

December 4, 2025

Andhra Paper Limited: [ICRA]AA(Stable)/[ICRA]A1+; assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term Fund based - others	306.00	[ICRA]AA (Stable); assigned
Short-term Non Fund Based - others	25.00	[ICRA]A1+; assigned
Long-term/ Short-term - unallocated	19.00	[ICRA]AA (Stable) / [ICRA]A1+; assigned
Total	350.00	

*Instrument details are provided in Annexure I

Rationale

For arriving at the ratings, ICRA has taken a consolidated view of Andhra Paper Limited (APL), along with its parent, West Coast Paper Mills Ltd. (WCPL), together referred to as Group. APL is a strategic entity within the group, operating in the same line of business backed by a long and proven track record in the paper industry. Additionally, APL benefits from WCPL's centralised treasury functions and coordinated group-level management, functioning as an important extension of its parent.

The ratings assigned to the bank lines of APL consider the expectation that the Group's credit profile would remain satisfactory in FY2026, supported by its robust capacity utilisation levels and strong liquidity position. The ratings also factor in the established market position of APL and WCPL in the domestic writing and printing paper (WPP) industry, their capabilities in manufacturing a variety of wood-free paper, cupstocks, special grade papers, among others. Besides, its integrated nature of operations with adequate in-house capacity to manufacture virgin pulp, along with their captive power plants provide comfort.

APL, engaged in manufacturing of writing, printing, industrial, and copier papers for foreign and domestic markets has a large manufacturing capacity of 2,59,400 metric tonnes per annum (MTPA). APL's manufacturing capacity utilisation remained healthy at more than 90% over the last four years enabling to have a reasonably large scale of operations. APL also benefits from its own strong brand presence and distribution reach over the years, which adds to the group's overall strength. Further, it also benefits from its integrated nature of operations with in-house capacity to manufacture virgin pulp of 2,20,500 tonnes per annum. The company witnessed healthy revenue growth of 56% and 52% in FY2022 and FY2023, with peak revenues of Rs. 2,097.7 crore in FY2023 owing to significant rise in sales realisation levels in the said period. APL, however, witnessed a revenue degrowth of 14% in FY2025 with operating profit margins (OPM) of 9.1% in FY2025 (against 24.0% in FY2024) owing to lower sales realisation levels amid pressure from cheap imports. Although, the topline remained flat in H1 FY2026 over H1 FY2025, its operating margins declined to 3.5% in H1 FY2026 over 11.5% in H1 FY2025 owing to increased raw material costs, especially wood, and continued pressure on net sales realisation owing to influx of cheaper imports. Moreover, APL witnessed operational challenges like labour strike and annual maintenance shutdown in Q2 FY2026, which significantly impacted its operating margins during the said quarter. Nonetheless, its financial profile remained comfortable marked by low dependence on debt and large cash and liquid investments, translating into continued cash surplus position for the company.

In FY2025, the Group's consolidated revenues declined by 8.5% on a YoY basis with an OPM of 12.4% in FY2025 (against 24.7% in FY2024). In H1 FY2026, the top line remained flat compared to H1 FY2025, with the OPM further moderating to 8.9% from 15.8% in H1 FY2025. Notwithstanding this, the group maintained its cash surplus position in FY2025 and H1 FY2026 with cash reserves (net of debt) at over Rs. 1,300 crore as of September 2025. Going forward, a stable demand environment and integrated nature of operations would aid WCPL in sustaining its overall financial profile, though the movement in net sales realisation would be monitored.

The ratings, however, remain constrained by the vulnerability of revenues and profit margins to net sales realisation of paper, which has been volatile recently, along with the susceptibility of profit margins to raw material and fuel prices. Also, with imports accounting for a large portion of domestic demand, local prices are largely determined by global trends in paper prices. While the long-term demand remains favourable because of lower per-capita domestic paper consumption (compared to global standards), rising digitisation remains a key headwind for the sector.

