and fuel costs.

- **Long-term demand outlook for paper remains favourable**

The long-term demand outlook for kraft paper remains favourable, driven by increasing demand from the e-commerce, food and food products, FMCG, textiles, automobile, and pharmaceutical sectors, which bodes well for NPL's growth prospects.

Key Rating Weaknesses

- **Large working capital requirement**

Gross current assets (GCAs) were at a sizeable 214 days as on March 31, 2024, driven by receivables of 121 days. The company maintains an inventory of 40-50 days and extends credit of ~30 days to customers. Payables of 30-40 days support working capital. Going forward further significant increase in GCA will be a key monitorable.

- **Exposure to project execution risk related the power plant**

  Completion of the project within the envisaged time and cost parameters shall remain crucial for the financial risk profile of NPL and shall remain a key monitorable. However, the said risk is mitigated to a large extent considering the project is finance by equity. Also, the capex is for the setting up power plant, so the stabilisation risk is mitigated to an extent owing to the established track record of promoters in already operating a captive power plant of 3MW.

- **Competition, especially in the kraft paper segment, is intense**

  Consequently, players have limited pricing flexibility. Moreover, end users of packaging paper are also price sensitive. This situation is expected to continue over the medium-to-long term, as consolidation is unlikely because of unviable capacities. The industry is also cyclical in nature, with small players shutting down capacities during downturns and recommencing operations when the economy revives. This prevents established players from generating large profits even during periods of good economic growth. The business risk profile may remain constrained over the medium term by susceptibility to risks related to the above-mentioned factors.

- **Profitability susceptible to volatility in waste paper price**

  Operating margin is expected to susceptible due to volatile raw material prices, which are directly linked to international prices

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning Rating Outlook

Policy of default recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate in the near term with sufficient cash accrual to meet the debt obligations. However, with ~89% average fund-based capital utilisation of the company during the past 12 months ended April 2025 indicating limited liquidity buffer. Further any absence of debt funded capex provides some comfort to the liquidity position. Also the recent equity raise by way of the initial public offering of Rs. 67.54 crore has further strengthened its liquidity position.

About the company

Nikita Papers Limited (NPL) was incorporated as a Private Limited Company on August 18, 1989. It was converted into a Public Limited Company through a shareholders' resolution passed on May 26, 2003. The company got listed on June 3, 2025, on NSE SME (Emerge) platform, following its IPO in May 2025. Mr. Ashok Kumar Bansal is the Chairman of the company, having a vast experience in the paper industry. The Company is engaged in the manufacturing of kraft paper and has been in existence for more than three decades and has its plant located in Shamli, Uttar Pradesh. At present, the installed capacity of the company is approx. 133000 MTPA. The company manufactures Kraft paper ranging from 120 to 230 GSM with 18-25 Burst Factor (B.F.) ranges.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2024	31-12-24
	Audited	Audited
Total Operating Income	346.10	271.78
EBITDA	47.72	43.30
PAT	20.72	15.68
Total Debt	176.09	173.81
Adjusted Tangible Net Worth	93.00	124.71
EBITDA Margin (%)	13.79	15.93
PAT Margin (%)	5.98	5.76
Adjusted Overall Gearing Ratio (x)	1.89	1.38
Interest Coverage (x)	3.41	3.57

** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: As per PR dated March 3, 2025, Acuite Ratings continued to keep the ratings in the non-cooperating category due to non-cooperation from the client.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2025- 2026)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-2025	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023
1.	Term Loan	Long Term	32.95	IVR BBB/ Stable	-	-	-
2.	Cash Credit	Long Term	88.00	IVR BBB/ Stable	-	-	-
3.	Letter of Credit	Short Term	40.00	IVR A3+	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) (Formerly Infomerics Valuation & Rating Pvt. Ltd.) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	-	August 2028	5.83	IVR BBB/ Stable
Term Loan 2	-	-	-	June 2028	27.12	IVR BBB/ Stable
Cash Credit 1	-	-	-	-	48.00	IVR BBB/ Stable
Cash Credit 2	-	-	-	-	40.00	IVR BBB/ Stable
Letter of Credit 1	-	-	-	-	20.00	IVR A3+
Letter of Credit 2	-	-	-	-	20.00	IVR A3+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/Len-Nikita-Papers-24june25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.