Tamilnadu Newsprint & Papers Limited

September 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,692.94 (Reduced from 1,817.94)	CARE A; Stable	Reaffirmed; Outlook revised from Positive
Long-term / Short-term bank facilities	350.00	CARE A; Stable / CARE A1	Reaffirmed; Outlook revised from Positive
Short-term bank facilities	1,725.00 (Enhanced from 1,600.00)	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in the outlook from 'Positive' to 'Stable' assigned to the long-term rating for bank facilities of Tamilnadu Newsprint & Papers Limited (TNPL) reflects the company's performance in FY25, marked by decline in total operating income (TOI), sharp contraction in profitability, and moderation of debt coverage indicators which were significantly lower than envisaged by CARE Ratings Limited (CareEdge Ratings). The profit margin was pressured by volatile input costs, steep price corrections across key segments, and heightened competition from low-priced Association of Southeast Asian Nations (ASEAN) imports, compounded by a surge in domestic pulp prices. In Q1FY26, TNPL reported a net loss, underscoring continued pressure on margins and operational efficiency. However, the stable outlook is underpinned by expectations of improved sales in FY26, supported by favourable demand-supply dynamics and the Government's recent announcement of a minimum import price on virgin multi-layer paper board, which is likely to boost domestic production, improve sales realisations, and drive revenue growth and margin recovery.

Ratings continue to derive strength from the strong operational track record with TNPL being one of the largest integrated players with a well-established distribution network in the Print and Writing Paper (PWP) segment, strong raw material sourcing capabilities, and improving capacity utilisation at PWP mill on year-over-year (y-o-y) basis. However, TNPL's capital structure continues to remain leveraged, and is exposed to forex fluctuation. Ratings also factor in the major debt-funded capex planned in the next two years towards the tissue paper machine and revamping of steam and power systems, apart from the routine capex. CareEdge Ratings notes the financial flexibility that TNPL enjoys with track record of raising debt at competitive rates and high refinancing capability.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total debt to profit before interest, lease rentals, depreciation, and taxation (TD/PBILDT) below 2.75x on a continued basis.
- Sustained growth in TOI above 5% while maintaining PBILDT levels of 15-17%.

Negative factors

- Moderation in profitability leading to lower accruals resulting in TD/PBILDT of above 5.5x on a continued basis.
- Deterioration of total outside liabilities to tangible net worth (TOL/TNW) above 1.8x.

Analytical approach: Standalone

CareEdge Ratings has adopted a standalone approach for rating the facilities of TNPL.

Outlook: Stable

The stable outlook reflects CareEdge Rating's expectation that TNPL will maintain its established market position on the back of favourable demand-supply dynamics and the Government's recent announcement of a minimum import price on virgin multi-layer paper board, which is likely to boost domestic production, improve sales realisations, and drive revenue growth and margin recovery.

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

Detailed description of key rating drivers:

Key strengths

Strong operational track record in PWP industry with integrated operations

TNPL has been operational for over four decades and has emerged as one of the leading manufacturers of PWP in India. TNPL operates an integrated pulp and paper mill (Unit-I) at Karur, Tamil Nadu, with three paper machines aggregating to a total installed capacity of 4 lakh tonne per annum (LTPA). Unit-I has a pulping capacity of 1,580 tonne per day (tpd) as on March 31, 2025, including hardwood pulping capacity of 730 tpd, chemical bagasse pulping capacity of 550 tpd, and deinking pulp plant with a capacity of 300 tpd. The company also developed captive power plants at its units and the plant at Unit I has a capacity of 103.62 MW as on March 31, 2025. Unit I is self-sufficient in terms of pulp and power requirements. The unit I also has an in-house cement plant, which uses lime sludge waste and fly ash produced in the paper production to produce cement. The company also has wind farms with a capacity of 35.50 MW in Tirunelveli, Tamil Nadu. The company has significant presence in the domestic PWP market supported by network of dealers across India. Being one of the largest players in the domestic paper industry with long track record, TNPL has been able to establish strong relationship with its customers. TNPL also acts as a key supplier for paper for textbooks and other material to the Government of Tamil Nadu (GoTN), which accounts for ~20% of the total sales. The PWP mill was ~97% utilised in FY25. As informed, the company's plants can produce up to 4.8 lakh TPA from its existing facilities without undergoing major capex. Currently, TNPL is focussed on high-margin products, such as copier paper, which is expected to support margin growth going forward.

Optimisation of product mix and backward integration in paperboard segment

TNPL has two lakh TPA capacity in paperboard segment. The company optimises its product mix based on the market requirement and production varies according to the demand. The paper boards segment (majorly Folding box board [FBB] and Solid Bleached sulphate [SBS]) is predominantly end-user specified. These are used for packaging in customer facing industries including pharmaceutical, health care, food and cosmetics among others.

