

January 9, 2026

## Venkatalakshmi Paper and Boards Private Limited: Ratings reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based - Term loans	24.00	43.81	[ICRA]BB (Stable); reaffirmed/ assigned for enhanced amount
Long term – Fund based - Cash credit	36.00	36.00	[ICRA]BB (Stable); reaffirmed
Long term – Unallocated limits	3.00	1.19	[ICRA]BB (Stable); reaffirmed
<b>Total</b>	<b>63.00</b>	<b>81.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating action on the bank lines of Venkatalakshmi Paper and Boards Private Limited (VPBPL) considers the expected steady improvement in operational and financial performances over the medium term with the planned addition of advanced deinking capacities. VPBPL's sales volumes improved by about 4.6%, but its revenues remained stagnant at Rs. 192.9 crore in FY2025 owing to a moderation in realisations, following a decline in international newsprint paper prices and higher imports. This, coupled with an increase in overhead costs, resulted in a moderation in the operating profit margin (OPM) to around 8.1% in FY2025 compared to around 9.5% in FY2024. Nevertheless, revenues and margins are expected to improve gradually over the medium term with the planned addition of advanced de-inking facilities, which are currently being set up. Further, the overall earnings are supported by the captive power generation capacity of a 5-megawatt (MW) solar power plant. The rating continues to factor in the long track record of the company's operations and its established relationships with reputed clients in the domestic paper industry. The rating also factors in the reputed promoter profile and the established track record of financial support extended to the company.

The rating, however, remains constrained by VPBPL's moderate financial risk profile, characterised by below average coverage indicators and working capital intensive nature of operations. The company's Total Debt/OPBDITA and interest coverage moderated to around 5.0 times and around 2.2 times in FY2025 compared to around 4.5 times and around 2.4 times, respectively, in FY2024, mainly due to declining earnings. Further, the company is setting up an advanced deinking facility over FY2026 and H1 FY2027, funded through a term loan of Rs. 29.5 crore and the balance through internal accruals and unsecured loans from promoters. Though the debt coverage indicators are expected to moderate over the near term, the same are likely to improve over the medium term with the expected higher earnings from the addition of the deinking plant. The rating continues to be constrained by the stretched liquidity position with limited buffer in working capital limits and minimal free cash and bank balances. The rating also factors in the stiff competition in the paper industry and the vulnerability of VPBPL's profitability to volatility in raw materials, forex, and fuel prices. The rating also considers the concentration risks with the top three customers contributing around 45-55% to revenues and the newsprints segment accounting for a significant portion of the revenues.

The Stable outlook on the long-term rating reflects ICRA's opinion that VPBPL will continue to benefit from the strong relationship with its customers, resulting in steady order inflows and planned addition of de-inking facilities, leading to improved revenues and earnings in the medium term. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, will be funded in a manner that it is able to durably maintain its debt protection metrics.

## Key rating drivers and their description

### Credit strengths

**Long track record of operations and reputed promoter profile** – VPBPL commenced its operations in 1986 and was earlier a part of the Amaravathi Papers and Boards Group. It was taken over by Mr. R. Venkatapathy in December 2014. At present, the day-to-day operations are managed by his grandson, Mr. Rahul Narendran, the Managing Director of the company. The promoter's rich experience and the company's long presence in the paper industry support its overall business profile.

**Reputed clientele ensures repeat orders** – VPBPL supplies paper to well-known newspaper players like Dinamalar, Malaimalar, Daily Thanthi and other major dailies. The company is the sole supplier for Malai Malar, which ensures repeat orders. For Dinamalar, the company caters to Trichy and Vellore circles and for Daily Thanthi, the company supplies to almost all the centres and caters to about 20% of their needs. It has been supplying paper for lottery printing to Dhana Impex since FY2021. Dhana Impex accounted for around 22% of revenues in FY2025 (around 19% in FY2024).

### Credit challenges

**Moderate debt coverage indicators amid debt-funded capex; working capital intensive nature of operations** – Owing to moderation in earnings over the last two years, coupled with debt-funded capex in FY2024 towards the solar power plant and higher working capital borrowings, VPBPL's coverage metrics have moderated in FY2025 with an interest coverage ratio of around 2.2 times, DSCR of around 1 times, and Total Debt/OPBDITA of around 5.0 times in FY2025. Further, the company plans to set up de-inking facilities, which will be funded through term debt of Rs. 29.5 crore. This would keep the debt coverage ratio at a moderate level in the next 1-2 years. While the debt coverage indicators are expected to moderate over the near term, incremental earnings accruing from the addition of de-inking facilities are expected to improve its coverage indicators over the medium term. Besides, VPBPL's working capital intensity remained relatively higher, as reflected in NWC/OI of around 31% in FY2025 compared to 28% in FY2024 due to higher inventory holding. This has increased the company's reliance on external debt, as reflected in cash credit utilisation of around 98% in the 12 months ending in November 2025.

