August 04, 2026

Subam Papers Limited (Erstwhile Subam Papers Private Limited): Rating 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-Cash credit	102.00	102.00	[ICRA]A-(Stable); reaffirmed	RBI
Long-term-Fund based-Term loan	52.64	0.00	-	RBI
Long-term-Unallocated limits-	23.26	75.90	[ICRA]A-(Stable); reaffirmed	RBI
Total	**177.90**	**177.90**		

**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

The rating reaffirmation of Subam Papers Limited (SPL) factors in its established market presence in the paper industry in Tamil Nadu and its integrated production facility with access to diversified raw material sources, as well as its presence across kraft and duplex paper, with capability to manufacture various products. The rating factors in the commissioning of Unit III in its subsidiary, Subam Paper and Boards Private Limited (SPBPL), in March 2026 (capacity addition of approximately 9,000 MT per month), which positions it favourably to cater to a growing market. Although the project witnessed some delay in commissioning, operations have commenced from Q4 FY2026. The successful ramp-up of the facility is expected to improve the company's scale of operations, product mix and market presence, going forward.

The company has a diversified customer base, comprising over 1,000 direct customers, spread across several industries including breweries and distilleries, e-commerce, fast-moving consumer goods (FMCG), healthcare, textiles and pharmaceuticals. Besides, the company has added multiple new customers in the last few years, although its geographical concentration in the south Indian market remains. The company has an integrated manufacturing set-up with adequate captive renewable power capacity (14 MW of solar power and 1.7 MW of wind power), which ensures availability of power and provides cost advantages. Also, the ongoing capex includes installation of a co-gen plant, which will further reduce dependency on external power and provide cost advantages, strengthening its earnings.

The rating also factors in the company's equity fund-raise of Rs. 104.0 crore in FY2026, through a preferential allotment of Rs. 64.0 crore to non-promoter shareholders (fully raised) and share warrants of Rs. 40.0 crore to promoters (25% infused in FY2026 and balance expected in FY2027/early FY2028). The proceeds were utilised towards repayment of debt in SPL, funding of the ongoing capex, and general corporate requirements. The equity infusion has supported the company's capital structure and financial flexibility during the project implementation phase.

The rating, however, remains constrained by SPL's moderate scale of operations relative to the size of the industry, with operations largely concentrated in the south Indian region, although the aforementioned capacity addition will help mitigate this to some extent. Additionally, the company faces competition from both organised and unorganised players in the paper industry, which limits its pricing flexibility and the bargaining power with customers to an extent. Accordingly, SPL's operating profit margins (OPM) are vulnerable to the inherent cyclicality in the paper business and volatility in raw material costs, fuel prices and exchange rates. The Group's consolidated operating margin moderated to 7.8% in FY2026 from 12.7% in FY2025 owing to the product mix, higher raw material costs, some one-off expenses and initial set-up expenses associated with Unit III, including elevated employee costs. Nevertheless, the Group's debt level remained largely stable at Rs. 169.3 crore as on

March 31, 2026, compared with Rs. 168.0 crore as on March 31, 2025, supported by scheduled repayments and the equity raised during the year. Consequently, the gearing improved to 0.4 times as on March 31, 2026 from 0.5 times as on March 31, 2025, reflecting the benefits of the equity infusion and prudent capital structure management. Despite stable debt levels, the debt coverage metrics remained moderate on account of reduced earnings and the company's Total debt/OPDBITA and DSCR weakened to 3.7 times and 1.1 times, respectively in FY2026 from 2.4 times and 1.6 times, respectively in FY2025. However, ICRA expects this to be temporary, and debt coverage indicators to improve going forward, with scale-up in operations and earnings, and in the absence of further large debt-funded capex. Timely ramp-up and stabilisation of the additional capacity would remain critical to pare down debt and improve coverage metrics over the medium term.

The Stable outlook on the long-term rating factors in ICRA's expectation that SPL would maintain its revenue growth momentum and improve its earnings, going forward. With the capex related investments also concluding in the current fiscal, its credit metrics are expected to improve subsequently.

Key rating drivers and their description

Credit strengths

Established presence with a strong customer base in the packaging industry; caters to various end-user segments – With almost two decades of operations, SPL is an established player in kraft paper manufacturing in Tamil Nadu. The company has over 1,000 direct customers and caters to several end-user industries including automobile, breweries/distilleries, e-commerce, FMCG, healthcare, textiles, and pharmaceuticals to name a few. The company has a history of low churn rates and has added multiple new customers over the past few years.