Overall capacity utilisation in board plant had increased from 84% in FY23 to 98% in FY24, before easing to 95% in FY25. Following the commissioning of the Unit II pulp mill, TNPL shifted its product mix from low-margin grey back board (recycled fiber) to high-margin solid bleached sulphate (SBS) board. The company has been focused on expanding its presence in premium virgin fibre boards such as folding box board, SBS, cup stock, and specialty grades. Despite this shift, realisations declined in FY25 due to lower sales prices.

Established raw material sourcing capabilities

TNPL sources bagasse, which is the primary raw material, from local sugar mills on barter basis in exchange for steam/coal (coal is used to produce steam) used in these sugar mills. Long-term agreements have been entered with six sugar mills in Tamil Nadu for sourcing bagasse in exchange for coal supplied for steam generation. The shortfall is met through open market purchases and temporary tie-up arrangements with sugar mills. The share of bagasse in the overall raw material mix for PWP has remained ~50-60% in the past three years. The other major raw material for PWP is wood pulp which constituted ~30%. In the board segment, wood pulp constitutes ~65-70% raw material and balance is imported pulp. In FY25, over ~63% of the total wood pulp consumed was procured directly from farmers, ~20% from government sources, such as Tamil Nadu Forest Plantation Corporation Limited (TAFCORN) and remaining ~17% through open market sources.

TNPL also has in-house biotechnology and bio-energy research centres to develop tissue culture seedlings, which are used as mother plants in its plantation schemes. As on March 31, 2025, the company had established pulpwood plantations in 282,321 acres from 2004-2025 under its captive plantation and farm forestry scheme.

Key weaknesses

Moderation in performance in FY25 and Q1FY26

TNPL navigated a challenging operating environment in FY25, marked by elevated raw material costs, increased competition from low-cost imports, and pricing pressure across key product segments. TNPL's revenue growth remained muted in FY25 due to a decline in sales realisation, particularly in the printing, packaging, and specialty paper segments. The influx of low-priced imports from ASEAN countries and subdued export demand contributed to marginally lower revenue compared to FY24. The company's profitability was further affected by price corrections across product categories and reduced margins. In Q1FY26, TNPL reported a net loss, underscoring continued pressure on margins and operational efficiency. Going forward, CareEdge Ratings anticipates an improvement in TNPL's TOI and margins in H2FY26, driven by a recovery in demand, favourable demand-supply dynamics, and the Government's recent imposition of a minimum import price on virgin multi-layer paper board. This policy is expected to support domestic production, enhance capacity utilisation, and ease pricing pressure on domestic manufacturers.

Moderately leveraged capital structure; however, company enjoys high refinancing capability
The company's capital structure remained moderately leveraged with an overall gearing of 1.12x as on March 31, 2025. With decrease in profitability, debt protection metrics have moderated in FY25. The company's TD/PBILDT deteriorated from 3.03x as on March 31, 2024, to 5.26x as on March 31, 2025, owing to decline in profitability levels. Interest coverage ratio (ICR) also decreased from 3.48x in FY24 to 2.06x in FY25, considering decrease in PBILDT levels. Going forward, increase in debt levels beyond the estimated debt for funding the capex and its impact on the company's debt metrics would remain a key monitorable in the future.

Nevertheless, TNPL enjoys strong financial flexibility with track record of availing debt of longer tenures to ease out repayments. High-cost loans are replaced with lower cost loans on regular basis. Continuous monitoring and readjusting of loan portfolio have enabled the company to keep the cost of borrowing at the minimum level. The company has strong refinancing capability to raise fresh term loans to fund shortfalls.

Exposure to volatility in raw material and fuel prices
The company is exposed to volatility associated with the raw materials and fuel prices. The company obtains bagasse through barter arrangement with sugar mills in exchange for steam/coal. The steam is produced in the company's power boilers. The company imports coal and volatility in coal price can affect profitability margins and to partially offset this risk, the company had started utilising internally generated agro fuels such as pith wood dust bark as fuel in power boilers reducing dependency on imported coal. The company also imports pulp, and steep fluctuations could affect the company's profitability levels.

Major debt-funded capital expenditure undertaken
TNPL is in the process of setting up a tissue paper manufacturing plant at an estimated cost of ₹340 crore, alongside a revamp of its steam and power system with a planned investment of ₹250 crore for Phase I. Both projects are scheduled to be completed from FY26 to FY27 and are primarily funded through debt, with ~80% of the funding coming from borrowings. The tissue paper project has already achieved financial closure, and both projects are progressing per schedule, with no anticipated delays in execution. The timely commencement and completion of these projects, without cost overruns, remain key rating monitorable.

