

January 30, 2026

Seshasayee Paper & Boards Limited: [ICRA]AA-(Stable)/[ICRA]A1+; assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term - Fund-based-Cash credit	195.00	[ICRA]AA- (Stable); assigned
Short-term – Non-fund based - Letter of credit	95.00	[ICRA]A1+; assigned
Short-term - Non-fund based - Others	2.00	[ICRA]A1+; assigned
Total	292.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings assigned to the bank facilities of Seshasayee Paper & Boards Limited (SPBL) factor in its established business position as a key player in the domestic writing and printing paper (WPP) industry, its integrated nature of operations with in-house capacities to manufacture virgin pulp from wood and bagasse, along with captive power sourcing arrangements, and vast experience of the management in the paper industry. The ratings also draw comfort from the company's strong financial risk profile, marked by healthy cash flow, low debt levels and large cash and liquid investments.

Over the years, the company has invested in enhancing its production capacity (2,55,000 MTPA at present) and towards backward integration to cater to the underlying industry demand and remain operationally efficient. Currently, the company is investing in Mill Development Plan (MDP) IV Phase I, which is expected to be completed over the course of FY2027. In FY2023, the company also acquired the assets of M/s Servalakshmi Paper Ltd. through the e-auction held under the Insolvency and Bankruptcy Code (IBC) rules, for a consideration of Rs. 107.0 crore. This acquisition (funded through internal accruals) is expected to add 75,000 MTPA of paper manufacturing capacity, although the same is currently under appeal process with the Hon'ble National Company Law Appellate Tribunal (NCLAT). ICRA expects SPBL to continue to undertake periodic investments to improve its capacities and backward integration, however, its demonstrated ability to fund these investments internally, with limited reliance on external borrowings, provides comfort. SPBL's planned capex over the next three years stands at around Rs. 700.0 crore, which is expected to be funded majorly through internal accruals and available liquidity.

The ratings, however, remain constrained by the vulnerability of SPBL's revenues and earnings to cyclicity of the underlying paper industry. This has been visible in the performance of paper companies in the last two years, with a sharp decline in net sales realisation (NSR), which coupled with cost pressure on account of an increase in raw material and fuel prices, resulted in a sharp reduction in earnings. SPBL's consolidated operating income also declined by 2.7% on a YoY basis to Rs. 1,753.1 crore in FY2025 with an operating profit margin (OPM) of 6.4% in FY2025 (against 18.9% in FY2024), while the operating income moderated by 10.9% on a YoY basis to Rs. 731.7 crore in H1 FY2026, with the OPM remaining at a similar level of 6.5%. The contraction in NSR has largely been driven by the easy access to lower-cost imports from other paper-manufacturing nations, which exerted pressure on local prices. While the long-term demand trends are expected to remain favourable, given the low per-capita domestic paper consumption (compared to global standards), increasing digitisation remains a key headwind for the sector. The ratings also consider risks related to raw material pricing and availability, given the environmental regulations on availability and industrial usages of wood and water, which are two critical inputs in the manufacturing process. However, SPBL has achieved wood positive status, i.e. the company's wood plantation is higher than wood harvesting, and sources some part of its pulp requirement from bagasse (byproduct of sugar), which acts as a mitigant. Also, SPBL's paper manufacturing unit in Erode is in proximity to the Cauvery river, which provides adequate supply of water to its plant. Over the years, SPBL

has undertaken various technological initiatives to reduce its water consumption. Going forward, while its integrated nature of operations and strong balance sheet are likely to support SPBL, its ability to navigate industry headwinds remains critical.

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

Key rating drivers and their description

Credit strengths

Established market position in the domestic WPP industry, supported by the extensive experience of the promoters – SPBL is an established market player in domestic WPP industry, specifically in South India. It has long industry presence in the pulp and paper segment, extensive dealership network and technical capabilities to manufacture a wide variety of WPP, kraft paper and special grade paper from its 2,55,000-MTPA paper manufacturing plants at Erode and Tirunelveli. The established market position is also supported by the extensive experience of its promoters in the WPP industry of more than 60 years, supported ably by a managerial team having experience of more than 20 years.

Integrated nature of operations with adequate pulp manufacturing capacity and captive power plants – SPBL 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 company recover a substantial portion of chemicals and raw materials used in the manufacturing process and generate energy from waste, which helps it remain competitive vis-à-vis domestic peers.

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 the 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.

Healthy financial risk profile, supported by strong liquidity profile – Despite consistent capital expenditure (capex), the capital structure has remained healthy, aided by steady cash accruals and minimal reliance on external debt. The company's TOL/TNW remained strong at 0.3 times as on March 31, 2025 and at 0.2 times as on September 30, 2025. SPBL's consolidated net debt remained negative as of March 2025 and September 2025, while the net cash reserves stood at over Rs. 500.0 crore as of September 2025, parked as fixed deposits in bank, in addition to the undrawn credit lines amounting to over Rs. 100.0 crore. The financial risk profile is expected to remain strong, driven by steady accruals and a strong net worth base, with majority of profits re-invested back in the business.

