

MAY 29, 2015

CARE PLACES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF THE WEST COAST PAPER MILLS LTD ON CREDIT WATCH

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	627.46	CARE BBB (Triple B) (Credit watch)	Placed on credit watch
Short-term Bank Facilities	235.00	CARE A3 (A Three) (Credit watch)	Placed on credit watch

Rating Rationale

The above ratings have been placed under 'Credit watch', in view of The West Coast Paper Mills Ltd (WCPML) entering into share purchase agreement [SPA] with Riddhi Siddhi Gluco Biols Ltd (RSGBL) for sale of its entire 36.32% stake in Shree Rama News Print Ltd (SRNPL). The sales of shares, however, would be subject to release of corporate guarantees of Rs.246.25 crore given to various lenders of SRNPL by WCPML. WCPML is expected to receive Rs.0.74 lakh for the stake sale against the book value of Rs.45.41 crore and another Rs.70 lakh against Inter-Corporate deposit (ICD) of Rs.52.3 crore extended to SRNPL while the balance amount will be written off. Considering the above, the ratings of WCPML are placed under "credit watch".

CARE would take appropriate view on the ratings, once the exact implications of the above event are clear.

Background

Incorporated in 1955, WCPML is the flagship company of SK Bangur group and is engaged in the manufacturing and marketing of paper and telecom cables and owns six windmills. WCPML's integrated paper plant is located at Dandeli, Karnataka and telecom cable manufacturing plant at Mysore, Karnataka. In order to foray into the newspaper segment, WCPML acquired a 36.32% stake in SRNP in 2004. Located in Gujarat, SRNPL had an installed capacity of 0.132 million tonnes per annum (MTPA) and is the largest newsprint manufacturer in India.

During FY14 (refers to the period April 1 to March 31), WCPML reported total income of Rs 1,563.9 crore up 7.2% y-o-y as compared to Rs.1,459.4 crore in FY13. In FY14, company reported PAT of Rs.6.63 crore down 63.39%. During 9MFY15, the company reported total income of Rs.1243.7 crore up 7.7% y-o-y. 9MFY15 PAT stood at Rs. 23.18 crore as compared to net loss of Rs.3.41 crore in 9MFY14.

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

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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