Liquidity: Adequate
TNPL's liquidity is expected to be adequate mainly due to its financial flexibility which is evident from the company's ability to raise longer tenure loans from different lenders at competitive interest rates. TNPL's long-term debt repayment obligations are sizeable at ₹330- ₹370 crore in FY26 and FY27 against, which the company is expected to generate cash accruals of ₹430-₹460 crore. The company's average working capital utilisation was moderate at 60%-65% for the last 12 months ended June 2025. The company has capital expenditure planned of over ₹600 crore in the next two years towards the tissue paper machine and revamping of steam and power systems, apart from the routine capex. These are expected to be funded through a mix of debt and internal accruals in the ratio of 80:20. TNPL is expected to generate sufficient cash accruals to fund the additional debt repayments and the ICR is expected to be comfortable at over 3x going forward. In the near-to-medium term, the company's accruals and unutilised bank lines are expected to be adequate to meet incremental working capital needs. In FY25, the company had net cash flow from operations amounting to ~₹461 crore.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks
For the paper industry, the main factor of ESG affecting the sector is the environmental factors such as deforestation, biodiversity and land use, water stress, and emissions. Human capital is also a vital component in the capital intense paper industry. Governance remains a universal concept affecting the Indian companies across all sectors.

Environment:
The company uses bagasse (residue of the sugar cane industry) as its primary raw material and reused wastepaper (~10-15% of total raw materials) to produce paper. All raw materials are sourced from sustainable sources.
Deforestation: Only 45% raw material is hardwood pulp, which is also sourced from captive, farm forestry operations and not from forests. Per the management, TNPL saves over 40,000 acres forest land from depletion every year.
Water usage: TNPL implemented water conservation programmes, such as rainwater harvesting, wastewater treatment, and reduce among others. The company's water usage is among the lowest with 32 kilolitre per tonne used for paper production. TNPL is also exploring other options to move towards zero liquid discharge.
Waste disposal and reduction: To minimise the waste generated, the company has established a cement factory to convert the inorganic solid waste including lime sludge and fly ash generated from pulp, Paper and Paper Board mill into high grade cement.

Social:
Occupational hazard: TNPL has adopted a clearly defined Occupational Health and Safety Policy. Suitable Personal Protective Equipment's (PPE) are provided to all employees. Periodical Training Programmes are conducted on handling of hazardous chemicals, material handling, usage of PPEs, electrical safety, road safety, first aid, and firefighting among others to improve safety awareness among the employees including contract workmen.
The company also has a farm forestry scheme which targets local and marginalised farmers.

Governance:
Board qualification: The GoTN (with 35.32% shareholding as on June 30, 2025) appoints the chairman and managing director and nominates two other non-executive directors of TNPL. Presently, Dr Sandeep Saxena, IAS is the company's chairman and MD from August 2024. TNPL's board and management are assisted by an experienced team of highly qualified professionals across functions to manage the company's day-to-day affairs of the company.

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 and jute products	Paper and paper products

TNPL was promoted by the GoTN and the Industrial Development Bank of India (IDBI) in 1979 to manufacture newsprint / PWP using bagasse as the primary raw material. In 2004, IDBI offloaded its stake in TNPL and since then GoTN has become the single-largest stake holder in the company. GoTN holds 35.32% stake as on June 30, 2025. The company operates two plants, with presence in the PWP and packaging board business and is one of the largest players in the domestic paper and paper products industry. The company has a strong management team, where the chairman and managing director is appointed by the GoTN and is supported by well-experienced executives handling key functions in the organisation.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	June 30, 2025 (UA)
Total operating income	4,719.89	4,514.64	1154.55
PBILDT	777.14	445.56	113.92
PAT	208.16	3.72	-7.41
Overall gearing (times)	1.13	1.12	NA
Interest coverage (times)	3.48	2.06	2.35

A: Audited UA: Unaudited NA: Not available; 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 instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30/09/2032	1692.94	CARE A; Stable
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	350.00	CARE A; Stable / CARE A1
Fund-based/Non-fund-based-Short Term		-	-	-	400.00	CARE A1
Fund-based/Non-fund-based-Short Term		-	-	-	900.00	CARE A1
Non-fund-based - ST-BG/LC		-	-	-	425.00	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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	1692.94	CARE A; Stable	-	1)CARE A; Positive (03-Jan-25)	1)CARE A; Positive (09-Oct-23)	1)CARE A; Stable (03-Oct-22)
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	350.00	CARE A; Stable / CARE A1	-	1)CARE A; Positive / CARE A1 (03-Jan-25)	1)CARE A; Positive / CARE A1 (09-Oct-23)	1)CARE A; Stable / CARE A1 (03-Oct-22)
3	Non-fund-based - ST-BG/LC	ST	425.00	CARE A1	-	1)CARE A1 (03-Jan-25)	1)CARE A1 (09-Oct-23)	1)CARE A1 (03-Oct-22)
4	Fund-based/Non-fund-based-Short Term	ST	400.00	CARE A1	-	1)CARE A1 (03-Jan-25)	1)CARE A1 (09-Oct-23)	1)CARE A1 (03-Oct-22)
5	Fund-based/Non-fund-based-Short Term	ST	900.00	CARE A1	-	1)CARE A1 (03-Jan-25)	1)CARE A1 (09-Oct-23)	1)CARE A1 (03-Oct-22)

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

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-CC/PC/Bill Discounting	Simple
3	Fund-based/Non-fund-based-Short Term	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CareEdge 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, CareEdge 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 Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge 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, CareEdge 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. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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