

June 15, 2010

CARE ASSIGNS 'CARE C' AND 'PR4' RATING TO THE BANK FACILITIES OF RUCHIRA PAPER LTD.**Ratings**

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	140.82	'CARE C' (Single C)	Assigned
Long-term/ Short-term Bank Facilities	5.25	'CARE C (Single C) /PR4 (PR Four)'	Assigned
Total Facilities	146.07		

Rating Rationale

The ratings reflect poor financial risk profile of RPL as indicated by operational losses in FY09 and net loss in 9MFY10, adverse solvency indicators characterised by high gearing levels, low interest coverage, high term debt in relation to the cash accruals and stretched liquidity position which resulted in delays in debt servicing in the past. The ratings are also constrained by working capital intensive operations and cyclical nature of the paper industry. However, the ratings partially draw comfort from the management's experience and established track record of RPL for about 30 years. Going forward, RPL's ability to improve its operating performance and financial risk profile would be the key rating sensitivities.

Company Profile

RPL incorporated in 1980, is engaged in manufacturing of Writing and Printing Paper (WPP) and kraft paper. The manufacturing unit is located at Kala Amb, Himachal Pradesh (HP) with total installed capacity of 85,800 MTPA as on March 31, 2009.

RPL manufactures WPP and kraft paper using agricultural wastes like rice husk, bagasse, wheat straw etc. RPL had undertaken a capacity expansion and diversification project in FY06 to manufacture WPP with an installed capacity of 33,000 MTPA. The project was completed in March 2008, with a total cost of Rs.153 cr.

¹Complete definition of the ratings assigned are available at www.careratings.com

RPL registered net sales of Rs.161 cr and net loss of Rs.2 cr in FY09 on account of non-stabilisation of operations of the new unit and increased interest expenses. For 9MFY10 the company has registered net loss of Rs.3 cr over net sales of Rs.146 cr.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

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