

## Andhra Paper Limited

December 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating1	Rating Action
Long-term / Short-term bank facilities	-	-	Reaffirmed at CARE AA; Stable / CARE A1+ and withdrawn
Long-term bank facilities	-	-	Reaffirmed at CARE AA; Stable and withdrawn

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has reaffirmed and withdrawn outstanding ratings of 'CARE AA; Stable/CARE A1+' to bank facilities of Andhra Paper Limited (APL) with immediate effect. Reaffirmation of ratings continue to derive strength from experienced and common promoters for APL and West Coast Paper Mills Limited (WCPM, holding company of APL), with a long-standing track record in the Indian paper industry, integrated nature of operations and well-established distribution network. Ratings reflect APL's comfortable capital structure and strong liquidity position, supported by surplus liquid investments, with cash and liquid holdings of over ₹650 crore as on September 30, 2025.

However, ratings remain constrained by the decline in total operating income (TOI) and profit before interest, lease liabilities, depreciation and tax (PBILDT) margins in FY25, primarily due to increased competition from international players offering products at more competitive prices. The company continues to face relatively higher manufacturing costs due to elevated raw material prices. Ratings are further tempered by inherent cyclical nature of the paper industry and raw material cost volatility. With planned capex for upgrading the pulp mill and establishing a tissue paper plant, ratings are also impacted by associated project implementation risks.

Ratings are withdrawn at the request of APL and 'No Objection Certificate' received from the HDFC Bank, Axis Bank, State Bank of India and Standard Chartered Bank that have extended bank facilities rated by CareEdge Ratings.

### Analytical approach:

Standalone, factoring in linkages with the parent (WCPM) through common management. Treasury functions of WCPM and APL are centralised.

**Outlook:** Not applicable

### Detailed description of key rating drivers:

#### Key strengths

##### Long-standing presence in the Indian paper industry with integrated operations

APL (erstwhile known as International Paper APPM Limited and The Andhra Pradesh Paper Mills Limited) was incorporated in 1964 by the L.N. Bangur group at Rajahmundry, Andhra Pradesh for manufacturing paper. APL's total installed capacity is 2,55,550 metric tonnes per annum (MTPA) finished paper and 2,00,000 MTPA virgin pulp as on September 30, 2025. APL has been operational for over five decades and is one of the prominent players in the Indian paper industry.

The company's Rajahmundry unit is an integrated wood-based paper mill with a rated capacity to produce 1,82,400 MT of finished paper and 2,00,000 MT of bleached pulp annually. The unit manufactures uncoated writing and printing paper, mainly cut-sizes, industrial grade papers, and posters using Casuarina, Eucalyptus, and Subabul as the main sources of pulp wood. The Kadiyam unit has a rated capacity to produce 73,150 MTPA finished paper such as cream woven, azure laid, coloured cut-sizes, and industrial grade papers using recycled fibre and purchased pulp as base raw materials.

In terms of power consumption for the Rajahmundry unit, the company mainly sources 72.10% power from its captive 34-megawatt (MW) coal powered steam turbine and balance from the grid. For the Kadiyam unit, power is sourced from the 5.74-MW coal-fired boiler and balance from grid and also through DG set. APL salvages residual lignin in wood in its pulping process to fire the boiler, and hence, uses every part of the wood. The company has achieved coal savings by using bark as a fuel in the

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications

coal-fired boiler. For its coal requirements, APL has coal linkages with Mahanadi Coal Fields and Singareni Collieries Company Limited. Steep fluctuations in coal prices may have an impact on the company's operational cost.

### **Experienced promoters in the Indian paper industry**

APL's management is well-qualified with significant experience in the industry. Due to its long presence in the industry, the company has an established and qualified team of professionals at different levels to ably handle the company's day-to-day operations. WCPM had acquired 72.20% equity stake in APL for a consideration of ₹911.09 crore in FY19 (refers to April 01 to March 31). WCPM was established in 1955 and is the flagship company of the Kolkata-based SK Bangur group. The company is engaged in manufacturing writing and printing papers, cup stock paper board, optic fibre and cables among others, and has an installed paper manufacturing capacity of 3,20,000 MTPA at its manufacturing plant in Dandeli, Karnataka. Its integrated operations include a 255,000 MTPA pulp capacity and 74.8 megawatts of captive power generation. WCPM sells its products across India through its dealer network. WCPM and APL share common promoters-cum-management, and the treasury functioning for the entities are centralised.

