

February 16, 2026

## Tamil Nadu Newsprint & Papers Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Term loans	1,715.59	1,489.56	[ICRA]A+ (Stable); reaffirmed
Long-term/ Short-term – Fund/ Non-fund based limits	775.00	775.00	[ICRA]A+ (Stable)/ [ICRA]A1; reaffirmed
Long-term – Unallocated limits	219.41	445.44	[ICRA]A+ (Stable); reaffirmed
Long-term/ Short-term – Unallocated limits	223.00	223.00	[ICRA]A+ (Stable)/ [ICRA]A1; reaffirmed
<b>Total</b>	<b>2,933.00</b>	<b>2,933.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The reaffirmation of the ratings for Tamil Nadu Newsprint & Papers Limited (TNPL) takes into account its long operating history, strong management profile, dominant market position in the domestic writing and printing paper (WPP) segment, diversified sales and distribution network, healthy financial flexibility with lenders, its integrated operations with adequate in-house capacity to manufacture pulp from diversified sources and the availability of captive power plants, thus providing cost advantages. The ratings also factor in the favourable long-term demand outlook for paper in the domestic market because of its low per-capita usage as on date, compared to global standards and increasing usage of packaging products.

The ratings are, however, constrained by the susceptibility of the company's revenues and margins to volatility in the net sales realisation of paper, which has been under pressure over the last two years, as well as to wood, pulp, wastepaper and fuel prices (primarily coal). TNPL reported a year-over-year (YoY) decline of 4.3% in revenues in FY2025. This was primarily due to a 13% reduction in sales realisation in FY2025, amid pressure from low-priced imports from countries like China, Vietnam and Indonesia. However, the revenue rose by 6.9% in 9M FY2026, supported by the hike in sales volume by 11% on a YoY basis.

Pressure on sales realisation, coupled with an increase in raw material costs, resulted in a decline in TNPL's operating profit margin (OPM) to 10.1% in FY2025 and 9M FY2026 (10.3% in 9M FY2025) over 16.5% in FY2024. ICRA notes that the domestic availability of wood has been impacted over the last two years due to inadequate plantations in the last few years, which caused a sharp rise in pulpwood prices over the FY2024–9M FY2026 period. Further, with elevated debt levels due to debt-funded capital expenditure (capex) plans and general corporate loans, the financial profile is expected to moderate in FY2026.

However, the prices of wood have witnessed a sequential decline in Q3 FY2026. Over the past three quarters, the company has shown a steady improvement in its operating margins and is likely to sustain this trend by placing greater emphasis on value-added products, enhancing realisation rates and reducing dependence on low-priced export markets. The financial profile will gradually improve once the sales realisation picks up and as wood prices further reduce. This remains a key monitorable.

The company is expected to incur capex of around Rs. 540 crore in FY2026 towards setting up a tissue plant, revamping of power plants and undertaking regular maintenance. The tissue plant and revamping of power plant projects are anticipated to be completed by Q1 FY2027. The company has availed additional debt of Rs. 216 crore in H1 FY2026 and is projected to raise another Rs. 454 crore in H2 FY2026 towards capex and working capital borrowings. ICRA also notes that the phase II expansion for board plant may be considered only after FY2028. The project cost is proposed to be funded through a mix of term loans and internal accruals. The overall quantum of project cost as well as the company's ability to achieve financial closure at favourable terms to keep capital structure and coverage indicators under check will remain key rating sensitivities.

ICRA will continue to monitor the development in this regard and will assess the impact on credit metrics once clarity emerges on the project.

The Stable outlook on the long-term rating reflects ICRA's opinion that TNPL's credit profile will gradually improve over the medium term, led by improvement in its operating profits with expected pick-up in net sales realisation (NSR) and softening of wood prices as well as benefits arising from its established position, competitive advantages in the WPP segment and healthy financial flexibility with the lenders.

## Key rating drivers and their description

### Credit strengths

**Leading market position in the domestic WPP segment** – The company has an operating track record of more than three decades and an established brand name in the domestic WPP segment. It has a well-diversified sales and distribution network across India, comprising non-exclusive dealers who accounted for around 52% of its WPP sales in FY2025. While the sales are directly handled by TNPL for Government and private sector corporations, which accounted for around 25% of the FY2025 WPP sales, exports accounted for the remaining ~23% of sales. The company commenced board production in May 2016, which drove 29% of its revenues in FY2025.

