

Orient Paper And Industries Limited

September 04, 2025

S. No.	Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
1.	Long-term bank facilities	100.00	CARE A; Stable	Assigned
2.	Long-term bank facilities	132.00 (Reduced from 197.50)	CARE A; Stable	Reaffirmed
3.	Long-term / Short-term bank facilities	221.00	CARE A; Stable / CARE A1	Reaffirmed
4.	Short-term bank facilities	1.00	CARE A1	Reaffirmed
5.	Short-term bank facilities	-	-	Withdrawn

Details of facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Orient Paper and Industries Limited (OPIL) continue to draw significant strength from the company's long track record in paper industry and financial flexibility derived by being a part of the established C. K. Birla group. Ratings also derive strength from its comfortable capital structure and strong liquidity in the form of quoted equity investments, which provides significant support to OPIL's debt metrics. Ratings also factor in significant debt reduction in Q1FY26, out of proceeds from sale of investment in quoted equity shares.

Ratings continue to remain constrained by OPIL's exposure to raw material and finished goods price volatility and cyclicity attached to the paper industry, sub-optimal capacity utilisation of tissue paper plant, significant contingent liabilities in the company's books, mainly relating to water tax and cess on captive power consumption, which are under dispute. Ratings are further constrained by moderation in the company's financial performance in FY25 (refers to April 01 to March 31) and Q1FY26.

CARE Ratings Limited (CareEdge Ratings) has withdrawn the rating assigned to short-term bank facilities (S. No. 5) with immediate effect as the company has surrendered the aforementioned bank facilities rated by CareEdge Ratings and there is no amount outstanding against the same.

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 CareEdge Ratings belief that OPIL is likely to sustain its comfortable financial risk profile with strong financial flexibility derived by virtue of being a part of the C. K. Birla group.

¹Complete 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

Part of the established CK Birla group

Incorporated in July 1936, OPIL belongs to the established C. K. Birla group. C K Birla manages the company's affairs and has been associated with the company since 1978. 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. OPIL gets significant financial flexibility being a part of the C. K. Birla group.

Conservative capital structure with significant debt reduction in Q1FY26

OPIL's overall gearing ratio continued to remain comfortable at 0.27x as on March 31, 2025 (0.21x as on March 31, 2024). The debt level increased to ₹417 crore as on March 31, 2025 (₹337 crore as on March 31, 2024), to meet the working capital needs, funding of losses and capex requirement in FY25. However, the debt level has significantly reduced to ₹239 crore as on June 30, 2025, met out of liquidation of investments in quoted equity shares. However, the company plans to implement capex, in a phased manner. With a healthy net worth base of ₹1,535 crore as on March 31, 2025, even after considering the proposed debt, overall gearing is expected to remain comfortable.

Long track record in the paper industry and initiatives to improve operational efficiency

OPIL has a long track record of operations in paper industry, with presence in tissue paper and writing and printing paper (WPP). 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 entire wood requirement through local farmers in 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, elemental chlorine free bleaching, new recovery boiler (600 tonne per day [TPD])/evaporator [150 TPD]) to improve its operating efficiency. However, the company is using old machineries bought in 1960s which is resulting in higher power consumption and repair and maintenance costs compared to its peers.

Liquidity: Adequate

OPIL incurred cash loss of ₹37.55 crore in FY25. Given subdued profitability, large part of liquidity needs was funded out of availing debt. In Q1FY26, OPIL prepaid significant portion of loan instalments due in FY26 and short-term loans out of the proceeds from sale of investments, resulting in negligible repayment obligation for rest of FY26. The company's sizeable debt repayment obligations for FY27-FY28 is expected to be funded out of a mix of internal accruals and selling of quoted equity investment or non-core assets. OPIL holds investments in few listed companies, having strong credit quality with a market value of ~₹322 crore as on June 30, 2025, providing significant financial flexibility and liquidity support. OPIL also holds ~850 acres land at Brajrajnagar, Odisha, where its first paper factory was set up, which is currently not in use, with other land and investment properties. The average month-end utilisation of its fund-based working capital limits for 12-months ended July 31, 2025, stood at ~68%.

Key weaknesses

Moderation in financial performance in FY25 and Q1FY26

OPIL's total operating income (TOI) grew by 7.69% in FY25, driven by increase in sale value for WPP, tissue paper, and caustic soda. However, average sales realisation has declined y-o-y basis coupled with increase in raw material prices- particularly bamboo and wood. The dual impact of realisation and input cost led to contraction of gross margin by 875 basis points and operating loss in FY25. While PBILDT margin improved in Q1FY26, it remained subdued on a sequential basis. Expected softening in timber prices may support profitability; however, pricing pressure and competitive intensity remain key monitorable.