### **Moderation in financial risk profile though continues to remain comfortable**

APL's capital structure has seen moderation in FY25; however, it continues to remain comfortable. Debt equity ratio and overall gearing as on March 31, 2025, moderated to 0.10x (PY:0.03x) and 0.15x (PY: 0.06x). Other debt coverage metrics such as interest coverage ratio (ICR) and total debt to gross cash accruals (TD/GCA) also moderated to 7.79x (PY:99.37) and 1.56x (PY:0.28) respectively. Moderation in the company's credit profile in FY25 was mainly due to an increase in total debt, as the company availed term loans to expand its existing facilities and set up a new tissue paper plant. With additional borrowings and a decline in profitability in the year, debt coverage ratios also weakened, though they continued to remain at comfortable levels. CareEdge Ratings notes that despite an increase in debt, the company has continued to maintain healthy cash and liquid investments amounting to ~₹650, resulting in a net debt-negative position.

### **Key weaknesses**

#### **Moderation in financial performance in FY25**

The company's performance in FY25 and H1FY26 noticeably moderated, driven by multiple challenges. Heightened competition from international players offering products at more competitive prices, and relatively higher input costs, weighed on profitability. Limited past plantations restricted pulp availability, resulting in higher procurement costs and exerting additional pressure on margins. Operational disruptions, including labour strikes and scheduled maintenance, led to nearly three weeks of production loss. Consequently, TOI declined by ~14% to ₹1,541.24 crore in FY25 from ₹1,801.17 crore in FY24, while PBILDT margins contracted sharply from 24.03% to 9.05% in the same period.

#### **Volatility in raw material prices**

Hardwood is the major raw material used by APL for paper manufacturing followed by wastepaper and imported pulp. Hardwood is used at the company's Rajamundry unit, while the Kadiyam unit mainly uses wastepaper and purchased pulp. Average wood pulp cost rate for APL increased in FY25. Volatility in these raw material prices is an industry scenario and has significantly impacted PBILDT margins of industry players in FY25.

#### **Liquidity: Strong**

The company's liquidity position remained strong supported by healthy cash and liquid investments of over ₹650 crore as of September 30, 2025. It is expected to generate annual cash accruals of ~₹200 crore. Debt repayment obligations for FY26 are ~₹132 crore, which are anticipated to be met through internal accruals and existing liquidity. Based on these factors, the company is expected to maintain a comfortable liquidity position in the near-to-medium term.

**Assumptions/Covenants:** Nil

**Environment, social, and governance (ESG) risks:** Not applicable

### Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[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 and jute Products	Paper and paper products

APL was incorporated in 1964 by the L.N. Bangur group as The Andhra Pradesh Paper Mills Limited (APPM) in Andhra Pradesh for paper manufacturing. In 2011, International Paper Company, through its subsidiary, acquired a controlling stake of 75% in APPM, and subsequently, in 2014-15, APPM's name was changed to International Paper APPM Limited. In 2019, WCPM, the flagship company of the Kolkata-based SK Bangur group acquired 72.20% stake in International Paper APPM Limited. Subsequently, the company's name was changed to the current nomenclature. As on September 30, 2025, WCPM holds 72.45% stake in APL.

APL is engaged in manufacturing writing, printing, and cut-size papers for foreign and domestic markets and offers a wide range of high-quality specialty grade products for a diverse range of applications. Papers are available in best-in-class brightness and produced with elemental chlorine-free (ECF) pulp technology. APL's manufacturing facilities comprise two mills at Rajahmundry and Kadiyam in east Godavari district, and a conversion centre at SN Palem in Krishna district, all in Andhra Pradesh. APL's total installed capacity is 2,55,550 MTPA finished paper and 2,00,000 MTPA virgin pulp as on September 30, 2025.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26 (UA)
Total operating income	1,801.17	1541.24	792.9
PBILDT	432.82	139.43	64.19
PAT	339.74	88.91	1.04
Overall gearing (times)	0.06	0.15	0.13
Interest coverage (times)	99.37	7.79	6.44

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 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-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-BG/LC		-	-	-	0.00	Withdrawn

**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-Cash Credit	LT	-	-	Reaffirmed at CARE AA; Stable and withdrawn (05-Dec-2025)	1)CARE AA; Stable (20-Dec-24) 2)CARE AA; Stable (03-May-24) 3)CARE AA (RWD) (25-Apr-24)	1)CARE AA; Stable (21-Dec-23)	1)CARE AA; Stable (03-Jan-23)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	-	-	Reaffirmed at CARE AA; Stable / CARE A1+ and withdrawn(05-Dec-2025)	1)CARE AA; Stable / CARE A1+ (20-Dec-24) 2)CARE AA; Stable / CARE A1+ (03-May-24) 3)CARE AA / CARE A1+ (RWD) (25-Apr-24)	1)CARE AA; Stable / CARE A1+ (21-Dec-23)	1)CARE AA; Stable / CARE A1+ (03-Jan-23)

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

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

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ 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](mailto:care@careedge.in) for clarifications.

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