**Susceptibility of profitability to raw material prices and realisations** – Wastepaper (the key raw material) accounts for 55-60% of the total operating costs, followed by power and fuel costs (20-23%). Hence, the profitability of the firm remains exposed to the volatility in wastepaper and coal prices, given its limited power to pass on the increased costs to its end-customers. The company sources wastepaper both from the domestic markets (65%) as well as imports (35%), exposing itself to forex rate fluctuations. Its earnings also remain susceptible to international newsprint prices. Increased competition from imported newsprint paper and low international prices have led to a decrease in realisations, which in turn resulted in a decline in margins in FY2024 and FY2025.

**Exposed to product and customer concentration risks** – VPBPL's top three customers contributed around 53% to revenues in FY2025 and a significant portion of the revenues was derived from the newsprint segment. The newsprint division contributed around 90% to the revenues. The customer and product concentration in this segment is set to continue as the company's Unit-3 is now producing newsprints against the previous practice of manufacturing Kraft paper. The concentration risk is also set to be driven by increased orders from the existing clients and acquisition of new clients in the newsprint space.

**Intensely competitive and fragmented industry** – The paper manufacturing industry is highly fragmented with presence of a large number of players, resulting in limited pricing power for players like VPBPL due to its small scale.

### Liquidity position: Stretched

VPBPL's liquidity is expected to remain stretched owing to limited buffer available in working capital limits and lower free cash and bank balances. The average utilisation of working capital limits stood at around 98% during the last 12 months ending in November 2025. The company is projected to report retained cash flows of Rs. 7-10 crore in FY2026 and against these sources, it has debt-funded capex plans of Rs. 38 crore over FY2026 and H1 FY2027, to be funded through term loans of Rs. 29.5 crore

and the balance through internal accruals and promoter loans. Further, it has term loan repayment obligations of around Rs. 6.2 crore in FY2026 and around Rs. 6 crore in FY2027. The established track record of unsecured loan infusion by the promoters provides comfort to some extent. The unsecured loan stood at Rs. 23.2 crore as on March 31, 2025, which is interest free in nature and is likely to remain in the business for long term.

### Rating sensitivities

**Positive factors** – ICRA could upgrade VPBPL’s rating if there is a steady increase in revenues and earnings, leading to an improvement in the liquidity position and debt protection metrics on a sustained basis.

**Negative factors** – Pressure on VPBPL’s rating could arise if there is a substantial decline in revenues and earnings or an elongation in the working capital cycle, weakening its debt protections metrics a sustained basis. Specific metric that could result in a rating downgrade includes DSCR of less than 1.2 times on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	The assigned rating is based on the issuer's standalone financial statements

### About the company

VPBPL, established in 1986, manufactures newsprint, tissue paper, calendar paper, poster paper, kraft and ribbed kraft from wastepaper. As on March 31, 2025, VPBPL had an installed capacity of 54,750 MTPA of newsprint paper (Unit-1) and 10,950 MTPA of tissue paper/ribbed kraft (Unit-2). The company has installed a new captive solar power plant with a production capacity of 5.2 MW. The company has been generating around 90% of its revenue from the newspaper printing segment and the balance from others such as tissue paper.

### Key financial indicators (audited)

Standalone	FY2024	FY2025
Operating income	191.0	192.9
PAT	3.0	1.6
OPBDIT/OI	9.5%	8.1%
PAT/OI	1.6%	0.8%
Total outside liabilities/Tangible net worth (times)	2.5	2.2
Total debt/OPBDIT (times)	4.5	5.0
Interest coverage (times)	2.4	2.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation Source: Company data

### Status of non-cooperation with previous CRA:

CRA	Status	Date of Release
CRISIL	CRISIL B+/Stable ISSUER NOT COOPERATING	April 08, 2025
CARE	CARE B/Stable ISSUER NOT COOPERATING	July 29, 2025
India Ratings	IND B+/Negative/A4 ISSUER NOT COOPERATING	July 18, 2025

Any other information: None

### Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	January 9, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	36.00	[ICRA]BB (Stable)	Oct 30, 2024	[ICRA]BB (Stable)	Jul 31, 2023	[ICRA]BB (Stable)	Jul 29, 2022	[ICRA]BB-(Stable)
Term loans	Long term	43.81	[ICRA]BB (Stable)	Oct 30, 2024	[ICRA]BB (Stable)	Jul 31, 2023	[ICRA]BB (Stable)	Jul 29, 2022	[ICRA]BB-(Stable)
Unallocated	Long term	1.19	[ICRA]BB (Stable)	Oct 30, 2024	[ICRA]BB (Stable)	Jul 31, 2023	[ICRA]BB (Stable)	Jul 29, 2022	[ICRA]BB-(Stable)

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Cash credit	Simple
Term loans	Simple
Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	<b>Cash Credit</b>	-	-	-	36.00	[ICRA]BB(Stable)
-	<b>Term Loan</b>	FY2024- FY2026	-	FY2032- FY2033	43.81	[ICRA]BB(Stable)
-	<b>Unallocated</b>	-	-	-	1.19	[ICRA]BB(Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

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