Sizeable debt repayment obligations beyond FY26

In Q1FY26, OPIL has prepaid a substantial portion of debt repayment obligation falling due in FY26 out of proceeds from sale of quoted investments. However, repayment obligation for FY27 and FY28 is sizeable. Shortfall in debt repayment beyond its cash accruals is expected to be met out of selling of quoted liquid investments and non-core assets. CareEdge 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 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 stable at ~70% in FY25 and FY24, though slightly improved to 74% in Q1FY26, remained moderate due to process bottlenecks. As a result, return indicators were impacted. CU of WPP improved from 97% in FY24 to 114% in FY25 and further to 123% in Q1FY26.

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 through price hikes as reflected by lower net realisations. Raw material prices significantly increased in FY25 for OPIL, leading to net loss in FY25. 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 coal's price volatility and 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 reduces coal requirement resulting in reduction of power cost from FY24 onwards.

Large contingent liabilities

OPIL has significant amount of contingent liabilities as on March 31, 2025 (₹3,487 crore). A large part of its contingent liabilities comprises demands contested by the company considering levy of water tax (₹3,147 crore including interest and penalty of ₹2,414 crore) and cess on captive power consumption (₹253 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 7% y-o-y in FY25, following a 27% y-o-y increase in FY24. 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.

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](#)

[Withdrawal Policy](#)

[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 at Amlai, Madhya Pradesh, having a capacity of 1,00,000 tonne per annum (WPP – 50,000 TPA and tissue paper – 50,000 TPA), caustic soda plant with capacity of 40,000 MTPA and a 55MW captive power plant. The paper products are sold under brand names 'Diamond Touch', 'Orient', and 'First choice'.

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)	Q1FY26 (UA)
Total operating income	831.94	895.95	238.34
PBILDT	61.08	-14.56	1.40
PAT	6.23	-54.66	33.99
Overall gearing (times)	0.21	0.27	0.14
Interest coverage (times)	2.11	NM	0.17

A: Audited UA: Unaudited; 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 facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	December 2030	132.00	CARE A; Stable
Fund-based - LT-Working capital Term Loan		-	-	September 2028	100.00	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		-	-	May 2025	0.00	Withdrawn
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 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	Non-fund-based - LT/ ST-BG/LC	LT/ST	101.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (13-Mar-25) 2)CARE A+; Negative / CARE A1+ (01-Oct-24) 3)CARE A+; Stable / CARE A1+ (04-Jun-24) 4)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)
2	Non-fund-based - ST-Forward Contract	ST	1.00	CARE A1	-	1)CARE A1 (13-Mar-25) 2)CARE A1+ (01-Oct-24) 3)CARE A1+ (04-Jun-24) 4)CARE A1+ (05-Apr-24)	1)CARE A1+ (09-Oct-23)	1)CARE A1+ (23-Sep-22)
3	Fund-based - LT/ ST-Cash Credit	LT/ST	54.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (13-Mar-25) 2)CARE A+; Negative / CARE A1+ (01-Oct-24) 3)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)

						4)CARE A+; Stable / CARE A1+ (05-Apr-24)		
4	Fund-based - LT/ ST- CC/Packing Credit	LT/ST	66.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (13-Mar-25) 2)CARE A+; Negative / CARE A1+ (01-Oct-24) 3)CARE A+; Stable / CARE A1+ (04-Jun-24) 4)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)
5	Fund-based - LT-Term Loan	LT	132.00	CARE A; Stable	-	1)CARE A; Stable (13-Mar-25) 2)CARE A+; Negative (01-Oct-24) 3)CARE A+; Stable (04-Jun-24) 4)CARE A+; Stable (05-Apr-24)	1)CARE A+; Stable (09-Oct- 23)	1)CARE A+; Stable (23-Sep- 22)
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)
7	Fund-based - ST-Term loan	ST	-	-	-	1)CARE A1 (13-Mar-25) 2)CARE A1+ (01-Oct-24)	-	-
8	Fund-based - LT-	LT	100.00	CARE A; Stable				

	Working capital Term Loan							
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LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not applicable

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-Working capital Term Loan	Simple
3	Fund-based - LT/ ST-Cash Credit	Simple
4	Fund-based - LT/ ST-CC/Packing Credit	Simple
5	Fund-based - ST-Term loan	Simple
6	Non-fund-based - LT/ ST-BG/LC	Simple
7	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

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