November 27, 2026

Andhra Paper Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long-term - Fund based – Working capital	306.00	306.00	[ICRA]AA (Stable); reaffirmed	RBI
Short-term – Non-fund based	25.00	44.00	[ICRA]A1+; reaffirmed	RBI
Long-term/ Short-term - unallocated	19.00	0.00	-	RBI
Total	**350.00**	**350.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI

Rationale

For arriving at the ratings, ICRA has taken a consolidated view of Andhra Paper Limited (APL) along with its holding company West Coast Paper Mills Ltd. (WCPL), both of which are involved in the paper manufacturing business and are together referred to as the Group. APL is a strategic entity within the Group, operating in the same line of business and 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 reaffirmation considers the expectation that the Group's credit profile would remain comfortable in the medium term, supported by healthy capacity utilisation levels, notwithstanding the temporary moderation in APL's capacity utilisation in H1 FY2027 due to operational disruptions. The ratings also factor in the Group's comfortable financial profile and strong liquidity position. Further, they consider the established market position of WCPL and its subsidiary, APL, in the domestic writing and printing paper (WPP) industry, WCPL's capabilities in manufacturing a variety of wood-free paper, cupstocks and special-grade papers, among others, and the integrated nature of operations. Adequate in-house capacity to manufacture virgin pulp, along with captive power plants, provides additional comfort. The ratings also consider WCPL's comfortable financial profile, marked by low dependence on debt and sizeable cash and liquid investments, translating into a continued net cash position.

APL, engaged in manufacturing writing, printing, industrial and copier papers for domestic and export markets, has a manufacturing capacity of 2,59,400 metric tonne per annum (MTPA) and benefits from its established brand, distribution network and integrated operations, with in-house virgin pulp capacity of 2,00,000 MTPA. APL's operating income increased by 10.4% to Rs. 1,701.2 crore in FY2026, although its OPM moderated to 5.3%, amid lower paper realisations and elevated raw material costs. In H1 FY2027, its operating income increased by 8.5% YoY to Rs. 819.8 crore, while the OPM improved to 9.5% from 3.5% in H1 FY2026. The weak margins in H1 FY2026 were also impacted by operational disruptions, including a labour strike and the annual maintenance shutdown in Q2 FY2026, while the improvement in H1 FY2027 was supported by better realisations and favourable raw material costs, despite lower capacity utilisation. Its financial profile remains comfortable, marked by low dependence on debt and healthy liquidity.

The group's consolidated operating income increased by 5.0% YoY to Rs. 4,282.1 crore in FY2026, although the operating profit margin (OPM) moderated to 9.8% from 12.4% in FY2025. This was amid continued pressure on paper realisations owing to an influx of cheaper imports and elevated raw material costs, especially wood. In H1 FY2027, consolidated operating income increased by 16.5% YoY to Rs. 2,328.0 crore, while the OPM improved substantially to 17.1% from 8.9% in H1 FY2026. This was

supported by a recovery in paper realisations and a sharp improvement in the profitability of the telecommunication cables business amid increased demand from the artificial intelligence and data-centre segments. Favourable fibre procurement costs, due to advance purchases at lower prices, coupled with higher cable realisations, also supported profitability. Paper realisations improved in H1 FY2027 amid lower import pressure, supported by INR depreciation, as well as logistics constraints and elevated freight/import costs arising from the West Asia conflict. These factors reduced the competitiveness and availability of imported paper in the domestic market. The cable division's earnings before interest, taxes, depreciation and amortisation (EBITDA) margin increased to around 49% in H1 FY2027 from 14.9% in FY2026. Going forward, the cable-division's margins are expected to moderate from the currently elevated levels but are likely to remain higher than the historical levels in the medium term.

The group's financial profile remains comfortable. As of September 30, 2026, the Group had consolidated cash and liquid investments of around Rs. 1,540 crore against total debt of around Rs. 495 crore, resulting in a sizeable net cash position. Debt protection metrics also remain comfortable, with the total debt/OPBITDA and interest coverage improving to 0.6 times and 21.6 times, respectively, in H1 FY2027, compared with 1.3 times and 8.6 times in H1 FY2026. This improvement was supported by higher profitability. Going forward, healthy capacity utilisation, the integrated nature of operations and diversification through the cable business are expected to support the Group's overall financial profile, although movements in paper realisations and raw material costs remain monitorable.

