**RATING RATIONALE**

**30 July 2026**

**RAC Papers Ltd**

**Brickwork Ratings upgrades/assigns the long-term rating at “BWR BBB-/Stable” for the bank loan ratings of Rs. 89.39 Crs.**

**Particulars** :

| **Facilities**** | Amount (In Rs.Crs) | | **Tenure** | Rating# | |
|---|---|---|---|---|---|
| | **Previous** | **Present** | | **Previous (10-April-2026)** | **Present** |
| **Fund Based** | | | | | |
| Term Loan - Outstanding | 7.00 | **5.33** | Long Term | BWR C Continues to be in ISSUER NOT COOPERATING* category/Downgraded | **BWR BBB-/Stable (removal from ISSUER NOT COOPERATING* category/Upgraded)** |
| Open Cash Credit - Sanctioned | 13.00 | **28.00** | Long Term | BWR C Continues to be in ISSUER NOT COOPERATING* category/Downgraded | **BWR BBB-/Stable (removal from ISSUER NOT COOPERATING* category/Upgraded)** |
| GECL 1.0 Extension - Outstanding | 0.00 | **0.51** | | - | **BWR BBB-/Stable Assignment** |
| Term Loan - Outstanding | 0.00 | **8.80** | | - | **BWR BBB-/Stable Assignment** |
| Term Loan - Outstanding | 0.00 | **12.75** | | - | **BWR BBB-/Stable Assignment** |
| Term Loan - Outstanding | 0.00 | **34.00** | | - | **BWR BBB-/Stable Assignment** |
| ***Sub Total*** | *20.00* | ***89.39*** | | | |
| **Grand Total** | 20.00 | **89.39** | **(Rupees Eighty Nine Crores and Thirty Nine Lakhs Only)** | | |

#Please refer to the BWR website **www.brickworkratings.com** for the definition of the ratings.
**Details of Bank Loan facilities, consolidation or instruments are provided in Annexure

## RATING ACTION / OUTLOOK

Brickwork Ratings has upgraded/assigned the long-term rating at "BWR BBB-/Stable" for the bank loan facilities of Rs.89.39 Crores.

The ratings assigned for the bank loan facilities of RAC Papers Ltd continues to drive strength from experienced promoters and management, achievable profitability, adequate liquidity and moderate financial risk profile of the company and BWR has relied upon the Audited FY 25, Provisionals of FY26 and Projections for the year FY27 and FY 28.

The rating outlook has been assigned as "Stable" as BWR believes that RAC Papers Ltd business risk profile will be maintained over the medium term. The 'Stable" outlook indicates a low likelihood of rating change over the medium term.

The rating outlook may be revised to 'Positive' in case the revenue and profitability margins show sustained improvement.
The rating outlook may be revised to 'Negative' if the financial risk profile goes down.

**KEY RATING DRIVERS**

**Credit Strengths- :**
**Moderate Financial Profile :** The company's financial risk profile is characterized by strengthening operational scale and a robust equity base. During FY 2025, the company achieved a significant milestone by recording an Operating Income of Rs. 144.37 Crores and an OPBDIT of Rs. 10.71 Crores, reflecting both top-line growth and enhanced operational efficiency. This performance is underpinned by a Tangible Net Worth of Rs. 17.26 Crores, which provides a solid capital cushion and reflects a strong equity position.

**Experienced Promoters:** All the directors / promoters in the company have decades of experience in the paper industry which has helped the company scale up its operations in the recent years and also maintain a long term relationship with suppliers and customers.

**Growing Demand for Kraft Paper :** The Indian kraft paper market is experiencing significant growth driven by the increasing adoption of sustainable packaging materials across industries. Businesses are transitioning from plastic to recyclable kraft paper solutions to reduce environmental impact and meet consumer expectations for eco-friendly products. The rapid expansion of e-commerce platforms and digital retail channels is creating unprecedented demand for protective packaging materials. Online retailers require durable, lightweight, and cost-effective packaging solutions that ensure product safety during transit while maintaining brand appeal. Kraft paper-based corrugated boxes, mailers, and protective wrapping materials are increasingly preferred for their excellent cushioning properties and recyclability.

**Credit Weakness-:**
**Intense Competition in the paper industry segment :** Intense Competition in the Industrial paper segment (which accounts for the bulk of the paper industry) persists due to low entry barriers and unfavourable government policies. Competition from large and established players is intense in the fragmented packaging industry. 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. Industry is also cyclical in nature, with sma l 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 is susceptible to volatility in waste paper prices :** Operating margin is susceptible due to volatile raw material prices, which are directly linked to international prices and, coupled with volatility in final product prices, impact the profitability. While the recently commenced new product line (by modernization of existing line) is expected to generate good margins supported by higher realizations from the new product, the degree of improvement and sustenance will remain a key rating sensitivity factor.

