Tamil Nadu Newsprint and Papers Limited

September 21, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term / Short-term bank facilities	RBI	350.00	CARE A; Stable / CARE A1	Reaffirmed
Long-term bank facilities	RBI	1,692.94	CARE A; Stable	Reaffirmed
Short-term bank facilities	RBI	1,725.00	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Tamil Nadu Newsprint and Papers Limited (TNPL) factors in the improvement in the company's operating performance in FY26, characterised by growth in total operating income (TOI), supported by an increase in sales volumes and broadly stable sales realisations across key product segments, resulting in higher operating profitability. TOI increased to ~₹4,669 crore in FY26 from ₹4,515 crore in FY25, while profit before interest, lease rentals, depreciation and taxation (PBILDT) margin improved to 10.81% in FY26 from 9.93% in FY25. Ratings also factor in the improvement in cash flow generation and modest strengthening of the financial risk profile during the year. The positive operating trend continued in Q1FY27, with the PBILDT margin improving to 10.02% from 8.88% in Q1FY26 and the company reporting a profit after tax (PAT) of ₹5.74 crore against a loss of ₹7.41 crore in the corresponding period of the previous year.

Ratings continue to derive strength from TNPL's established position as one of the largest integrated paper manufacturers in India, its diversified product portfolio, strong raw material sourcing capabilities, and well-established distribution network in the printing and writing paper (PWP) segment. Ratings also draw comfort from the company's demonstrated financial flexibility, reflected in its ability to raise long-term debt at competitive rates and maintain strong lender relationships.

However, these strengths are tempered by TNPL's leveraged capital structure, susceptibility to fluctuations in raw material prices and paper realisations, exposure to foreign exchange fluctuations, and project execution and stabilisation risks associated with the tissue paper plant and steam and power system revamp project. While the tissue paper project is expected to support revenue diversification and growth from Q3FY27 onwards, the steam and power system revamp is envisaged to improve operational efficiency and cost competitiveness. Accordingly, successful stabilisation of tissue paper operations and realisation of the anticipated efficiency benefits from the steam and power system revamp project, and sustained improvement in profitability and debt coverage metrics, remain key rating monitorable.

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

CARE Ratings Limited (CareEdge Ratings) has adopted a standalone approach for rating the facilities of TNPL.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority
[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Outlook: Stable

The stable outlook reflects CareEdge Rating's expectation that TNPL will maintain its established market position, supported by favourable demand-supply dynamics, while improving sales realisations, driving revenue growth, and achieving margin recovery.

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 and Unit-II together has a pulping capacity of 1,580 tonne per day (tpd) as on March 31, 2026, 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, 2026. 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), accounting for ~25% of the total sales. The PWP mill was 109% utilised in FY26. 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 2 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 95% in FY25 to 100% in FY26. Following the commissioning of the Unit II pulp mill, TNPL shifted its product mix from low-margin grey back board (recycled fibre) 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. Sales realisations improved in FY26 and Q1FY27 compared to FY25 and Q1FY26, respectively, supporting the improvement in operating profitability.

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 ~45-50% in the past three years. The other major raw material for PWP is wood pulp which constituted ~35%. In the board segment, wood pulp constitutes ~90% raw material and balance is imported pulp. In FY26, over ~50% of the total wood pulp consumed was procured directly from farmers, ~30% from government sources, such as Tamil Nadu Forest Plantation Corporation Limited (TAFCORN) and remaining ~20% through open market sources.

TNPL also has in-house biotechnology, clonal propagation, and research centres to develop tissue culture seedlings, which are used as mother plants in its plantation schemes. As on March 31, 2026, the company had established pulpwood plantations in 309,000+ acres from 2004-2026 under its captive plantation and farm forestry scheme.

Improvement in operating performance in FY26 and Q1FY27

Following a challenging FY25, TNPL reported an improvement in its operating performance in FY26. The company's income from operations marginally improved by 3.4% to ₹4,669 crore in FY26 from ₹4,515 crore in FY25, while PBILDT increased by 12.6% to ₹505 crore from ₹448 crore. Consequently, the PBILDT margin improved to 10.81% in FY26 from 9.93% in FY25. The improvement was supported by higher sales volume across all segments. While PAT increased significantly to ₹247.75 crore in FY26 from ₹3.72 crore in FY25, the increase was largely attributable to a deferred tax credit of ~₹219 crore during the year.

The improving trend continued in Q1FY27, where income from operations remained largely stable at ₹1,147 crore compared to ₹1,142 crore in Q1FY26, while PBILDT increased to ₹115 crore from ₹101 crore. As a result, the PBILDT margin improved to 10.02% in Q1FY27 from 8.88% in Q1FY26. The company reported a PAT of ₹5.74 crore in Q1FY27 against a loss of ₹7.41 crore in Q1FY26.