Favourable demand outlook for paper packaging industry – The growing demand for packaging from e-commerce, food and food products, FMCG, textiles and pharmaceutical sectors augurs well for the company in the near-to-medium term. Further, the long-term demand outlook for the domestic market remains favourable because of low per-capita usage and increasing usage of packaging products. This coupled with the promoter's vast experience in the paper industry supports the company's business profile.

Access to diversified raw material sources and integrated production facility support margins – The company's primary raw material is wastepaper and other raw materials include chemicals used in production like alum, bismark brown, starch etc. SPL sources its wastepaper through both imports and domestic procurement through various vendors. The company has access to various import markets and its proximity to the Tuticorin port also supports the same. In FY2026, the company imported almost 50% of its wastepaper requirements from the UK, the US and Canada. Additionally, it has an integrated manufacturing setup with captive renewable power capacity, ensuring availability of power and providing cost advantages. Moreover, the company is in the process of installing a co-gen plant with a capacity of 10 MW, which is expected to increase captive consumption to over 90% and provide significant cost savings and margin improvement.

Credit challenges

Susceptibility of profit margins to input costs, paper prices and forex volatility – The company's profit margins remain vulnerable to volatility in raw material costs, fuel and electricity rates, and foreign exchange rates, among others. Moreover, the pricing power is limited, considering intense competition. The vulnerability of earnings to these factors was reflected in the moderation in the company's operating profit margins to 7.8% in FY2026 from 12.7% in FY2025, due to pricing pressure, product mix, high raw material costs etc. in addition to the initial set-up costs associated with the new plant. Nevertheless, comfort can be drawn from the company's access to low-cost captive renewable power, diversified raw material suppliers and its favourable location and product mix to a large extent.

High geographical concentration; fragmented industry structure resulting in intense competition – SPL has a moderate scale of operations with high geographical concentration in Tamil Nadu. Further, the company faces competition from both organised and unorganised players in the paper industry, which limits its pricing flexibility and bargaining power with the customers to an extent. The former risk, however, is partially mitigated by SPL's established customer base, history of low churn rates and periodic addition of customers. The company's measures for improving its cost structure are likely to help it remain competitive in pricing, while maintaining margins.

Capital intensive nature of operations requiring frequent investments; timely ramp-up in recently commissioned capacities remains critical – In order to stay competitive, the company would require frequent investments in capacity addition, backward integration and operational improvements, resulting in continuous capex/investment outgo. Recent investments include capex of Rs. 220.0 crore (approximately) for 300 MTPD capacity of kraft paper through Unit III and a cogeneration power plant invested over FY2024-FY2026. Through these investments, SPL's capacity has increased to 2.97 MTPA (including duplex), which will enable it to cater to the growing domestic demand and increase its market share in the paper industry. Such investments in periodic capacity expansion and associated backward integration capacities are expected to continue at regular intervals. The funding mix for such investments remains critical to the company's ability to maintain comfortable capital structure and coverage indicators, and will remain a key rating sensitivity, going forward.

Environmental and social risks

Environmental considerations – The paper manufacturing industry is exposed to environmental risks, given the production function leads to air, water and land pollution and discarded paper and paperboard make up a sizeable portion of solid municipal waste in landfills. Also, water treatment is extremely important because the pulping and bleaching process can release complex organic and inorganic pollutants, which needs 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 margins.

Liquidity position: Adequate

SPL's liquidity position is Adequate, supported by undrawn working capital lines of Rs. 71.0 crore and undrawn term loan of Rs. 18.0 crore coupled with cash and bank balances of Rs. 8.1 crore as of March 31, 2026. In relation to these sources of cash, SPL has repayment obligations of Rs. 18.0-20.0 crore per annum between FY2027-FY2029, balance capex of Rs. 17-20 crore in FY2027 for the co-gen power plant and maintenance capex of Rs. 15.0-20.0 crore per annum between FY2027-FY2029. In addition to the aforementioned sources of funds, the promoter's balance share warrant issue of Rs. 30 crore is expected to be received between FY2027 and FY2028. Overall, the company is expected to remain largely self-reliant in meeting its capex and repayment obligations from the existing sources of funding.