**Access to diversified raw material sources and integrated production facility** – The company has a long-term tie-up with several sugar mills near its manufacturing unit/s for the supply of bagasse against commensurate exchange of steam or coal. Additionally, TNPL enters into short-term tie-ups with other sugar mills during periods of reduced bagasse availability. Bagasse prices are dependent on sugarcane production in Tamil Nadu and the cost of coal, which is mainly imported. It has also been using wood for pulping. TNPL initiated farm forestry and captive plantation schemes in FY2005 to ensure wood availability. Apart from the farm forestry programme and captive sources, significant quantities of wood are currently being procured from the two State Government of Tamil Nadu entities— Tamil Nadu Forest Plantation Corporation Limited (TAF CORN) and Principal Chief Conservator of Forests (PCCF). Raw material procurement from diversified sources mitigates availability risks. The company enjoys stronger profitability than some of its peers, mainly because of predominant bagasse usage as a key raw material, which is cheaper than wood or imported pulp. Further, the availability of wood from captive sources at competitive rates also aids raw material procurement costs.

**High financial flexibility and competitive borrowing costs from healthy standing among lenders** – Given its established presence in the domestic WPP segment and its strong management profile, TNPL continues to enjoy high financial flexibility with lenders, evident from the competitive borrowing costs and general corporate loans availed at short notice to support its liquidity profile.

**Long-term demand outlook for paper remains favourable** – The 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. The growing demand for packaging from e-commerce, food and food products, fast-moving consumer goods (FMCG), textiles and pharmaceutical sectors augurs well for the company. However, rising digitisation is still a threat to the WPP segment's growth.

### Credit challenges

**Susceptibility of cash flows to cyclicity in paper industry** – Paper, being a commodity, is exposed to economic cycles. Its demand is expected to be favourable in India because of paper's low per-capita consumption in domestic markets compared to global standards. However, there could be aberrant years, given the cyclical nature of 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 cyclicity in the global paper demand-supply scenario. However, an integrated nature of operations keeps TNPL well placed in absorbing any price shocks relative to other players in the industry. Steep volatility in imported coal prices or reduced availability of wood or bagasse at competitive rates could result in erosion of the competitive advantage

that the entity enjoys and adversely impact its margins, as witnessed recently. TNPL witnessed a moderation in coverage indicators in FY2025, as reflected by total debt/ OPBITDA of 3.5 times as on March 31, 2025, against 2.3 times as on March 31, 2024. The interest coverage also reduced to 2.1 times in FY2025 from 3.5 times in FY2024. This was primarily due to lower operating profits amid dip in realisation levels and higher raw material expenses. The coverage indicators are expected to moderate in FY2026, owing to pressure on operating margins coupled with increase in debt levels. However, the coverage indicators are anticipated to gradually improve in FY2027 in the absence of any major debt-funded capex.

**Profit margins remain exposed to fluctuations in input costs, primarily bagasse, wood, pulp and coal** – The company's earnings remain vulnerable to volatility in sales realisation, availability of water and raw materials and volatility in bagasse, pulp, chemicals and international coal prices as well as foreign exchange rates. The collective net sales realisation for WPP and board segments declined by 12.9% in FY2025 and 3.0% in 9M FY2026, owing to the influx of low-priced imports. In addition, domestic wood availability has been impacted due to inadequate plantations in the last few years, which led to a sharp rise in wood prices in FY2025 and 9M FY2026, resulting in a decline in OPM to 10.1% in FY2025 and 9M FY2026 (10.3% in 9M FY2025) from 16.5% in FY2024. However, wood prices have witnessed a sequential decline in Q3 FY2026, supporting margins. Moreover, margins were supported by in-house pulp manufacturing, lower prices for bagasse, wastepaper and value-added product mix in the board segment.