ICRA notes that both APL and WCPL are running at near-full capacity, and expansion in capacities is imminent in the near-to-medium term. APL has in-principle approval to explore opportunities for setting up a new manufacturing facility for paper board, WPP, and chemical wood pulp mill at an investment of over Rs. 2,000 crore. Given the sizeable capex in relation to the gross block, it is exposed to the project execution risk over the medium term. The phasing of the capex is expected to go beyond FY2027 and is in the nascent stage at present. ICRA will continue to monitor the funding mix and its impact on the credit profile, going forward, as and when further clarity emerges on the actual capex value as well as timelines, along with the final funding mix.

The ratings also consider the risks related to raw materials in the paper manufacturing business because of the environmental regulations on availability and industrial usages of wood and water, which are two critical inputs in the manufacturing process. ICRA notes that domestic availability of wood has been impacted in the current fiscal due to inadequate plantations in the last few years, which in turn is expected to lead to increased consumption of high-cost imported wood. WCPL's paper manufacturing unit is in proximity to the Kali river (Karnataka) and APL's unit to the Godavari river (Andhra Pradesh), which provide adequate supply of water to the respective plants. Over the years, the group has undertaken various technological initiatives, which resulted in a decrease in water consumption per unit of paper produced. Moreover, APL and WCPL undertakes large and regular plantations, which will continue to provide adequate raw material security to the consolidated entity in the future.

The Stable outlook factors in the expectation that the Group's credit profile will remain supported by steady demand for its products and its strong liquidity level, which will limit its dependence on debt.

Key rating drivers and their description

Credit strengths

Strong market position in the domestic WPP industry – The Group has cemented a strong market position in the domestic WPP industry owing to its long industry presence, extensive dealership network across the country and technical capabilities to manufacture a wide variety of writing paper, cupstocks and specialised paper from its 3.2-lakh MTPA paper manufacturing plant at Dandeli, Karnataka, housed under WCPL and the 2.6-lakh MTPA paper manufacturing plant under APL.

Large scale of operations – Although the group's top line moderated by 8.5% to Rs. 4,076 crore in FY2025, its scale of operations continues to remain large. The decline in revenues is largely due to lower net sales realisation amid pressure from influx of cheap imports into India. However, WCPL and APL's manufacturing capacity utilisation remained healthy at more than 90% in FY2025 and H1 FY2026. Further, the company derives more than 75% of its revenue from the WPP segment, which attracts better realisations compared to the board segment.

Integrated nature of operations with adequate pulp manufacturing capacity and captive power plants – APL and WCPL has an integrated manufacturing set-up with adequate in-house capacity for making pulp as well as captive power plants. Moreover, backward-integrated operations help the companies recover a substantial portion of chemicals used in the manufacturing process and generate energy from waste, which in turn results in a competitive cost structure vis-à-vis its domestic peers, thus supporting its margin profile.

Favourable outlook for local paper demand because of lower per-capita domestic consumption than global standards – Long-term demand outlook for paper in the domestic market remains favourable because of its low per-capita usage as on date, compared to global standards and increasing usage of packaging products. However, rising digitisation remains a threat for the growth of the WPP segment on a long-term basis.

Credit challenges

Earnings remain vulnerable to volatility in demand and fluctuations in input prices – The earnings remain vulnerable to cyclical in the paper business (in term of realisations), availability of water and raw materials, and volatility in pulp, chemicals and international coal prices, as seen in the last three years. In FY2025, the consolidated operating margins declined to 12.4% from 24.7% in FY2024 owing to decline in net sales realisation. The operating margins further declined to 8.9% in H1 FY2026 (15.8% in H1 FY2025) owing to increase in raw material prices coupled with a further fall in realisation amid pressure from cheap imports into India. Further, APL witnessed operational challenges like labour strike and undertook annual maintenance shutdown in Q2 FY2026, which significantly impacted its operating margins during the said quarter.

Susceptibility of cash flows to cyclical in the paper industry – WCPL's consolidated cash flows are exposed to the cyclical in the paper industry. The domestic paper industry is small compared to the global industry and prices in India are largely determined by international trends. Hence, the global demand-supply balance impacts the health of the domestic industry. Accordingly, its profit margins remain vulnerable to the cyclical in the global paper demand-supply scenario. However, an integrated nature of operations keeps WCPL well placed in absorbing any price shock relative to other players in the industry.

