Orient Paper And Industries Limited

March 13, 2025

Facilities	Amount (₹ crore)	Ratings[1]	Rating Action
Long-term bank facilities	197.50 (Enhanced from 133.75)	CARE A; Stable	Downgraded from CARE A+; Negative
Long-term / Short-term bank facilities	221.00	CARE A; Stable / CARE A1	Downgraded from CARE A+; Negative / CARE A1+
Short-term bank facilities	71.00 (Enhanced from 61.00)	CARE A1	Downgraded from CARE A1+

Details of facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Orient Paper And Industries Limited (OPIL) factors significantly weaker-than-expected performance in 9MFY25 (FY refers to April to March) marked by operating losses considering high raw raw material (bamboo and wood) costs and pressure on average sales realisation. The profitability for caustic soda also continued to remain impacted in 9MFY25 despite higher revenue due to lower realisations. Weakening of its operational performance has also impacted its debt coverage indicators.

However, ratings continue to derive significant strength from the company's long track record in the paper industry and the financial flexibility derived by being a part of the established C. K. Birla group. Ratings also derive strength from its comfortable capital structure and surplus liquidity in the form of quoted equity investments, which provides significant support to OPIL's debt metrics.

Ratings continue to remain constrained by OPIL's exposure to raw material and finished goods price volatility and cyclicality attached to the paper industry, sub-optimal capacity utilisation of tissue paper plant, sizeable debt repayment obligation in FY25-FY26, significant contingent liabilities in the company's books, mainly relating to water tax and cess on captive power consumption, which are under dispute. CARE Ratings Limited (CARE Ratings) notes that OPIL has decided to slow down its large capex plan of modernisation, debottlenecking, renovation of its plant and machinery, and improving its paper and pulping capacity, which had an estimated cost of ₹475 crore. However, the company is carrying on with a reduced capex programme of ₹80 crore- ₹85 crore in the current year.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 10% on a sustained basis.
- Completing ongoing projects and deriving benefits of the recently undertaken capex plan.
- Improving return on capital employed (ROCE) and return on net worth (RONW) above 10% on a sustained basis.

Negative factors

- Deteriorating cash and liquid investments below ₹200 crore and significant increase in debt level resulting in deterioration in overall gearing beyond 1x and total debt (TD)/PBILDT beyond 5x on a sustained basis.
- Crystallising significant contingent liabilities exerting strain on the liquidity.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings' belief that OPIL shall continue benefitting from its established market position in tissue paper and long track record in the paper industry. OPIL is likely to sustain its comfortable financial risk profile with strong financial flexibility derived by virtue of being part of C K Birla group.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:
Key strengths

Part of the established CK Birla group
Incorporated in July 1936, OPIL belongs to the established C. K. Birla group. C. K. Birla, at the helm of the company's affairs, has been associated with the company since 1978. The C. K. Birla group is a leading industrial group of the country and has an established presence in diverse businesses, such as auto ancillary products, dealership of earthmoving equipment, engineering products, building products, cement, paper, fans and consumer electrical items, and Information Technology (IT) solutions, and services through its group entities. Being part of the C. K. Birla group provides significant financial flexibility to OPIL.

Conservative capital structure and availability of healthy liquid investments
OPIL's overall gearing ratio continued to remain comfortable at 0.21x as on March 31, 2024 (0.19x as on March 31, 2023). The debt level increased as on March 31, 2024, and has further increased as on December 31, 2024, as OPIL has availed term debt to fund its capex in the current year. However, the company plans to go slow with its current capex, considering the current industry scenario. With a healthy net worth base of ₹1,619 crore as on March 31, 2024, even after considering the proposed debt, overall gearing is expected to remain comfortable. OPIL holds investments in few listed companies, having strong credit quality with a market value of ~₹429 crore as on March 04, 2025, providing significant financial flexibility and liquidity support. OPIL also holds ~850 acres of land at Brajrajnagar, Odisha, where its first paper factory was set up, which is currently not in use, along with other land and investment properties.

Long track record in the paper industry and initiatives to improve operational efficiency
OPIL has a long track record of operations in the paper industry, with presence in tissue paper and printing and writing paper (PWP). It is among the leading domestic players in the tissue paper segment. Over the years, the company has taken initiatives to improve operational efficiency and enhance water storage capacity. The company is undertaking plantation activities to support its future raw material requirements. It is planning to source its entire wood requirement through local farmers within the next four to five years, ensuring raw material availability and better profitability through cost reduction. The company implemented a project to increase its pulping capacity, ECF bleaching, new recovery boiler (600 tonne per day [TPD])/evaporator [150 TPD]) to improve its operating efficiency.

