

July 27, 2010

**CARE ASSIGNS 'CARE BBB-' AND 'PR3' RATINGS TO THE BANK FACILITIES OF SAHOTA PAPERS LTD.**

**Rating**

<b>_Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long-term Bank Facilities	10.80	<b>'CARE BBB-' (Triple B Minus)</b>	Assigned
Short-term Bank Facilities	0.10	<b>'PR 3' (PR Three)</b>	Assigned
<b>Total Facilities</b>	<b>10.90</b>		

**Rating Rationale**

The ratings take into account SPL's presence over the entire range of duplex boards, its moderate financial and liquidity position reflected by a low debt-equity ratio and relatively-favourable coverage indicators.

The ratings are, however, constrained by the limited track record and the moderate scale of operations of SPL; the low value-added and highly fragmented nature of the duplex board segment, limiting the bargaining power of the company as reflected by declining operating margins as well as the high susceptibility to changes in wastepaper prices.

Going forward, the ability of SPL to mitigate the volatility in the wastepaper prices and sustain the operating margins would remain the key rating sensitivities.

**Company Profile**

SPL, incorporated in 2004, is an Uttarakhand-based paper unit and is engaged in the manufacturing of various categories of coated duplex boards like Light Weight Coated (LWC) Board, Deluxe Board, Super Deluxe Board, LWC White Board and Excel White Board to cater to every segment of board market. The promoters of the company come from a farming background and have other business interests in operating a flour and maida unit and a Non-banking Financial Company (NBFC) in Uttarakhand. During FY10, SPL recorded a PAT of Rs.2.98 crore on a total operating income of Rs.69.75 crore.

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

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<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.



*Press Release*

facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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