

December 8, 2025

Bahl Paper Mills Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/ Short-term – Unallocated	15.00	15.00	[ICRA]A (Stable)/ [ICRA]A2+; reaffirmed
Total	15.00	15.00	

* Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation for Bahl Paper Mills Ltd. (BPML) factors in its established operational track record of over three decades in the paper industry, supported by the significant experience of its promoters and a wide distribution network. The entity's distribution network enables it to cater to several end-user industries such as food, pharmaceuticals, fast-moving consumer goods (FMCG) and e-commerce. The ratings also take into account the diversification of the revenue stream with BPML's venture into the sugar/ethanol business through its subsidiary (87.14% stake), JGN Sugar and Biofuels Private Limited (JGN).

The company's consolidated revenues grew by 38% on a YoY basis in FY2025, driven by steady growth in the paper business and the gradual scale-up of its sugar/ethanol business in JGN. The scale-up of operations in JGN in the first full year of operations, i.e. FY2025, was lower than ICRA's expectations owing to lower cane crushed and negligible ethanol sales. However, the momentum is expected to pick up materially in the current fiscal, supported by higher capacity utilisation, new orders received for ethanol, and expected revenues from the newly set-up country liquor (CL) facility. Further, the increase in wastepaper costs and higher operating costs of JGN, amid a lower-than-anticipated ramp-up of operations, led to moderation in consolidated operating profit margins (OPM) to 10.9% in FY2025 as against 16.4% in FY2024. The financial risk profile of BPML, however, remains comfortable, supported by a healthy capital structure, strong coverage metrics and an adequate liquidity position.

ICRA notes that BPML infused compulsorily convertible debentures (CCDs) amounting to Rs. 80 crore (coupon of 0.001%) into JGN over FY2025 and H1 FY2026 to support its funding requirements and net losses. To further integrate operations and enhance efficiencies, JGN has recently commissioned a CL facility and is in the process of modifying its ethanol distillery to accommodate grain-based input alongside sugarcane juice. These projects entail a capex of approximately Rs. 120 crore, fully funded through BPML's surplus liquidity and internal cash flows. BPML will subsequently lease these facilities to JGN. The distillery modification is expected to be completed by end-H1 FY2027, enabling cost optimisation, enhanced production stability and higher utilisation of the existing asset base. In view of these developments, ICRA expects a steady ramp-up in JGN's operations which, coupled with stable earnings from the paper business, is likely to support a gradual improvement in its financial risk profile going forward.

The ratings, however, remain constrained by the exposure of BPML's profitability to fluctuations in wastepaper prices and pricing trends of the final products, which have remained volatile in the last few years. Moreover, intense competition in the duplex/kraft paper segment, owing to the presence of several unorganised players, results in pricing pressures. ICRA also notes that sugarcane availability is critical for healthy operational performance in the sugar business. Further, the company has high working capital intensity owing to predominantly elevated inventory requirements for both business segments. The ratings are also constrained by the vulnerability of the sugar business's profitability to the cyclical nature of the sugar industry (though the sharp fall in sugar prices has been curtailed after the introduction of the minimum selling price) and the agro-climatic risks related to cane production. Further, the profitability of sugar mills remains exposed to the policies of the state and Central

Governments on cane pricing, international trade, domestic quota, sugar and ethanol pricing, and interest subvention loans for distillery capacity expansions.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will benefit from its established business position in the paper segment and the stable demand outlook for both its business divisions, supporting future growth and cash flow generation.

Key rating drives and their description

Credit strengths

Established operational track and extensive experience of promoters in the paper industry – BPML was incorporated in 2006 to manufacture duplex board and poster paper. The promoters have been involved in the paper business for almost three decades and have developed an established relationship with customers and suppliers.

Venture into sugar/ethanol business is expected to aid revenue diversification – BPML has diversified its business profile by foraying into sugar and ethanol production, along with co-generation power, through JGN. JGN reported revenues of Rs. 136 crore in its first full year of operations, i.e. FY2025. The growth momentum in JGN is expected to improve significantly from FY2026 onwards, supported by higher capacity utilisation in both sugar and ethanol, new orders received for ethanol, and additional revenues from the CL unit being set up in FY2026.

Diversified product profile and established presence in value-added paper supports margin profile – BPML's product portfolio is well diversified. It manufactures duplex board, kraft paper and poster paper. The entity produces various categories of coated duplex boards, which are extensively used in the printing and packaging industry. The company is also involved in the manufacturing of high-grade kraft paper and poster paper. The majority of the company's revenues come from duplex board, which is generally a more value-added product and generates better margins than other products.