**Debt-funded capex plans** – TNPL is in the midst of setting up a tissue manufacturing plant at a cost of Rs. 340 crore and capex for revamping its steam and power system at an estimated cost of Rs. 250 crore for phase I, which are to be completed over Q1 FY2027. Timely commencement of the project without any cost overrun remains a key rating monitorable. ICRA also notes that the phase II expansion for board plant may be considered only after FY2028. The project cost is proposed to be funded through a mix of term loans and internal accruals. The overall quantum of project cost as well as the company's ability to achieve financial closure at favourable terms to keep capital structure and coverage indicators under check will continue to be key rating sensitivities. ICRA will continue to monitor the development in this regard and will assess the impact on credit metrics once clarity emerges on the project.

## 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 on 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 margins.

## Liquidity position: Adequate

TNPL's liquidity is adequate, as reflected by a sufficient buffer of Rs. 420 crore as on January 31, 2026 in working capital borrowings. The company's average fund-based working capital utilisation remained moderate at 68% over the last 12 months ending January 2026. It had free cash and bank balances of Rs. 18 crore as on September 30, 2025.

As against this, the company has a repayment obligation of Rs. 351 crore in FY2026 and Rs. 301 crore in FY2027 and capex plans of Rs. 600-650 crore over FY2026 and FY2027 towards tissue plant set-up, revamping of power plans and normal maintenance capex. TNPL has availed new corporate loan of Rs. 200 crore and has a sanctioned term loan of Rs. 470 crore (of

which Rs. 216 crore was drawn till September 30, 2025). The company additionally plans to avail term loans of Rs. 454 crore in H2 FY2026 to support the funding requirements, besides relying on its internal accruals.

## Rating sensitivities

**Positive factors** – ICRA could upgrade TNPL’s rating if the company demonstrates improvement in its OPM along with top-line growth on a sustained basis, leading to an improvement in capital structure and coverage indicators.

**Negative factors** – Pressure on TNPL’s rating could arise if there is a significant moderation in revenue and profitability on a sustained basis. Any large, debt-funded capex resulting in sustained pressure on profitability and credit metrics or material reduction in liquidity levels on a sustained basis will also be a negative rating trigger.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

## About the company

TNPL was promoted by the State Government of Tamil Nadu and the Industrial Development Bank of India (IDBI) in 1979 to manufacture newsprint and WPP, using bagasse as the principal fibre source. Following the sale of IDBI’s stake, the Tamil Nadu government is now the single-largest shareholder with a 35.32% stake. TNPL has three production units with a total manufacturing capacity of 4.40 lakh MTPA for the WPP segment. The company has also set up a paper board plant near Trichy, with an annual capacity of 2.00 lakh MTPA, which commenced production from May 2016.

## Key financial indicators (audited)

TNPL (standalone)	FY2024	FY2025	9M FY2026*
Operating income (OI)	4,716.2	4,514.2	3,373.3
PAT	208.2	3.7	7.5
OPBDIT/OI	16.5%	10.1%	10.1%
PAT/OI	4.4%	0.1%	0.2%
Total outside liabilities/Tangible net worth (times)	1.9	1.8	-
Total debt/OPBDIT (times)	2.3	3.5	-
Interest coverage (times)	3.5	2.1	-

Source: Company, ICRA Research; \* Limited review; 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

Current (FY2026)				Chronology of rating history for the past 3 years							
				FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	16-Feb-2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Term loans</b>	Long-term	1,489.56	[ICRA]A+ (Stable)	Jun-26-2025	[ICRA]A+ (Stable)	13-Jan-2025	[ICRA]A+ (Stable)	Oct-27-2023	[ICRA]A+ (Stable)	Aug-24-2022	[ICRA]A (Stable)
<b>Fund/ Non-fund based limits</b>	Long-term/ Short-term	775.00	[ICRA]A+ (Stable)/ [ICRA]A1	Jun-26-2025	[ICRA]A+ (Stable)/ [ICRA]A1	13-Jan-2025	[ICRA]A+ (Stable)/ [ICRA]A1	Oct-27-2023	[ICRA]A+ (Stable)/ [ICRA]A1	Aug-24-2022	[ICRA]A (Stable)/ [ICRA]A1
<b>Unallocated limits</b>	Long-term	445.44	[ICRA]A+ (Stable)	Jun-26-2025	[ICRA]A+ (Stable)	13-Jan-2025	[ICRA]A+ (Stable)	Oct-27-2023	[ICRA]A+ (Stable)	Aug-24-2022	[ICRA]A (Stable)
<b>Unallocated limits</b>	Long-term/ Short-term	223.00	[ICRA]A+ (Stable)/ [ICRA]A1	Jun-26-2025	[ICRA]A+ (Stable)/ [ICRA]A1	13-Jan-2025	[ICRA]A+ (Stable)/ [ICRA]A1	Oct-27-2023	[ICRA]A+ (Stable)/ [ICRA]A1	Aug-24-2022	[ICRA]A (Stable)/ [ICRA]A1

