

PRESS RELEASE

PAANA PAPER WORKS

February 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	395.00	IRN B+	Assigned
Short Term Bank Facilities	355.00	IRN A4	Assigned
Total	750.00		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN B+ (Single B Plus) to the long-term bank facilities of NPR 395.00 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 355.00 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of Paana Paper Works (PPW) derive strength from the company's long track record of operations in the paper-based packaging segment and the extensive industry experience of its sole proprietor, Mr. Gunjan Agrawal, who provides strategic and operational oversight. The ratings also factor in the strategic location of the manufacturing unit near the Indo-Nepal border, which supports logistical efficiency and cost advantages in sourcing imported raw materials. In addition, the favorable long-term demand outlook for paper-based and eco-friendly packaging products, driven by growth in FMCG and other consumer-oriented sectors, supports business stability over the medium term.

However, these strengths are constrained by PPW's relatively small scale of operations, volatile financial performance and sustained decline in profitability in recent years due to limited pricing flexibility. The company's capital structure remains leveraged, despite some improvement following recent capital infusion, and debt coverage indicators continue to remain weak, reflecting pressure on debt-servicing capacity. The ratings also factor in the working capital intensive nature of the business, marked by high inventory levels and reliance on short-term borrowings, which constrains liquidity and financial flexibility.

Going forward, the company's ability to improve profitability, reduce financial leverage, improve debt protection metrics, and manage working capital efficiently while scaling up operations will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Long track record of operations and experienced promoter

PPW operates under the leadership of its sole proprietor, Mr. Gunjan Agrawal, who brings over two decades of experience in the industry. Mr. Agrawal provides strategic direction and oversight for the company's operations. He is supported by a team of highly skilled and experienced professionals. The team of technically qualified and experienced professionals contribute to the efficient management and growth of PPW.

Strategic location of the plant

The plant site is located in Parwanipur, Parsa ~15 Kms from Indo-Nepal borders ICP Raxual. Since raw materials requirements of PPW are majorly imported from India, the factory's proximity to the border remains a positive leading to savings in freight cost.

Favorable industry outlook

The paper-based packaging industry benefits from a favorable long-term outlook, supported by rising demand from key end-user segments such as FMCG, food and beverages, pharmaceuticals and consumer goods, driven by population growth and increasing consumption. Additionally, the global and domestic shift toward sustainable and environmentally friendly packaging solutions has strengthened the demand for paper-based products as substitutes for plastic, in line with evolving regulatory norms and corporate sustainability commitments. Corrugated and paper packaging are recyclable, biodegradable, and widely accepted as eco-friendly alternatives, positioning players like PPW advantageously in the current global context of sustainability and responsible manufacturing. This structural shift, coupled with steady industrial activity and expanding distribution networks, supports stable demand growth and underpins a positive industry outlook for the company.

Key Rating Weaknesses

Fluctuating financial performance and declining profitability

PPW derives its revenues from the manufacturing and sale of corrugated boxes, plates, and other paper-based packaging products. The company had capacity utilization of ~26% (annualized) in last four years ending H1FY26. The company's total operating income recorded a sharp increase of ~71% y-o-y in FY25 to NPR 626 Mn, driven primarily by higher sales volumes. However, the EBITDA margin declined sharply from 27.17% in FY23 to 7.53% in FY24 and further to 5.70% in FY25, mainly due to increased cost of raw material and limited ability to pass on cost increases to customers. As a result, the company reported net losses of NPR 38 Mn in FY24 and NPR 26 Mn in FY25, reversing the modest profitability recorded in earlier years. The weakening operating performance is also reflected in cash accruals, with gross cash accruals (GCA) turning negative in FY24 and FY25, compared with positive GCA of NPR 42 Mn in FY23. Despite the improvement in revenue, subdued operating margins constrained internal cash generation, increasing reliance on external borrowings for funding both operations and capital requirements.

Leveraged capital structure and stressed debt coverage indicators

PPW's capital structure remains leveraged, marked by a high overall gearing of 4.55x at the end of FY25, although improved from 5.42x at the end of FY24. The moderation in leverage during FY25 was primarily driven by capital infusion of NPR 40 Mn by the proprietor, which supported the net worth base. Nevertheless, debt coverage indicators remain weak as indicated by interest coverage ratio of 0.63x in FY24, albeit improved marginally to 0.95x in FY25, resulting in continued pressure on debt-servicing capacity.

Working capital intensive nature of business

The corrugated packaging business is inherently working-capital intensive due to the need to maintain high levels of raw material inventory, particularly Kraft paper, and extend credit to customers. PPW's working capital intensity is reflected in its elevated inventory holding period, which stood at 359 days in FY24, though it improved to 194 days in FY25. The operating cycle, while moderating in FY25, remains stretched at 159 days, necessitating continued reliance on short-term borrowings. Although receivable days improved to 30 days in FY25 from 50 days in FY24, liquidity indicators such as the current ratio of 1.28x and quick ratio of 0.31x in FY25 indicate only moderate cushion. Efficient inventory management and tighter working capital controls remain critical to improving cash flows and reducing dependence on external funding.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

About the Company:

Paana Paper Works (PPW) is a manufacturer of corrugated boxes and other paper packaging materials, incorporated as a sole proprietorship firm on December 06, 2007. The manufacturing facility is located in Parwanipur of Bara District, with a total installed capacity of 24,000 MTPA, supplying packaging requirements across sectors such as food processing, edible oils, distillery, beverages and FMCG. PPW has also obtained ISO 9001:2015, ISO 45001:2018 and FSSC:22000 certifications. Mr. Gunjan Agrawal is the sole proprietor of PPW.

Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	FY24	FY25
	Audited	Audited	Audited	Audited	Audited
Total Operating Income (NPR Mn)	296	270	364	364	626
EBITDA Margin (%)	12.26	17.23	27.17	7.53	5.70
Interest Coverage Ratio (x)	2.70	2.23	1.78	0.63	0.95
Overall Gearing Ratio (x)	3.17	3.09	3.84	5.42	4.55
Total Debt/ EBITDA (x)	1.68	4.63	4.67	15.71	10.02
Current Ratio (x)	0.90	0.86	2.44	1.72	1.28

*Classification as per Infomerics Nepal standards

EBITDA: Earnings Before Interest, Depreciation, Amortization and Tax

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Term Loan	Long Term	395.00	IRN B+
Fund Based Bank Facilities- Working Capital Loan	Short Term	110.00	IRN A4
Fund Based Bank Facilities-Working Capital Loan (Proposed)	Short Term	189.00	IRN A4
Non-Fund Based Bank Facilities- LC ¹	Short Term	56.00	IRN A4
Total Facilities		750.00	

¹Letter of Credit

Analyst Contacts

Mr. Girish Bhatta

Tel No.+977-1-4583304/4585906

girish.bhatta@infomericsnepal.com

Ms. Samigya Acharya

Tel No.+977-1-4583304/4585906

samigya.acharya@infomericsnepal.com

Relationship Contact

Mr. Rabin Pudasaini

Tel No.+977-1-4583304/4585906

rabin.pudasaini@infomericsnepal.com

About Infomerics Credit Rating Nepal Limited:

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Infomerics Credit Rating Nepal Limited

Tanka Prasad Marga, Baneshwor Height, Kathmandu

Phone: +977-1-4583304/4585906

Email: info@infomericsnepal.com

Web: www.infomericsnepal.com

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