Diversified end-user sectors mitigate risk of demand slowdown in any particular industry – BPML manufactures specialised kraft paper with a burst factor (BF) between 16 and 28, and duplex boards between 250 grams per square metre (GSM) and 600 GSM. BPML's end-user industries include pharmaceuticals, food chains, footwear, cosmetics, toiletries, cigarettes, liquor, FMCG and others. The company's presence across sectors insulates it from a downturn in any one specific industry. Besides, JGN will provide further business diversity to BPML's consolidated operational profile.

Credit challenges

Moderation in financial risk profile due to large debt-funded capex for the sugar business, expected to improve gradually – BPML has remained debt-free in recent years at a standalone level. However, a large debt-funded capex in the subsidiary, JGN, led to moderation in the capital structure and debt coverage metrics on a consolidated basis during FY2024-FY2025. JGN's project cost was about Rs. 390 crore, which was financed through a term loan of Rs. 250 crore and the remaining Rs. 140 crore through equity infusion by its promoters. JGN has capacity of 6,240 tonnes of cane crushed per day (TCD), 3,240 TCD for sugar production, 3,000 TCD for ethanol production and a 21.8-megawatt (MW) co-generation power plant. JGN reported moderate sales of Rs. 136 crore in FY2025, which was the company's first full year of operations; however, it maintained a healthy capacity utilisation of 89% for sugar in FY2025. ICRA expects a steady ramp-up over the near term which, coupled with the stable performance of the paper business, is expected to support improvement in the consolidated financial risk profile.

Profitability vulnerable to adverse fluctuations in raw material and output prices – Any adverse movement in raw material prices can negatively impact the company's margins, as witnessed through margin moderation in FY2023-FY2024. The company is also expected to see some decline in margins for FY2025 in the paper business. BPML encountered pressure on sales realisations in the last two fiscals, alongside increases in certain input costs, which have impacted its margin profile. Being an agri-commodity, sugarcane is dependent on climatic conditions and is vulnerable to pests and diseases that may not only impact yield per hectare but also the recovery rate. These factors can significantly affect the company's profitability. Further,

high dependence on a single crop variety may affect yield and recovery rates. In addition, the cyclical nature in sugar production results in volatility in sugar prices.

High working capital intensity – BPML operates in a working capital-intensive industry with high inventory requirements, as reflected by an NWC/OI of 40-50% in recent years. Moreover, JGN’s working capital intensity is expected to be higher at 50-60%. This is due to the nature of the business and the need to maintain inventory levels for sugar and ethanol, considering that the raw material, sugarcane, is available only during the November-April period.

Liquidity position: Adequate

BPML’s liquidity is adequate, driven by free cash and liquid investments of Rs. 60-65 crore (as on September 30, 2025) and a cushion of Rs. 30-40 crore in working capital limits in BPML (at a consolidated level), amid healthy and sustained cash flow generation from business. BPML had invested ~Rs. 122 crore of equity capital in JGN in FY2024 and the current fiscal, and further invested Rs. 80 crore as CCDs in FY2025 and H1 FY2026 to support JGN’s funding requirements over the near to medium term. Going forward, the majority of capex (around Rs. 100 crore over FY2026 and FY2027) is being incurred in BPML, and no material capex is expected in JGN at a standalone level. This is expected to be funded through future cash flow generation and available surplus liquidity. There is no debt in BPML, while repayment of ~Rs. 27-33 crore per annum over the next two fiscals is due in JGN. JGN’s ability to timely ramp up its operations and achieve the desired operating efficiency will remain key for BPML’s consolidated liquidity profile.

Rating sensitivities

Positive factors – ICRA could upgrade BPML’s ratings if the company demonstrates sustained improvement in its operating income and internal accrual generation, while maintaining a comfortable financial risk profile and liquidity position on a sustained basis.

Negative factors – Pressure on BPML’s ratings could arise if there is a sharp decline in profitability and revenue, or any major delay in profitably ramping up the operations in its subsidiary, JGN. In terms of specific credit metrics, a DSCR of less than 2.0 times on a sustained basis would be a negative rating trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated financials of BPML and its subsidiary - JGN

About the company

Incorporated in 2006, BPML was established by Mr. Naresh Jhanjhi. The company is involved in the manufacturing of various categories of coated duplex boards that are extensively used in the printing and packaging industry (for packaging requirements in FMCG, pharmaceuticals, readymade garments, and automobile ancillary industries, etc). BPML also manufactures high-grade duplex boards that find application in the production of wedding cards, visiting cards and notebook covers, etc. The company also manufactures kraft paper and poster paper, used in bakeries and food chains, grocery bags, printing calendars, bangle packaging and others. Its manufacturing unit is located in Kashipur, Uttarakhand, with an installed production capacity of 1,56,000 metric tonnes per annum.

