JANUARY 28, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF SHREE RAMA NEWSPRINT LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities - Term Loan	160	**CARE BBB (SO)* [Triple B (Structured Obligation)]**	Revised from CARE BBB+ (SO) [Triple B Plus (Structured Obligation)]
Long term Bank Facilities	60	**CARE D**	Reaffirmed
Short term Bank Facilities	75	**CARE D**	Reaffirmed
Total Facilities	**295**		

*Backed by unconditional and irrevocable corporate guarantee by West Coast Paper Mills Limited (WCPM; rated CARE BBB/CARE A3).

Rating Rationale

The ratings assigned to the bank facilities of Shree Rama Newsprint Limited (SRNP) factors in the ongoing delays in the servicing of rated debt obligations due to the stressed liquidity profile of the company.

The structured obligation rating factors in the unconditional and irrevocable corporate guarantee from the promoter – WCPM for its term loans, support from the promoters in the form of inter-corporate deposits extended to SRNP along-with a long track record of operations of WCPM in the paper industry.

Rating Rationale - West Coast Paper Mills Limited (rated CARE BBB/A3)

The revision in rating of the bank facilities of WCPM from CARE BBB+/CARE A3+ to CARE BBB/CARE A3 factors in the weak debt coverage indicators and moderate liquidity profile due to high repayment obligations in the medium term, relatively high exposure towards the group company, Shree Rama News Prints Limited which continues to post losses. Moreover, the ratings also factor in weak operational performance in FY14 (refers to the period April 01 to March 31). The ratings are further constrained due to the company's high financial leverage and cyclicality of the paper industry.

The ratings, however, continue to build in the experience of WCPM's promoters in the paper industry and strategic location of its plant. The ability of the company to improve its capital structure and reduction in exposure to the group company remain the key rating sensitivities.

Background

Incorporated in 1994, SRNP (erstwhile Rama Newsprint & Papers Ltd.; name changed in March 2013) was initially promoted by Mr. Vashu Ram Singhani. SRNP went into financial trouble in the initial years of operations and WCPM acquired stake in SRNP as a part of debt restructuring exercise in September 2003. WCPM holds 36.32% of the equity share capital of SRNP and the promoter group of WCPM holds 50.54% of the total outstanding equity share capital. The promoter group has been operating in the paper industry for almost six decades. Mr. S.K. Bangur has served as the president of the Indian Paper Manufacturers' Association, an apex body of large and integrated paper mills, from 2001 to 2003.

With an installed capacity of 132,000 Metric Tonnes Per Annum (MTPA); SRNP is one of the largest newsprint manufacturers in the country. With its plant located near the industrial belt of Hazira (in the Surat district of Gujarat); SRNP has access to most of the major newspaper publishers in the Northern, Western and Southern states of the country.

In FY14, SRNP reported total income of Rs.404.4 crore as compared to Rs.378.44 crore in FY13. The company reported adjusted net loss of Rs.67.97 crore in FY14 as compared to adjusted net loss of Rs.56.69 crore in FY13. In H1FY15, SRNP reported total income Rs.224.18 crore and net loss of Rs.38.80 crore.

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

Analyst Contact
Name: Mr. Chaitanya Raut
Tel: 022-6144 3456
Email: chaitanya.raut@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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CONTACT

Head Office Mumbai

Mr. D.R. Dogra
Managing Director
Mobile: +91-98204 16002
E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi
Dy. Managing Director
Mobile: +91-98204 16001
E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi
Vice President - Bank Loan & Instrument Rating
Mobile: +91-9819009839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Vice President - Bank Loan & Financial Services
Mobile: +91-9819698985
E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:
503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 94139 69100
Tel: +91-141-402 0213 / 14
E-mail: harshraj.sankhla@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

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