ICRA notes that both APL and WCPL continue to operate at high capacity utilisation levels, resulting in limited headroom for incremental volumes from the existing capacities. APL had earlier planned to set up a new manufacturing facility for paperboard, WPP and chemical wood pulp at an estimated investment of around Rs. 2,000 crore. However, the proposed project is presently on hold, with its implementation contingent upon achieving adequate returns considering the prevailing pricing and competitive environment. Consequently, the timelines, phasing and funding mix for the project are yet to be finalised. Given the sizeable proposed investment, ICRA will continue to monitor developments related to the project, including its eventual size, implementation timelines and funding mix, and the consequent impact on the consolidated credit profile of APL and WCPL.

The ratings remain constrained by the vulnerability of revenues and profit margins to paper realisations, which remain susceptible to global demand-supply dynamics and competitive pressure from imports, along with volatility in raw material and fuel prices. While paper realisations recovered in H1 FY2027, the extent and sustainability of the improvement would remain dependent on import pressure and global market conditions. The long-term demand outlook remains favourable because of lower per-capita domestic paper consumption compared with global standards, although rising digitisation remains a structural headwind for the WPP segment.

The ratings also consider the risks related to raw materials in the paper manufacturing business due to environmental regulations governing the availability and industrial usage of wood and water, which are two critical inputs in the manufacturing process. Domestic wood availability has improved in the current fiscal, although wood prices remain elevated. The proximity of WCPL's paper manufacturing unit to the Kali river (Karnataka) and APL's units to the Godavari river (Andhra Pradesh) ensures adequate water supply to the respective plants. Over the years, the Group has undertaken various technological initiatives, resulting in a decrease in water consumption per unit of paper produced. Moreover, WCPL and APL undertake large and regular plantations, which provide raw material security to the consolidated entity.

The Stable outlook factors in the expectation that the consolidated credit profile will remain supported by steady demand and healthy market acceptance for the Group's products, along with its strong liquidity position, which will limit 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.

Large scale of operations – The sizeable capacities of the 3.2-lakh metric tonne per annum (MTPA) paper manufacturing plant at Dandeli, Karnataka, housed under WCPL, and the 2.6-lakh MTPA paper manufacturing plant under APL, together place the Group among the largest paper producers in the country. The consolidated operating income increased by 5.0% YoY to Rs. 4,282.1 crore in FY2026 and by 16.5% YoY to Rs. 2,328.0 crore in H1 FY2027. The growth in H1 FY2027 was supported by improved paper realisations and healthy growth in the optical fibre cable business. The Group's paper operations continued to witness healthy capacity utilisation, with both APL and WCPL operating at around full capacity in FY2026. WCPL continued to operate at full capacity in H1 FY2027, while APL's capacity utilisation moderated to 89.4% from 95.4% in H1 FY2026 mainly owing to operational disruptions and the annual maintenance shutdown during the period.

Integrated nature of operations with adequate pulp manufacturing capacity and captive power plants – WCPL and APL have an integrated manufacturing set-up, with adequate in-house capacity for pulp production as well as captive power plants. Moreover, backward-integrated operations help the Group recover a substantial portion of the chemicals used in the manufacturing process and generate energy from waste. This, 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 owing to lower per-capita domestic consumption than global standards – The long-term demand outlook for paper in the domestic market remains favourable because of its low per-capita usage compared with global standards and the increasing usage of packaging products. However, rising digitisation remains a threat to the long-term growth of the WPP segment.

Credit challenges

Earnings remain vulnerable to volatility in demand and fluctuations in input prices – The earnings of the group remain vulnerable to cyclicality in the paper business (in terms of realisations), availability and prices of raw materials, and volatility in pulp, chemicals and fuel prices. The group's consolidated OPM moderated to 9.8% in FY2026 from 12.4% in FY2025 amid pressure on paper realisations and elevated raw material costs. However, the OPM improved to 17.1% in H1 FY2027 from 8.9% in H1 FY2026, supported by a recovery in paper realisations and strong profitability in the optical fibre cable business. Nevertheless, profitability remains susceptible to movements in paper realisations and input costs, while the elevated margins in the cable business are expected to normalise, going forward.

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

Sizeable regular capex due to capital intensive nature of business; large proposed capex in APL remains on hold – ICRA notes the sizeable and regular capex undertaken by the Group due to the capital-intensive nature of the business. APL is currently undertaking a tissue-paper project with an estimated cost of around Rs. 260-270 crore and a capacity of around 35,000-36,000 MTPA. The project is at an advanced stage of completion and is expected to be commissioned in December 2026. APL is also undertaking the modernisation of its existing paper machine at an estimated cost of around Rs. 178 crore, targeted for completion around June 2027. In addition, WCPL has proposed a Rs. 290-crore expansion of its optical fibre and cable capacities. Earlier, APL had also planned to set up a new manufacturing facility for paperboard, WPP and chemical wood pulp at an estimated investment of around Rs. 2,000 crore. However, the project is presently on hold, with its implementation contingent upon visibility of adequate returns considering the prevailing pricing and competitive environment. Consequently, the timelines, phasing and funding mix are yet to be finalised. Through the proposed capex, the Group had envisaged enhancing its production capacity by 1.5-2.0 lakh MTPA. This would 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 current balance sheet size, the Group would be exposed to project execution and funding risks over the medium term if the capex is undertaken.