Credit challenges

Earnings remain vulnerable to volatility in demand, paper prices and input prices – SPBL's earnings remain vulnerable to cyclical nature in the paper business (in term of realisations), availability of water and raw materials, and volatility in pulp, chemicals and international coal prices, and ability to pass on the same through effective pricing of its products. These pressure have been visible in the operations of players in the domestic paper industry, including SPBL. This apart, adverse GST related developments in recent months incrementally affected WPP players. In FY2025, the company's OPM moderated to 6.4% (against 18.9% in FY2024) owing to a fall in net sales realisation levels. In H1 FY2026, the company's OPM remained at similar level at 6.5%. The margins are likely to be remain range-bound in the near-term and a reversal in realisations will be necessary for a meaningful turnaround in margins. SPBL's net margins are, however, insulated owing to its integrated set-up, savings in power costs and interest income from cash reserves.

Susceptibility of cash flows to cyclical nature in the paper industry – SPBL's cash flows are exposed to the cyclical nature 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 and, accordingly, its profit margins remain vulnerable to the cyclical nature in the global paper demand-supply scenario. Over the last two years,

lower-priced imports impacted the NSR significantly, resulting in earnings erosion of key players in the industry, including SPBL. However, an integrated nature of operations positions SPBL better to absorb price shocks.

Capital intensive nature of operations requiring frequent investments – In order to stay competitive, SPBL requires frequent investments in capacity addition, backward integration and operational improvements, resulting in continuous capex/investment outgo, though majorly funded through internal accruals. At present, SPBL is undertaking MDP IV Phase I, costing around Rs. 270.0 crore and will also be investing to upgrade and commercialise the assets of Servalakshmi at an estimated cost of Rs. 200.0 crore. Through these investments, SPBL expects 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. The key objective of MDP IV Phase I project is to augment the wood pulp and bagasse pulp production and augment chemical recovery operations, which will help in reduction in material and energy costs for the company. Such investments in periodic capacity expansion and associated backward integration capacities, as well as periodic mill development programs are expected to continue at regular intervals. The company's ability to continue to fund these from internal accruals, and maintain comfortable capital structure and coverage indicators, will remain a key rating sensitivity, going forward.

Environmental and Social Risks

Environmental considerations: The paper manufacturing industry is exposed to environmental risks of air, water and land pollution, with discarded paper and paperboard making up a sizeable portion of solid municipal waste in landfills. Pulp and paper generate a notable amount of industrial air, water and land emission. While these risks have not resulted in any material implication so far, any breaches in waste management or higher-than-permissible emissions could have cost implications 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 or water availability issues while also causing 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, impacting their earnings.

Liquidity position: Strong

SPBL's liquidity is Strong, as reflected by expected healthy cash flow from operations of Rs. 80.0-100.0 crore annually, strong cash and liquid balances of around Rs. 550.0 crore as of September 30, 2025, and low working capital limit utilization resulting in a buffer of Rs. 118.5 crore as on September 30, 2025. The company has nil repayment obligations considering that it does not have any long-term loans outstanding currently. The company plans to incur capex of around Rs. 300.0 crore in FY2027, which is expected to be sufficiently met from internal accruals and existing cash and liquid investments. Overall, ICRA expects SPBL to comfortably meet its near-term commitments through internal accruals and yet be left with sufficient cash surplus.

Rating sensitivities

Positive factors – ICRA could upgrade SPBL's long-term rating with its ability to strengthen the business profile through diversification of revenues, and a sustained material growth in its top line and margins, while maintaining its strong coverage metrics and liquidity.

Negative factors – Pressure on SPBL's ratings could arise if the company witnesses a significant moderation in its revenue or margins. Any large, debt-funded capex or investments in Group companies, or any operational challenges like inadequate supply of raw materials/water availability, that leads to a sustained pressure on its credit profile, or materially moderates its liquidity will also be a negative rating trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company's consolidated financials. Details of consolidated entities have been provided in Annexure – II.

About the company

Seshasayee Paper and Boards Limited (SPBL), incorporated in 1960, is engaged in manufacture and sale of paper and paper boards including writing and printing paper (WPP), packing and wrapping grade papers, and specialty grade papers. Products are sold under the brands Sprint, Sprint Plus, Swift and Success. The company has an integrated pulp, paper and paper board mill at Pallipalayam in Erode, Tamil Nadu, and a paper manufacturing mill at Tirunelveli with an aggregate paper manufacturing capacity of 255,000 TPA. The company had also acquired the assets of M/s Servalakshmi Paper Limited under IBC, as a going concern. This new unit is expected to have a capacity to produce 75,000 tonnes of paper annually but is yet to commence operations.