Large proposed capex under APL exposes the group to project execution risk over medium term at consolidated level – APL has in-principle approval to explore opportunities for setting up a new manufacturing facility for paper board, WPP, chemical wood pulp mill at an investment of over Rs. 2,000 crore. The phasing of the capex is expected to go beyond FY2027 and is in its nascent stage at present. Through this capacity expansion, APL intends to enhance its production capacity by 1.5-2.0 lakh MTPA, which will enable it to cater to the growing domestic demand and increase its market share in the paper industry. Given the sizeable capex in relation to the gross block, it is exposed to the project execution risk over the medium term. The company's ability to achieve financial closure at favourable terms to keep its capital structure and coverage indicators under check, will remain a key rating sensitivity, going forward.

Environmental and social risks

Environmental considerations: The paper manufacturing industry is exposed to environmental risks related to air, water and land pollution, with discarded paper and paperboard making up a sizeable portion of solid municipal waste in landfills. Manufacturing paper requires a lot of resources such as water and power, creating a lot of wastewater and solid waste in the process. As a result, environment management is highly critical to continue sustainable business operations for the company. Also, water treatment is extremely important because the pulping and bleaching process can release complex organic and inorganic pollutants, which need to be properly treated. Any disruption in measures taken for appropriate treatment of wastewater could result in significant penalties while also causing prolonged adverse impact to operations in case the authorities take any strict action.

Social considerations: The entities operating in the paper industry are exposed to the risk of disruption due to inability to properly manage human capital in terms of their safety and overall well-being. Further, any significant increase in wage rates adversely impacts the cost structure of paper manufacturing companies, affecting their margins.

Liquidity position: Strong

The group's liquidity is strong, as reflected by healthy cash flow from operations, robust cash and liquid balances of around Rs. 1,300 crore (deployed largely in bonds, commercial papers, non-convertible debentures and mutual funds) as of September 30, 2025, and low utilisation of working capital limit (around 12% in the last 12 months ending in September 2025 with a buffer of Rs. 342 crore as on September 30, 2025). APL liquidity also remains comfortable with cash and liquid balances of around Rs. 642 crore (deployed largely in bonds, commercial papers, non-convertible debentures and mutual funds) as on September 30, 2025, and low utilisation of working capital limit (around 22% in the last 12 months ending in September 2025 with a buffer of Rs. 112.0 crore as on September 30, 2025). Overall, ICRA expects APL and WCPL to comfortably meet its near-term commitments through internal accruals and yet be left with sufficient cash surpluses. The group has a repayment obligation

of around Rs. 132 crore in FY2026, Rs. 119 crore in FY2027 and capex plans of Rs. 350-450 crore in FY2026 on a consolidated basis towards the new tissue plant, upgradation of plant and machinery, and regular maintenance capex, which are expected to be sufficiently met by undrawn term loans of around Rs. 260 crore, internal accruals and cash and liquid investments.

Rating sensitivities

Positive factors – ICRA could upgrade APL’s long-term rating if it demonstrates a sustained growth in its top line and margins, supported by a healthy ramp-up in capacity in new value-added business lines, limiting its exposure to cyclicality in realisations and improving its debt coverage metrics while maintaining a healthy liquidity position.

Negative factors – Pressure on APL’s ratings could arise if the company witnesses a significant fall in its top line or margins, weakening its gross debt/OPBITDA to more than 1.5 times on a sustained basis in conjunction with depletion of cash reserves. Any large, debt-funded capex at the consolidated level, or any operational challenges like inadequate supply of raw materials /water availability, impacting its credit profile, or materially moderating its liquidity at the consolidated level will also be negative rating triggers.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	ICRA has taken a consolidated view of APL, along with its parent, WCPL, given that both are in the similar line of business and APL functions as an extended arm of WCPL with common treasury functions, hence, the same will remain a strategic entity for WCPL’s consolidated profile. The ratings are based on the consolidated financials of WCPL, the parent company of APL. As on March 31, 2025, WCPL had four operating subsidiaries. The list of entities considered for consolidated financials are enlisted in Annexure II.