Key financial indicators (audited)

Consolidated	FY2024	FY2025
Operating income	485.2	668.0
PAT	73.7	47.6
OPBDIT/OI	16.4%	10.9%
PAT/OI	15.2%	7.1%
Total outside liabilities/Tangible net worth (times)	0.5x	0.7x
Total debt/OPBDIT (times)	2.6x	4.4x
Interest coverage (times)	31.7x	6.9x

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

Instrument	Type	Current rating (FY2026)		Chronology of rating history for the past 3 years						
		Amount Rated (Rs. crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long term	-	-	-	-	-	05-Sep-2023	[ICRA]A+ (Stable)	23-Nov-2022	[ICRA]A+ (Stable)
Fund-based	Long term	-	-	-	-	-	05-Sep-2023	[ICRA]A+ (Stable)	23-Nov-2022	[ICRA]A+ (Stable)
Non-fund Based	Non-fund Based	-	-	-	-	-	05-Sep-2023	[ICRA]A1	23-Nov-2022	[ICRA]A1
Unallocated	Long term/ Short Term	15.00	8-Dec-2025	[ICRA]A (Stable)/ [ICRA]A2+	09 Dec 2024	[ICRA]A (Stable)/ [ICRA]A2+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/ Short-term – Unallocated	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
NA	Long term/Short term - Unallocated	NA	NA	NA	15.00	[ICRA]A (Stable)/[ICRA]A2+

Source: Company data

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Bahl Paper Mills Ltd.	NA*	Full Consolidation
JGN Sugar and Biofuels Private Limited	87.14%**	Full Consolidation

Source: Company, *parent company, **as of March 31, 2025

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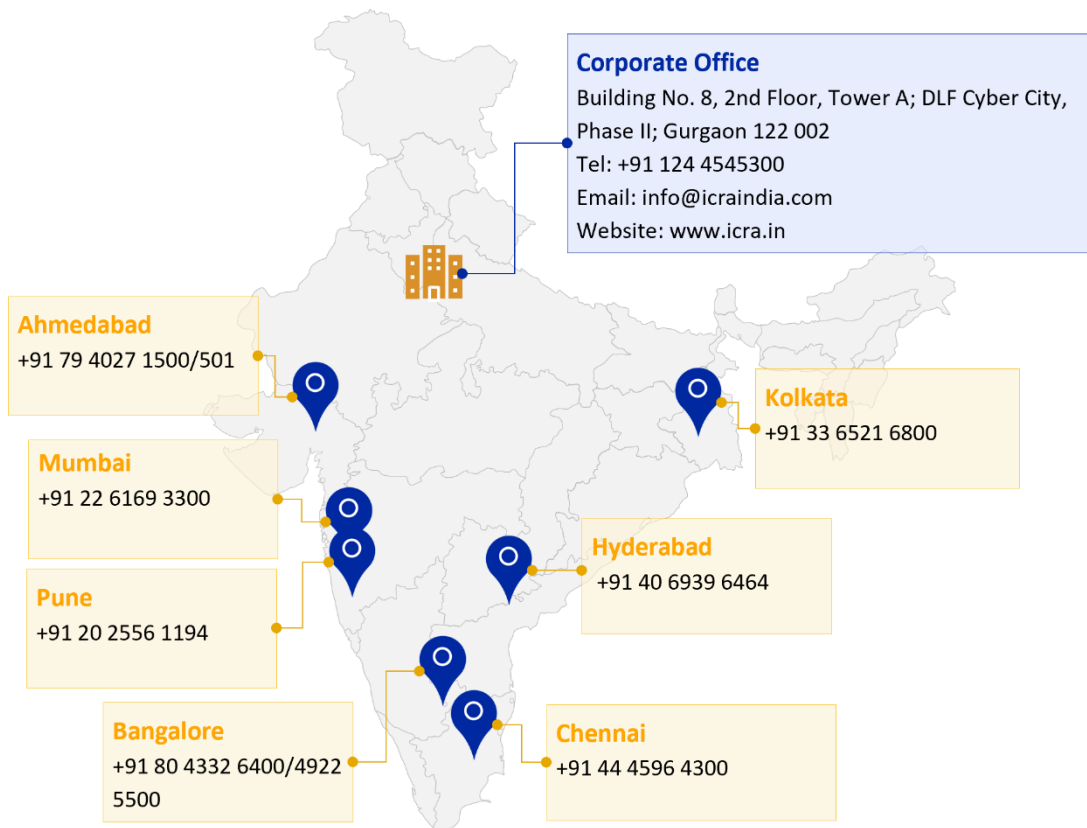
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