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Term loans	Simple
Long-term/ Short-term – Fund/ Non-fund based limits	Simple
Long-term – Unallocated limits	NA
Long-term/ Short-term – Unallocated limits	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	Term loans	FY2018	NA	FY2033	1,489.56	[ICRA]A+ (Stable)
NA	Fund/ Non-fund based limits	NA	NA	NA	775.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Unallocated limits	NA	NA	NA	445.44	[ICRA]A+ (Stable)
NA	Unallocated limits	NA	NA	NA	223.00	[ICRA]A+ (Stable)/ [ICRA]A1

Source: Company

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

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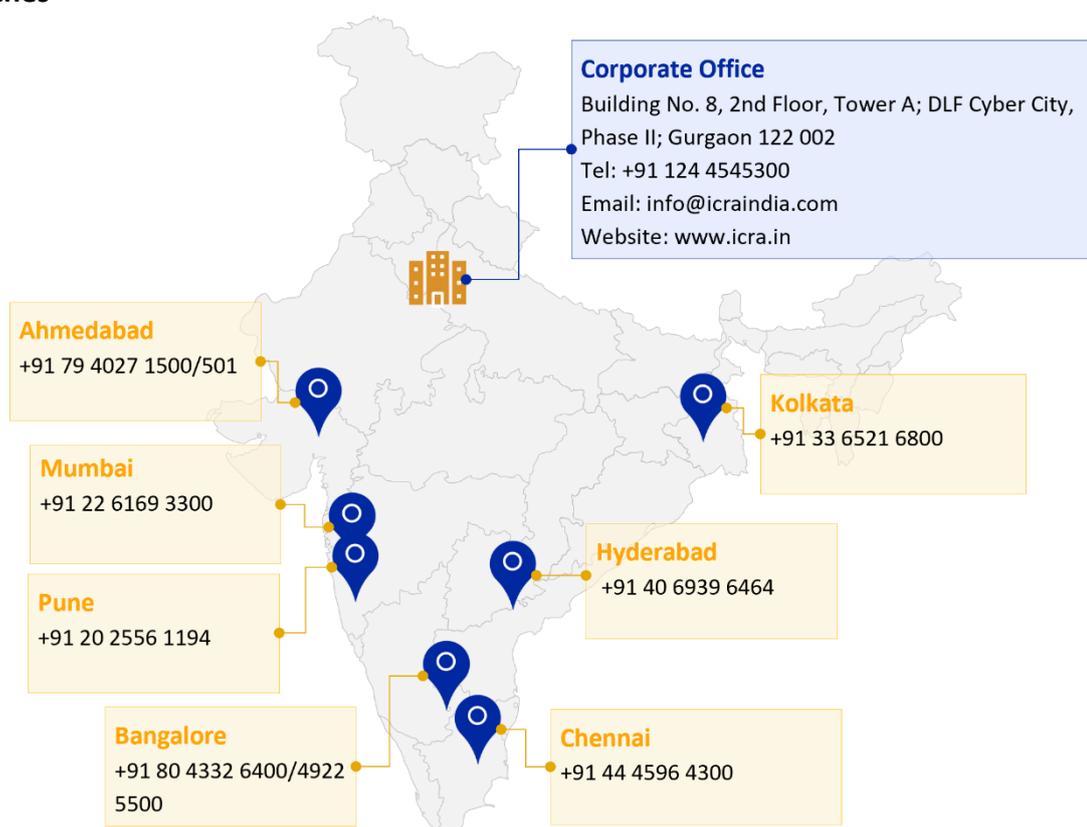
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