About the company

APL is a 72.45% subsidiary of WCPL, which is the flagship entity of the SK Bangur Group, based out of Kolkata. Incorporated in 1955, WCPL is engaged in manufacturing writing and printing papers, cupstocks, etc. from its 3.2-lakh-metric-tonne-per-annum paper manufacturing plant located in Dandeli, Karnataka. The company is backward integrated with 2.65 lakh metric tonne per annum of in-house pulp production capacity and 75 MW of captive power plants. WCPL sells its products across India through its dealer network. The company under its cable division West Coast Optilinks, operates a state-of-the-art manufacturing facility in a Hi-Tech Electronics zone in Mysuru and Hyderabad. The product portfolio under this segment is optical fibre cables, FRP ROD cables and glass roving. The cable division contributed around 10% to the total sales in FY2025.

WCPL acquired a 72% stake in International Paper APPM Limited in FY2020 and subsequently changed the name of the company to Andhra Paper Mills Limited. The acquisition was funded from internal accruals, borrowing from banks and NCDs. APL’s acquisition was valued at ~Rs. 910 crore and was funded by NCD of Rs. 198 crore, term loan of Rs. 450 crore and the remaining internal accruals.

Post completion of the acquisition, WCPL has one of the largest consolidated writing and printing paper manufacturing capacities in India. APL has a manufacturing capacity of 2,59,400 metric tonnes per annum (MTPA) and is involved in manufacturing of writing, printing, industrial and copier papers for foreign and domestic markets.

Key financial indicators (audited)

Consolidated	FY2024	FY2025	H1 FY2026*
Operating income	4,453.5	4,076.4	1,997.7
PAT	786.1	335.6	72.2
OPBDIT/OI	24.7%	12.4%	8.9%
PAT/OI	17.7%	8.2%	3.6%
Total outside liabilities/Tangible net worth (times)	0.3	0.4	0.4
Total debt/OPBDIT (times)	0.3	0.9	1.3
Interest coverage (times)	46.1	13.3	8.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Limited review

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Key financial indicators (audited)

APL - Standalone	FY2024	FY2025	H1 FY2026*
Operating income	1800.6	1541.2	755.5
PAT	339.7	88.9	1.0
OPBDIT/OI	24.0%	9.1%	3.5%
PAT/OI	18.9%	5.8%	0.1%
Total outside liabilities/Tangible net worth (times)	0.3	0.3	0.3
Total debt/OPBDIT (times)	0.3	2.0	4.9
Interest coverage (times)	97.9	7.8	2.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Limited review

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current ratings (FY2026)				Chronology of rating history for the past 3 years							
				FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Dec 4, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based - others	Long-term	306.00	[ICRA]AA (Stable)	-	-	-	-	-	-	-	-
Non-Fund Based - others	Short-term	25.00	[ICRA]A1+	-	-	-	-	-	-	-	-
Unallocated	Long-term/ Short-term	19.00	[ICRA]AA (Stable) / [ICRA]A1+	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term Fund based - others	Simple
Short-term Non-Fund Based - others	Very simple
Long-term/ Short-term - unallocated	NA

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
NA	Fund based - others	NA	NA	NA	306.00	[ICRA]AA (Stable)
NA	Non-Fund Based - others	NA	NA	NA	25.00	[ICRA]A1+
NA	Unallocated	NA	NA	NA	19.00	[ICRA]AA (Stable) / [ICRA]A1+

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership*	Consolidation Approach
West Coast Paper Mills Limited	Parent entity	
West Coast Opticable Limited	100.00%	Full Consolidation
Andhra Paper Limited (rated entity)	72.45%	Full Consolidation
Uniply Décor Ltd.	100.00%	Full Consolidation
Wesco Defence Systems Ltd.	100.00%	Full Consolidation

Source: Annual report, *As on March 31, 2025

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