**Working capital-intensive nature of operations :** The company's operations are highly dependent on working capital. Manufacturing kraft paper requires substantial working capital, which poses risks such as chronic cash flow shortages, high interest costs from debt-financed operations, and potential production halts due to fluctuations in raw material prices. To ensure continuous production, mi ls must maintain large inventories of bulky raw materials (such as wood chips and waste paper) and finished goods. This practice ties up cash and increases storage and handling costs. Additionally, kraft paper producers often supply packaging converters and large buyers, which can result in extended payment terms (ranging from 60 to over 90 days). This further heightens the risk of bad debt and reduces liquidity.

**ANALYTICAL APPROACH - Standalone**

To arrive at its ratings, BWR has considered the standalone approach and has applied its rating methodology.

**RATING SENSITIVITIES**

**Positive:**

- Going forward, the company's ability to improve its revenue profile and strengthen its financial risk profile will remain the key rating sensitivities.
- Improvement in operating income by 20 % and achieving a Net profit margin of 2% or more with an enhanced cash accruals and stronger cash and cash equivalent position.
- Maintaining satisfactory debt protection metrics, with ISCR and DSCR at comfortable levels and an Improvement in Current Ratio.
- Execution and Completion of the project as per the schedule without any delay.

**Negative:**

- A decline of 10% or more in revenue, and the PAT margin falling below the 1.25%.
- Decline in the Current Ratio below 1.00x, ISCR and DSCR falling below 1.25x.

**LIQUIDITY INDICATORS - Adequate**

Adequate liquidity characterized by sufficient cushion in accruals vis-a-vis repayment obligations and moderate cash balance of Rs. 1.89 Crores. Its capex requirements are modular and expected to be funded using debt of Rs. 34.00 Crores for which it has sufficient headroom. Its bank limits are utilized to the extent of 92.93% and has sought enhancement in bank lines, supported by the above unity current ratio.

The company has a Net cash accrual of Rs. 6.71 Crs in FY-25 as against the CPLTD of Rs. 5.77 Crores. The cash and Bank balance of the company is at Rs. 1.89 Crores in FY-25. The Net Cash Accruals are expected to increase to Rs. 10.21 Crores in FY26, where the CPLTD will be around Rs. 6.88 Crores. ISCR remained comfortable at 2.81 times in FY25 and DSCR at 1.60 times in FY25 indicating an adequate debt-servicing capacity to cover the company's debt obligations. The company's EBITDA stood at Rs. 10.71 Crores in FY25 (audited financials) against interest and finance charges of Rs. 3.82 Crores. The EBITDA level remained more than adequate to service the interest obligations year on year. The tangible net worth of the company stood at Rs. 17.26 Crores in FY 25. Hence, the liquidity position of the company is adequate.

## ABOUT THE ENTITY

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|---|---|---|---|
| Commodities | Forest Materials | Paper, Forest & Jute Products | Paper & Paper Products |

RAC papers Limited is a company limited by shares which was incorporated in the year 1985 in Meerut, Uttar Pradesh. The company is into manufacturing high-quality waste paper- based kraft paper and newsprint. The company is promoted by Mr. Ajay Mittal, Mr. Sanjay Mittal, Mr. Kailash Chand Gupta and Mr. Manoj Gupta. The manufacturing unit is located at Harpur, Uttar Pradesh. The plant is presently operating at an installed capacity of 75,000 MT per annum.

### ESG Profile

**Environmental:** Environmental risks are primarily linked to high water consumption, waste generation, and energy-intensive operations. To enhance transparency and mitigate these risks, the company focuses on improving disclosures regarding water intensity, waste-management protocols, and the share of renewable energy within its total power mix. Monitoring carbon emission levels remains a core priority for operational
sustainability.

**Social:** The company's social framework is built on strict adherence to labor laws, robust accident prevention protocols, and continuous human- capital development. Operational resilience is measured through workforce diversity (Male/Female ratio), Safety Performance (LTIFR), and specialized training initiatives designed to upskill the workforce and ensure a zero-harm environment.

**Governance:** Governance is anchored by a structured board with a focus on independence and committee effectiveness. The company maintains transparency through comprehensive disclosures on board composition, audit mechanisms, and enterprise risk-management (ERM) frameworks, ensuring strong compliance and ethical oversight.