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. Paper manufacturing requires significant resources, such as water and power, and generates substantial wastewater and solid waste in the process. As a result, environment management is highly critical to continue sustainable business operations for the company. Also, appropriate treatment of wastewater remains important as the pulping and bleaching processes can release complex organic and inorganic pollutants. Any lapse in wastewater treatment measures could result in significant penalties and have a prolonged adverse impact on operations in case of any adverse action by authorities that disrupts operations.

Social considerations: Entities operating in the paper industry are exposed to the risk of disruption due to an 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 more than Rs. 1,500 crore (deployed largely in bonds, commercial papers, non-convertible debentures and mutual funds) as of September 30, 2026, and low utilisation of working capital limits (around 30% in the last 12 months ending in September 2026, with a buffer of Rs. 346 crore as on August 31, 2026). APL's standalone liquidity also remains comfortable with cash and liquid balances of around Rs. 805 crore (deployed largely in bonds, commercial papers, non-convertible debentures and mutual funds) as on September 30, 2026, and low utilisation of working capital limit (around 23% in the last 12 months ending in August 2026 with a buffer of Rs. 246.0 crore as on August 31, 2026). Overall, ICRA expects APL and WCPL to comfortably meet their near-term commitments through internal sources while retaining sufficient cash surpluses. The Group has repayment obligations of around Rs. 115 crore in FY2027 and Rs. 130 crore in FY2028. It also has capex plans of Rs. 350-400 crore in FY2027 on a consolidated basis towards the new tissue-paper plant, upgradation of plant and machinery, and regular maintenance capex. These are expected to be sufficiently met through undrawn term loans of around Rs. 146.6 crore as on March 31, 2026, internal accruals, and cash and liquid investments.

Rating sensitivities

Positive factors – ICRA could upgrade the long-term rating if the Group demonstrates sustained growth in its scale of operations and earnings, supported by a healthy ramp-up in capacity in APL's new value-added business lines. This should limit its exposure to cyclicality in realisations and improve its debt coverage metrics while maintaining a healthy liquidity position and capital structure.

Negative factors – Pressure on the ratings could arise if the Group witnesses a significant fall in its profits and/or a rise in borrowings, weakening its total debt/OPBITDA to more than 1.5 times on a sustained basis, in conjunction with a depletion of cash reserves. Any large, debt-funded capex at the consolidated level or operational challenges, such as inadequate supply of factors of production (like raw materials and water), impacting its credit profile or materially impairing 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. Accordingly, the ratings are based on the consolidated financials of WCPL, which also includes APL and other subsidiaries of WCPL. 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 S K Bangur Group, based in Kolkata. APL has plants at Rajahmundry and Kadiyam in Andhra Pradesh with the paper production capacity of 2,59,400 MTPA for writing, printing, industrial and copier papers for exports and domestic markets. The company also has a pulping capacity of 2.0 lakh MTPA and captive power generation capacity of 40.8 MW, comprising 34 MW at Rajahmundry and 6.8 MW at Kadiyam. APL's equity shares are listed on BSE and NSE.

Incorporated in 1955, WCPL is engaged in manufacturing writing and printing papers, cupstocks, etc. from its 3.2-lakh-MTPA paper manufacturing plant located in Dandeli, Karnataka. WCPL is backward integrated with 2.57 lakh-MTPA of in-house pulp production capacity and 75 MW of captive power plants. WCPL sells its products across India through its dealer network. Under its cable division, West Coast Optilinks, the company operates state-of-the-art manufacturing facilities in the hi-tech electronics zones in Mysuru and Hyderabad. The products under this segment include optical fibre cables, fibre-reinforced plastic (FRP) rod cables and glass roving. The cable division contributed around 8% to the total sales in FY2026. WCPL's equity shares are listed on BSE and NSE and 56.96% of its stake was held by the promoter group as on September 30, 2026.

WCPL acquired a majority stake in International Paper APPM Limited in FY2020 and subsequently changed the name of the company to Andhra Paper Limited (APL). APL's acquisition was valued at around 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.