Key financial indicators (Audited)

Consolidated	FY2024	FY2025
Operating income	1,801.9	1,753.1
PAT	257.9	103.0
OPBDITA/OI (%)	18.9%	6.4%
PAT/OI (%)	14.3%	5.9%
Total outside liabilities/Tangible net worth (times)	0.3	0.3
Total debt/OPBDITA (times)	0.1	0.7
Interest coverage (times)	158.9	13.2

Source: Company, ICRA Research; Note: Amount in Rs. crore; PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Financial ratios in the report are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	FY2026		FY2025		FY2024		FY2023	
		Amount rated (Rs crore)	January 30, 2026	Date	Rating	Date	Rating	Date	Rating
Fund-based-Cash credit	Long Term	195.00	[ICRA]AA-(Stable)	-	-	-	-	-	-
Non-fund based-Letter of credit	Short Term	95.00	[ICRA]A1+	-	-	-	-	-	-
Non-fund based- Others	Short Term	2.00	[ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Short-term- Non-fund based- Letter of Credit	Simple
Long-term -Fund-based-Cash credit	Simple
Short- Term- Non-fund based- Others	Simple

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	Cash Credit	NA	NA	NA	195.00	[ICRA]AA- (Stable)
NA	Letter of Credit	NA	NA	NA	95.00	[ICRA]A1+
NA	Non-fund based- Others – Forward contract	NA	NA	NA	2.00	[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
Esvi International (Engineers and Exporters Limited)	100.00%	Full Consolidation
Ponni Sugars (Erode) Limited	32.35%	Equity Method

ANALYST CONTACTS

Jitin Makkar

+91 124-4545368

jitinm@icraindia.com

Srikumar Krishnamurthy

+91 44 4596 4318

ksrikumar@icraindia.com

Sruthi Thomas

+91 80 4332 6430

sruthi.thomas2@icraindia.com

Swaminathan S

+91 44 4596 4316

swaminathan.s@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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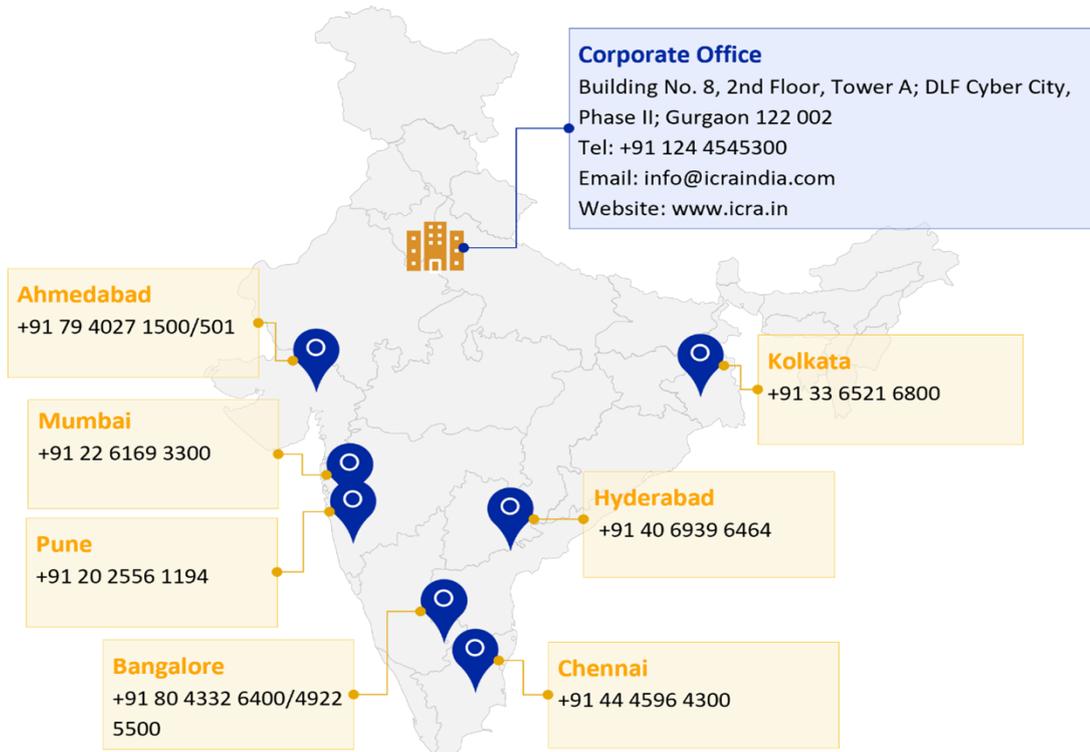


Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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