## KEY FINANCIAL INDICATORS (Standalone)

| Key Parameters | Unit | FY 24 | FY 25 | FY 26 |
|---|---|---|---|---|
| Result Type | | Audited | Audited | Provisional |
| Operating Income | Rs. Crs | 131.50 | 144.37 | 164.85 |
| EBITDA | Rs. Crs | 6.49 | 10.71 | 15.97 |
| PAT | Rs. Crs | 0.66 | 1.17 | 2.89 |
| Tangible Net Worth | Rs. Crs | 16.10 | 17.26 | 21.15 |
| Total Debt/Tangible Net Worth | Times | 2.16 | 3.24 | 2.86 |
| Current Ratio | Times | 1.35 | 1.20 | 1.33 |

## KEY COVENANTS OF THE FACILITY RATED

The terms of sanction include standard covenants normally stipulated for such facilities.

## STATUS OF NON-COOPERATION WITH PREVIOUS CRA

| Credit Rating Agency | Status and Reason for Non-Cooperation | Press Release Date |
|---|---|---|
| CRISIL | In the absence of adequate information from the company | 26-June-2026 |
| CARE | In the absence of adequate information from the company | 22-Apr-2026 |

## ANY OTHER INFORMATION

No Other Information.

## RATING HISTORY FOR THE LAST THREE YEARS (including withdrawal & suspension)

| Facilities | Current Rating (2026) | | | 2026 | | 2025 | | 2024 | |
|---|---|---|---|---|---|---|---|---|---|
| Type | Tenure | Amount (Rs.Crs.) | Rating | Date | Rating | Date | Rating | Date | Rating |
| Fund Based | LT | 33.33 | BWR BBB-/Stable (removal from ISSUER NOT COOPERATING* category/ Upgraded) | 10-Apr-2026 | BWR C Continues to be in ISSUER NOT COOPERATING* category/ Downgraded) | 14-Apr-2025 | BWR B-/Stable Continues to be in ISSUER NOT COOPERATING* category/ Downgraded) | 12-Apr-2024 | BWR B/Stable (Continues to be in ISSUER NOT COOPERATING* category/ Downgraded) |
| Fund Based | LT | 56.06 | BWR BBB-/Stable (Assignment) | - | - | - | - | - | - |
| **Grand Total** | | **89.39** | **(Rupees Eighty Nine Crores and Thirty Nine Lakhs Only)** | | | | | | |

**Hyperlink/Reference to applicable Criteria**

- General Criteria
- Approach to Financial Ratios
- Manufacturing Company


**Analytical Contacts**

| R Sriranjani<br>Rating Analyst<br>sriranjani.r@brickworkratings.com | Nagaraj K<br>Director - Ratings<br>nagaraj.ks@brickworkratings.com |
|---|---|

| media@brickworkratings.com | CustSupport@brickwrokratings.com

RAC Papers Ltd

## ANNEXURE-I
## Details of Bank Facilities rated by BWR

<table>
<tr><th>Sl.No</th><th>Name of the Bank</th><th>Facilities(Rs.Crs.)</th><th>Long Term</th><th>Short Term</th><th>Total (In Rs.Crs)</th><th>Complexity Level</th></tr>
<tr><td rowspan="6">1</td><td rowspan="6">Indian Bank</td><td>Cash Credit -Sanctioned</td><td>28.00</td><td>-</td><td>28.00</td><td>Simple</td></tr>
<tr><td>Term Loan - Outstanding</td><td>5.33</td><td>-</td><td>5.33</td><td>Simple</td></tr>
<tr><td>GECL 1.0 Extension - Outstanding</td><td>0.51</td><td>-</td><td>0.51</td><td>Simple</td></tr>
<tr><td>Term Loan - Outstanding</td><td>4.16</td><td>-</td><td>4.16</td><td>Simple</td></tr>
<tr><td>Term Loan - Outstanding</td><td>2.55</td><td>-</td><td>2.55</td><td>Simple</td></tr>
<tr><td>Term Loan - Outstanding</td><td>2.09</td><td>-</td><td>2.09</td><td>Simple</td></tr>
<tr><td rowspan="2">2</td><td rowspan="2">SIDBI</td><td>Term Loan - Outstanding</td><td>5.36</td><td>-</td><td>5.36</td><td>Simple</td></tr>
<tr><td>Term Loan - Outstanding</td><td>7.39</td><td>-</td><td>7.39</td><td>Simple</td></tr>
<tr><td>3</td><td>Punjab National Bank</td><td>Term Loan - Outstanding</td><td>34.00</td><td>-</td><td>34.00</td><td>Simple</td></tr>
<tr><td></td><td colspan="2">Total (In Rs.Crores)</td><td>89.39</td><td></td><td>89.39</td><td></td></tr>
<tr><td colspan="7">(Rupees Eighty Nine Crores and Thirty Nine Lakhs Only)</td></tr>
</table>