Key financial indicators (audited)

Consolidated (Group)	FY2025	FY2026	H1 FY2027*
Operating income	4,076.4	4,282.1	2,328.0
PAT	335.6	155.7	253.8
OPBDIT/OI	12.4%	9.8%	17.1%
PAT/OI	8.2%	3.6%	10.9%
Total outside liabilities/Tangible net worth (times)	0.4	0.3	0.3
Total debt/OPBDIT (times)	0.9	0.8	0.6
Interest coverage (times)	13.3	10.0	21.6

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Unaudited*
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Key financial indicators (audited)

APL - Standalone	FY2025	FY2026	H1 FY2027*
Operating income	1,541.2	1,701.2	819.8
PAT	88.9	18.6	34.6
OPBDIT/OI	9.1%	5.3%	9.5%
PAT/OI	5.8%	1.1%	4.2%
Total outside liabilities/Tangible net worth (times)	0.3	0.3	0.3
Total debt/OPBDIT (times)	2.0	2.6	1.9
Interest coverage (times)	7.8	5.0	9.4

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Unaudited*
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 (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Nov 27, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based – Working capital	Long-term	306.00	[ICRA]AA (Stable)	Dec 4, 2025-	[ICRA]AA (Stable)	-	-	-	-
Non-fund based	Short-term	44.00	[ICRA]A1+	Dec 4, 2025	[ICRA]A1+	-	-	-	-
Unallocated	Long-term/ Short-term	-	-	Dec 4, 2025	[ICRA]AA (Stable) / [ICRA]A1+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term - Fund based – Working capital	Simple
Short-term - Non-fund based	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	Financial sector regulator#
NA	**Fund based – Working capital**	NA	NA	NA	306.00	[ICRA]AA (Stable)	RBI
NA	**Non-Fund Based**	NA	NA	NA	44.00	[ICRA]A1+	RBI

Source: Company

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI

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, 2026*

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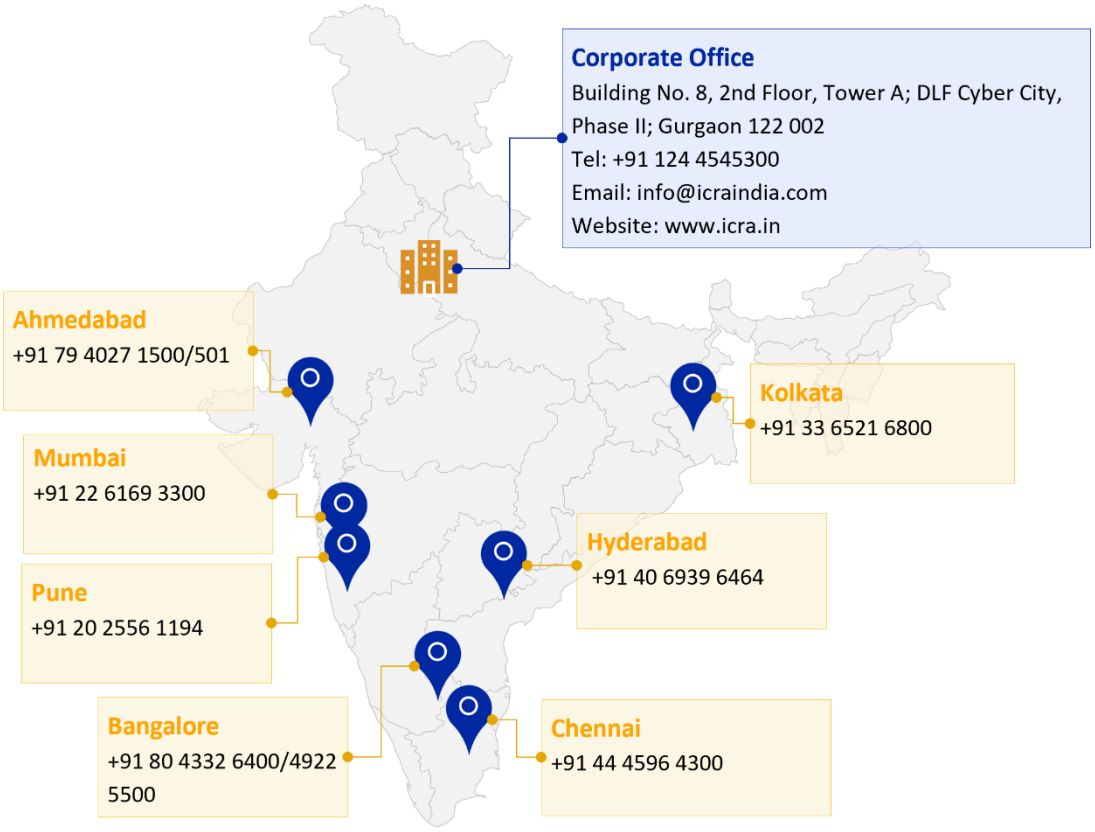

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