Going forward, CareEdge Ratings expects TNPL's operating performance to benefit from improved product realisations, the ramp-up of the tissue paper project from H2FY27, and the operational benefits arising from the revamp of the steam and power system. Consequently, TOI and profitability are expected to improve over the medium term.

Key weaknesses

Moderately leveraged capital structure; however, company enjoys high refinancing capability

The company's capital structure remained moderately leveraged with an overall gearing of 1.07x as on March 31, 2026. With increase in profitability, debt protection metrics have improved in FY26. The company's TD/PBILDT improved from 5.23x as on March 31, 2025, to 4.90x as on March 31, 2026, owing to increase in profitability levels. Interest coverage ratio (ICR) also improved from 2.07x in FY25 to 2.61x in FY26, considering increase in PBILDT levels and decrease in interest cost. 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.

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.

Execution and stabilisation of ongoing projects

TNPL has undertaken capacity expansion and efficiency enhancement initiatives through the establishment of a 34,000 TPA tissue paper plant and the revamp of its steam and power system (RSPS). The tissue paper project, with a total cost of ~₹350 crore, was funded through a mix of debt (₹270 crore) and internal accruals (₹80 crore). The RSPS project entails an investment of ~₹250 crore, funded through debt of ₹200 crore and internal accruals of ₹50 crore.

The tissue paper plant has been completed and is expected to commence commercial operations from Q3FY27, while the RSPS project is nearing completion and is expected to be commissioned by Q3FY27. The tissue paper division is expected to contribute to revenues from Q3FY27 onwards.

The timely commencement and stabilisation of tissue paper operations, successful completion of RSPS project within the envisaged cost and timeline, and achievement of the expected operational benefits remain key monitorable.

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 mostly 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 utilises 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.

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 ₹315- ₹360 crore in FY27 and FY28 against which the company is expected to generate cash accruals of ₹400-₹515 crore. The company's average working capital utilisation was moderate at 66% for the last 12 months ended July 2026. The company has capital expenditure planned of over ₹360 crore in the next two years towards routine maintenance and small-size efficiency projects, which are expected to be funded majorly through debt. TNPL is expected to generate sufficient cash accruals to fund the additional debt repayments and the interest coverage ratio 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 FY26, the company had net cash flow from operations amounting to ~₹544 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 28 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, 2026) appoints the chairman and managing director and nominates three other non-executive directors of TNPL. Presently, Kumar Jayant, IAS is the company's chairman and MD from April 30, 2026, following the retirement of Dr. Sandeep Saxena. 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 & jute products	Paper & 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, 2026. 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, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total operating income	4,514.64	4,669.08	1,146.64
PBILDT*	448.43	504.93	114.87
Profit after tax (PAT)	3.72	247.75	5.74
Overall gearing (x)	1.12	1.07	NA
Interest coverage (x)	2.07	2.61	2.68

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	RBI	Simple	-		-	30-09-2032	1692.94	CARE A; Stable
Fund-based - LT/ ST-CC/PC/Bill Discounting	RBI	Simple	-		-	-	350.00	CARE A; Stable / CARE A1
Fund-based/Non-fund-based-Short Term	RBI	Simple	-		-	-	400.00	CARE A1
Fund-based/Non-fund-based-Short Term	RBI	Simple	-		-	-	900.00	CARE A1
Non-fund-based - ST-BG/LC	RBI	Simple	-		-	-	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 2026-2027	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
1	Fund-based - LT-Term Loan	LT	1692.94	CARE A; Stable	-	1)CARE A; Stable (12-Sep-25)	1)CARE A; Positive (03-Jan-25)	1)CARE A; Positive (09-Oct-23)
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	350.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (12-Sep-25)	1)CARE A; Positive / CARE A1 (03-Jan-25)	1)CARE A; Positive / CARE A1 (09-Oct-23)
3	Non-fund-based - ST-BG/LC	ST	425.00	CARE A1	-	1)CARE A1 (12-Sep-25)	1)CARE A1 (03-Jan-25)	1)CARE A1 (09-Oct-23)
4	Fund-based/Non-fund-based-Short Term	ST	400.00	CARE A1	-	1)CARE A1 (12-Sep-25)	1)CARE A1 (03-Jan-25)	1)CARE A1 (09-Oct-23)
5	Fund-based/Non-fund-based-Short Term	ST	900.00	CARE A1	-	1)CARE A1 (12-Sep-25)	1)CARE A1 (03-Jan-25)	1)CARE A1 (09-Oct-23)

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

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

Annexure-4: 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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Pulkit Agarwal Director **CARE Ratings Limited** Phone: 912267543505 E-mail: pulkit.agarwal@careedge.in
Relationship Contact	Pritesh Rathi Associate Director **CARE Ratings Limited** Phone: 912040009000 E-mail: Pritesh.Rathi@careedge.in
Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Nitya Raman Assistant Director **CARE Ratings Limited** E-mail: Nitya.raman@careedge.in

About us:
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