Liquidity: Adequate
The gross cash accruals (GCA) of OPIL moderated to ₹53.73 crore in FY24, while it incurred cash losses in 9MFY25. Given subdued profitability, large part of liquidity needs for capex, debt servicing and loss funding was funded out of sale of investments & non-core assets and availment of debt. The average month-end utilisation of its fund-based working capital limits in 12-months ended December 31, 2024, stood at 78%. Being a part of the C. K. Birla group and due to its investments in listed equity shares valued at ₹428 crore as on March 04, 2025, OPIL derives significant financial flexibility. The debt repayment obligations of the company in the next two years are expected to be funded out of a mix of internal accruals, selling of quoted equity investment or sale of non-core assets.

Key weaknesses
Moderation in financial performance in 9MFY25
The subdued performance in FY24 was considering shut down of plant for ~30 days in Q2FY24 for alignment of enhanced pulping capacity with existing unit, coinciding with lower average sales price realisation of PWP due to cheaper imports, and higher repairs and maintenance cost. The performance for caustic soda also remained impacted in FY24 in view of demand slowdown from user industries and increased supply considering higher capacities and imports.
In 9MFY25, the company incurred net loss of ₹36.59 crore against profit after tax (PAT) of ₹12.64 crore in 9MFY24, despite increase in total operating income (TOI) from ₹589.58 crore in 9MFY24 to ₹676.51 crore in 9MFY25. The losses are attributed to continued pricing pressure in PWP and the significant increase in input (bamboo and wood) costs compared to previous year and increase in other expenses including handling and packing expenses. Accordingly, the financial performance is expected to remain subdued in FY25 and improve thereafter, when the new crop for wood/bamboo shall be available leading to expected easing of raw material prices.

Sizeable debt repayment obligations in the medium-term
The company has sizeable debt repayment obligation to the tune of ~₹60 crore pending in current year and ₹120 crore in FY26. Any shortfall in debt repayment beyond its cash accruals is expected to be met out of selling of quoted liquid investments and non-core assets. CARE Ratings derives comfort from OPIL being a part of the CK Birla group and strong relationship with its

lenders, which is likely to enable it to arrange for timely financing to fund shortfalls in accruals for servicing debt obligations, as has been adequately demonstrated in the recent past.

Sub-optimal capacity utilisation (CU) of tissue paper plant

The CU of tissue paper plant remained moderate at 63% in FY24 (66% in FY23) and 65% in 9MFY15 due to process bottlenecks. As a result, the return indicators have remained impacted. CU of PWP improved from 81% in FY23 to 88% in FY24 and further to 104% in 9MFY25.

Profitability susceptible to input price volatility

Raw material is the largest cost component for paper manufacturers. Although the company is increasing its emphasis on development and plantation of clonal saplings, the dependence on external wood and bamboo supplies is still high (close to 55%), exposing the company to risk of raw material availability and price volatility. Initiatives undertaken by the company towards farm forestry and captive plantations are expected to mitigate such risks to a greater extent over the medium-to-long term. With the cost of raw materials shooting up drastically driven by increased demand from competing wood-based industries and lower wood output due to lower plantation in the pandemic, paper manufacturers found it difficult to pass on the increase in input costs to the end consumer via price hikes as reflected by lower net realisations. Raw material prices have significantly increased in 9MFY25 for OPIL, leading to continuation of net loss in the current year.

Power cost is another significant portion of cost for OPIL. The company requires uninterrupted supply of coal for its power plant and remains exposed to price volatility of coal and its availability. OPIL commissioned a new recovery boiler with an enhanced capacity from 450 TPD to 600 TPD in November 2022, which generates surplus steam and reduce coal requirement. Accordingly, power cost reduced in FY24 compared to FY23.

Large contingent liabilities

OPIL has significant amount of contingent liabilities as on March 31, 2024 (₹3,019 crore). A large part of its contingent liabilities comprises demands contested by the company with respect to levy of water tax (₹2,714 crore including interest and penalty of ₹2,133 crore) and cess on captive power consumption (₹218 crore). Crystallisation of such liabilities might impact the company's liquidity. The company received the offer of one-time settlement of water tax claims at ₹79 crore and withdrawal of writ petition from the High Court, for which, the company has not given consent. As articulated by the management, the final outgo in this regard is not likely to be significant.

Competition from imports impacting paper industry

Rising imports of paper (excluding newsprint) are expected to discourage paper production. The industry is facing stiff competition from imports, particularly from the Association of Southeast Asian Nations (ASEAN) and China. Paper imports in India grew by 34% y-o-y in FY24, following a 25% y-o-y increase in FY23. Domestic industry is urging the government to take steps to reduce imports. The Indian Paper Manufacturers Association (IPMA) is seeking an increase in basic customs duty on paper and paper board. It is also seeking the issuance of quality control orders for different grades of paper. This can curb imports of inferior products in the country. Excessive imports and government measures to curb it would remain a key monitorable for the company's credit profile.

Environment, social, and governance (ESG) risks

The paper manufacturing industry faces significant environmental risks, including air, water, and land pollution. Discarded paper and paperboard contribute substantially to municipal solid waste in landfills. The pulp and paper production process emits considerable industrial pollutants into the air, water, and land. Paper production also requires significant amount of water. Water treatment is crucial, as the pulping and bleaching processes release complex organic and inorganic pollutants that must be adequately treated.