Rating sensitivities

Positive factors – SPL's rating could be upgraded if the company is able to significantly scale up its operations, driven by increase in capacity utilisation of enhanced production capacities, leading to an improvement in cash flows and debt coverage metrics.

Negative factors – Pressure on SPL's rating could emerge in case of a sharp deterioration in the earnings or a significant rise in debt due to high working capital intensity, higher capex or an increase in advances to Group entities. Specific credit metrics that may result in a rating downgrade include DSCR of less than 2 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology

Analytical approach	Comments
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of SPL.

About the company

Subam Papers Limited (formerly Subam Papers Private Limited), incorporated in 2005, manufactures kraft paper, duplex paper, and cone paper boards catering to the paper packaging industry. The company operates two paper manufacturing plant (PM I & PM II) in Tirunelveli with an installed capacity of 300 MTPD of kraft paper and 175 MTPD of duplex paper. To expand its operations, it incorporated a subsidiary, Subam Paper and Boards Private Limited (SPBPL), in FY2022 with a 125-MTPD facility at Tirunelveli, primarily for kraft paper, cones, cone tubes etc. Further, in March 2026, SPBPL commissioned and capitalised a new multi-grade paper machine (PM III) with a capacity of 300 MTPD (approximately 96,000 MTPA), primarily for manufacturing low-GSM kraft paper and carry bag paper. Consequently, the Group's aggregate installed capacity has increased to close to 900 MTPD, strengthening its scale and presence in the paper packaging segment. The manufacturing facilities are strategically located in Tirunelveli and in close proximity to the Tuticorin Port, facilitating efficient logistics and raw material procurement.

The promoters, with over two decades of experience in the paper industry, have established a diversified customer base comprising more than 1,000 customers. The company got listed on the SME exchange in October 2024 with primary issue of Rs. 93.7 crore, largely to fund the capex for PM III. In FY2026, the company further raised Rs. 64.0 crore through preferential issue and Rs. 10 crore through issue of share warrants to promoters. The company also has other subsidiaries, which are largely present in the same segment (production of cone paper boards, corrugated boxes etc. and aggregators), albeit with smaller scale of operations.

Key financial indicators (audited)

SPL (consolidated)	FY2025	FY2026
Operating income (OI)	539.2	584.1
PAT	26.6	7.7
OPBDIT/OI	12.7%	7.8%
PAT/OI	4.9%	1.3%
Total outside liabilities/Tangible net worth (times)	0.8	0.7
Total debt/OPBDIT (times)	2.4	3.7
Interest coverage (times)	3.5	2.8

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:

CRA	Status	Date of Release
CRISIL	CRISIL B/Stable (ISSUER NOT COOPERATING)	July 31, 2025

Any other information: None

Rating history for past three years

	Current rating (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs crore)	August 04, 2026	Date	Rating	Date	Rating	Date	Rating
Fund-based-Cash credit	Long Term	102.00	[ICRA]A-(Stable)	Jun 24, 2025	[ICRA]A-(Stable)	-	-	Mar 21, 2024	[ICRA]A-(Stable)
Fund-based-Term loan	Long Term	0.00	-	Jun 24, 2025	[ICRA]A-(Stable)	-	-	Mar 21, 2024	[ICRA]A-(Stable)
Unallocated limits-	Long Term	75.90	[ICRA]A-(Stable)	Jun 24, 2025	[ICRA]A-(Stable)	-	-	Mar 21, 2024	[ICRA]A-(Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term– Cash Credit - Fund-based	Simple
Long Term-Unallocated-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	Financial Sector Regulator#
NA	**Cash Credit**	NA	NA	NA	102.0	[ICRA]A- (Stable)	RBI
NA	**Unallocated**	NA	NA	NA	75.9	[ICRA]A- (Stable)	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	LTHL ownership	Consolidation approach
Subam Agro Ventures Private Limited	100.00%	Full Consolidation
Subam Paper and Boards Private Limited	99.90%	Full Consolidation
B.M.M Paper Board Private Limited	28.57%	Equity Method
Saradhambika Paper and Board Mills Private Limited	28.13%	Equity Method
Nellai Subam Packaging LLP	80.00%	Full Consolidation

Source: Company

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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For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches