

The Mysore Paper Mills Limited

May 20, 2021

Ratings

Instruments	Amount (Rs. crore)	Rating ¹
Redeemable Non-Convertible Unsecured Taxable Bonds@	25.00	CARE BB (CE) [Double B (Credit Enhancement)] (Credit watch with Developing Implications)
Total Instruments	25.00 (Rs. Twenty Five crore only)	

Details of instruments/facilities in Annexure-1

@backed by unconditional and irrevocable guarantee from Government of Karnataka (GoK) vide notification dated April 9, 2012. However, the process of execution of the contractual documents viz., debenture trust deed and tripartite agreement with the debenture trustee and GoK has been unduly delayed and the rating reflects the weak payment structure in the absence of the said agreements.

Unsupported Rating ²	CARE D (Single D)
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Note: Unsupported Rating does not factor in the explicit credit enhancement

Material event

The Mysore Paper Mills Limited (MPM) has delayed partial redemption of the rated bond along with coupon payment which had fallen due on May 15, 2021 by 1 working day. The funds were credited in the MPM's account on May 17, 2021 and subsequently, the cheques were issued by the company to the bondholders on same day.

Update on material event

The rated bond had partial redemption and coupon which fell due on May 15, 2021. Based on company's request, Government of Karnataka (GoK) vide its order dated April 27, 2021 approved release of funds to the company for payment of above mentioned bond. On account of procedural reasons and operational issues caused due to lockdowns imposed in the state from April 27, 2021, funds were credited in MPM's account on May 17, 2021 for the payment which fell due on May 15, 2021. In the absence of debenture trust deed (DTD), Debenture trustee (DT) did not have the right to invoke the guarantee given by GoK and as confirmed by DT that even the bondholders who had right to invoke the guarantee have not submitted any notice to the trustee for invocation of the guarantee.

In view of non-invocation of guarantee by bondholders despite delay in receipt of funds, CARE has not recognized the missed payment by MPM as default, in line with its [default recognition policy](#).

Liquidity (for Government of Karnataka) – Strong: In FY20, due to delay in GST settlements from Government of India (GoI), Karnataka State had to resort to avail Special Drawing facility for a few days to meet its expenditure commitments. The state has not availed of WMA from the RBI since FY04, reflective of its prudent liquidity management practices.

The last detailed press release of the company published on December 1, 2020 is available [here](#)

About the Company

The Mysore Paper Mills Ltd. (MPM) was incorporated in May 1936 by the Maharaja of the erstwhile State of Mysore. MPM became a government company in November 1977, when GoK acquired a controlling interest in the company. MPM has become a Sick company under the provisions of the Sick Industrial Act 1985 in FY11 due to huge accumulated losses, which completely eroded tangible net worth.

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

² As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).

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