The company is developing plans on reducing eco-system carbon footprints, soil, and water conservation to ensure sustainability of operations. OPIL achieved 8% reduction in energy consumption and 15% reduction in emission in paper business in FY24. The Board of Directors comprises six members, of which, four are independent directors. OPIL expended ₹3.03 crore in FY24 against ₹0.08 crore obligation on its corporate social responsibility (CSR).

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](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Forest materials	Paper, forest & jute products	Paper & paper products

Incorporated in 1936, OPIL belongs to the C.K. Birla group. It is currently engaged in manufacturing paper, with a paper unit in Amlai, Madhya Pradesh, having a capacity of 1,10,000 tonne per annum (PWP – 55,000 TPA and tissue paper – 55,000 TPA) and caustic soda and its derivatives. The paper products are sold under brand names 'Diamond Touch', 'Orient', and 'First choice'.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	9MFY25 (UA)
Total operating income	942.96	831.94	676.51
PBILDT	161.96	61.08	-10.42
PAT	99.25	6.23	-36.59
Overall gearing (times)	0.19	0.21	NA
Interest coverage (times)	15.58	2.11	NM

A: Audited; UA: Unaudited; NA: Not available; NM: Not Meaningful; Note: these are latest available financial results

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 facilities: Annexure-3

Complexity level of facilities rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	December 2030	197.50	CARE A; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	54.00	CARE A; Stable / CARE A1
Fund-based - LT/ ST-CC/Packing Credit		-	-	-	66.00	CARE A; Stable / CARE A1
Fund-based - ST-Term loan		-	-	December 2025	70.00	CARE A1
Non-fund-based - LT/ ST-BG/LC		-	-	-	101.00	CARE A; Stable / CARE A1
Non-fund-based - ST-Forward Contract		-	-	-	1.00	CARE A1

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - LT/ ST-BG/LC	LT/ST	101.00	CARE A; Stable / CARE A1	1)CARE A+; Negative / CARE A1+ (01-Oct-24) 2)CARE A+; Stable / CARE A1+ (04-Jun-24) 3)CARE A+; Stable / CARE A1+ (05-Apr-24)	1)CARE A+; Stable / CARE A1+ (09-Oct-23)	1)CARE A+; Stable / CARE A1+ (23-Sep-22)	1)CARE A+; Negative / CARE A1+ (06-Oct-21)
2	Non-fund-based - ST-Forward Contract	ST	1.00	CARE A1	1)CARE A1+ (01-Oct-24) 2)CARE A1+ (04-Jun-24) 3)CARE A1+ (05-Apr-24)	1)CARE A1+ (09-Oct-23)	1)CARE A1+ (23-Sep-22)	1)CARE A1+ (06-Oct-21)
3	Fund-based - LT/ ST-Cash Credit	LT/ST	54.00	CARE A; Stable / CARE A1	1)CARE A+; Negative / CARE A1+ (01-Oct-24) 2)CARE A+; Stable / CARE A1+ (04-Jun-24) 3)CARE A+; Stable / CARE A1+ (05-Apr-24)	1)CARE A+; Stable / CARE A1+ (09-Oct-23)	1)CARE A+; Stable / CARE A1+ (23-Sep-22)	1)CARE A+; Negative / CARE A1+ (06-Oct-21)
4	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	66.00	CARE A; Stable / CARE A1	1)CARE A+; Negative / CARE A1+ (01-Oct-24) 2)CARE A+; Stable / CARE A1+ (04-Jun-24)	1)CARE A+; Stable / CARE A1+ (09-Oct-23)	1)CARE A+; Stable / CARE A1+ (23-Sep-22)	1)CARE A+; Negative / CARE A1+ (06-Oct-21)

					3)CARE A+; Stable / CARE A1+ (05-Apr-24)			
5	Fund-based - LT-Term Loan	LT	197.50	CARE A; Stable	1)CARE A+; Negative (01-Oct-24) 2)CARE A+; Stable (04-Jun-24) 3)CARE A+; Stable (05-Apr-24)	1)CARE A+; Stable (09-Oct-23)	1)CARE A+; Stable (23-Sep-22)	1)CARE A+; Negative (06-Oct-21)
6	Non-fund-based - LT-Letter of credit	LT	-	-	1)Withdrawn (01-Oct-24) 2)CARE A+; Stable (04-Jun-24) 3)CARE A+; Stable (05-Apr-24)	1)CARE A+; Stable (09-Oct-23)	1)CARE A+; Stable (23-Sep-22)	1)CARE A+; Negative (06-Oct-21)
7	Fund-based - ST-Term loan	ST	70.00	CARE A1	1)CARE A1+ (01-Oct-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Fund-based - LT/ ST-CC/Packing Credit	Simple
4	Fund-based - ST-Term loan	Simple
5	Non-fund-based - LT/ ST-BG/LC	Simple
6	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE 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, CARE 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 RBI. With an equitable position in the Indian capital market, CARE 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, CARE 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. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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