**##BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com /download / ComplexityLevels.pdf. Investors' queries can be sent to info@brickworkratings.com.**

## ANNEXURE-II
## INSTRUMENT DETAILS

| Instrument | Issue Date | Amount (Rs.Crs) | Coupon Rate (%) | Maturity Date | ISIN Particulars | Complexity of the Instrument |
|---|---|---|---|---|---|---|
| Nil | Nil | Nil | Nil | Nil | Nil | Nil |

## ANNEXURE-III
## List of entities consolidated

| Name of Entity | % Ownership | Extent of consolidation | Rationale for consolidation |
|---|---|---|---|
| Nil | Nil | Nil | Nil |

## List of instruments and regulators

As required by SEBI CRA Circular dated Feb 10, 2026, a list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is being disclosed below:

| Instrument/Activity | Regulator |
|---|---|
| Listed/Proposed to be listed bonds/debentures/preference share (all securities) | SEBI |
| Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities) | MCA |
| Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) [1] | SEBI |
| Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)-[1] | SEBI |
| Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)-[1] | RBI |
| Listed Commercial Paper and NCDs with original maturity less than 1 year | RBI |
| Unlisted Commercial Paper and NCDs with original maturity less than 1 year | RBI |
| Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/FIs -[2] | RBI |
| External Commercial Borrowings and other similar borrowings | RBI |
| Certificates of Deposit | RBI |
| Fixed Deposits raised by NBFC's, Banks, HFCs, Fis | RBI |
| Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, Fis | MCA |
| Inter Corporate Deposits/Loans extended by Corporates | MCA |
| Borrowing programme - [3] | - |
| Issuer Ratings [4] | - |
| Credit Ratings for Capital Protection Oriented Schemes (by Mutal Funds and AIFs) | SEBI |
| Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs | SEBI |
| Listed Security Receipts | SEBI |
| Unlisted Security Receipts | RBI |
| Independent Credit Evaluation (ICE) | RBI |
| Expected Loss Ratings (for Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/Fis) | RBI |
| Expected Loss Ratings (Listed/Proposed to be listed bonds/debentures/preference share (all securities)) | SEBI |
| Expected Loss Ratings (Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)) | ~~MCA~~ |
| Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) -[1] | Investor-side Regulator such as IRDAI, PFRDA[5] |
| Monitoring Agency | SEBI |
| Research activities, incidental to rating, such as research for Economy, Industries and Companies [6] | NA |

- Includes securitisation transactions involving assignee payout, acquirer's payout.
- Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.
- The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In PRs subsequent to issuance(s), BWR shall separately capture the rated quantum details along with names of respective regulators.
- There is no instrument being rated and hence, Regulator of the Instrument is not applicable.
- These ratings were assigned during regulatory regime prior to the introduction of SEBI CRA Circular dated Feb 10, 2026, and accordingly, investor side regulators have been included.
- Permitted by SEBI vide SEBI Master Circular for CRAs

**Grievance Management:** For any grievances relating to rating of instruments regulated by SEBI, please contact **sebigrievance@brickworkratings.com**. Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available

**For any grievances relating to rating of instruments regulated by other FSR** (Financial Sector Regulators), please contact **grievance@brickworkratings.com**

**About Brickwork Ratings**

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI]. BWR is the 5th agency to get a credit rating registration in India in 2009, and its corporate office is in Bengaluru. It has a country-wide presence with representatives in 150+ locations. Canara Bank is Brickwork's strategic partner and promoter.

Brickwork offers credit ratings of Bank Loan, Non- convertible/convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has also rated NGOs, Educational Institutions, Hospitals, Urban Local Bodies and Municipal Corporations.

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**Nature of Ratings & Information**: BWR ratings are opinions on the relative ability of an entity/instrument to meet its financial obligations and are based on information obtained from issuers and other sources believed to be reliable. BWR does not conduct audits, due diligence, or independent verification of such information and does not guarantee its accuracy, adequacy, or completeness. Ratings are current only as of the date of publication and may be revised based on new or unavailable information.

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