



WEST COAST PAPER MILLS LTD.,

[formerly known as 'THE WEST COAST PAPER MILLS LTD.']

Registered & Works Office - Post Box No. 5, Bandra Kurla Complex, Bandra - 400 051, M.A.

Dist:Uttar Kannada (Karnataka) - India

CORPORATE IDENTITY NO: L02101KA1955PLC001039 website: www.westcoastpapermills.com
Ph: (02284) 251091 - 395-45 lines Fax: (02284) - 231205. E-mail: info@westcoastpapermills.com



ISO 9001 ISO 14001
OHSAS 18001

ZZK:Share:08:
April 12, 2017

BSE Limited
Corporate Services
Floor 25, P.J.Towers
Dalal Street
Mumbai- 400 001

National Stock Exchange of India Ltd.,
Listing Department
Exchange Plaza,
Bandra Kurla Complex
Bandra [East]
MUMBAI-400 051

SCRIPT CODE : 500444

WSTCSTPAPR

Dear Sir,

Sub : Credit Ratings

We would like to inform you that Credit Analysis & Research Ltd., has revised rating of the Company for long term bank facilities from '**CARE BBB+[Triple B plus]**' to '**CARE A; Stable**' (Single A; Outlook:Stable) and for short term bank facilities from '**CARE A3+[A Three plus]**' to '**CARE A1**' (A One).

Above said rating agency informed that, rating rationale is published on their website(copy of rating rationale attached).

We request you to kindly take the above on record.

Thanking you,

Yours faithfully,
For **WEST COAST PAPER MILLS LTD.,**


BRAJMOHAN PRASAD
COMPANY SECRETARY
M.NO.F7492

Encl : a.a.



Corporate Identity No: L02101KA1955PLC001039 website: www.westcoastpapermills.com
Ph: (02284) 251091 - 395-45 lines Fax: (02284) - 231205. E-mail: info@westcoastpapermills.com

West Coast Paper Mills Limited

April 11, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities (Term Loan)	43.75 (reduced from 75)	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE BBB+ (Triple B Plus)
Long term Bank Facilities (Term Loan)	- (reduced from 96.61)	-	Withdrawn
Long-Term Bank Facilities (Fund Based)	290.00	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE BBB+ (Triple B Plus); Rating placed on Notice of Withdrawal for 90 days
Short-term Bank Facilities (Non-Fund Based)	235.00	CARE A1 (A One)	Revised from CARE A3+ (A Three Plus); Rating placed on Notice of Withdrawal for 90 days
Total Facilities	568.75 (Rs. Five hundred Sixty Eight crore and Seventy five lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to West Coast Paper Mills Limited (WCPML) is on account of improvement in the financial performance of the company marked by improvement in the profitability margins of the company in FY16 & M9FY17 coupled with improvement in the debt coverage indicators. The rating also factors in disinvestment of stake and release of corporate guarantee extended towards Shree Rama Newsprint Limited.

The ratings continues to derive strength from experience of the promoters and established position of the company in the paper industry, integrated nature of its manufacturing facility, strategic location of the plant and stable operation performance of the paper division and cable division in FY16. The ratings are however constrained by susceptible to volatility in input process and unhedged forex exposures.

Ability of the company to sustain its profitability amid volatile raw material cost and forex fluctuations and any significant debt funded capex would be the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters

WCPML, a flagship company of the S. K. Bangur Group, is one of the largest paper manufacturer in India with a capacity of 3,20,000 MTPA. Mr. S. K. Bangur, the Chairman and Managing Director of the company has served as President of the Indian Paper Manufacturers Association, an apex body of large and integrated paper mills from 2001 to 2003.

Fully Integrated manufacturing facility

The company has a fully integrated manufacturing facility based out of a single location at Dandeli in Karnataka. In addition to chips/ Wood, imported pulp and paper cuttings are also used. Pulp is also manufactured internally from wood & chips and from waste paper. It also has achieved self-sufficiency on power front- having 4 turbines with capacity totaling to 74.8 MW and 3 multi-fuel based power plants of 11.84 MW. There are three waste heat recovery boilers of 2 TPH capacity each to recover waste heat from multi-fuel based power plants.

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

Stable operating performance of the paper and cable division in FY16

Company's paper plant capacity utilization level has increased from 93.9% during FY15 to 95.9% during FY16. Though the paper (Writing and Printing paper) production has improved and stood at 96.1% in FY16 vis-à-vis 93.3% in FY15, paperboard production has reduced marginally and stood at 95.2% in FY16 vis-à-vis 96.6% in FY15.

Company's optical fibre unit also saw significant improvement in FY16. The production and sales of optical fibre cable in terms of quantity was 42989 km and 40545 km during FY16 as against 30438 km and 30368 km in the previous year, respectively.

Financial performance marked with improvement in the profitability margins (during FY16 & 9MFY17) and improvement in debt coverage indicators

The total operating income of the company increased by 3.61% and stood at Rs. 1709.57 crore in FY16 vis-à-vis Rs. 1650.02 crore in FY15. PBILDT improved on account of reduction in power & fuel cost. In 9MFY17 (refers to the period April 01 to December 31), total operating income of WCMPL increased by around 4% vis-à-vis 9MFY16. The PBILDT level and margin of the company also improved mainly on account of improvement in realization coupled with decline in wood chips cost. The interest coverage ratio of WCPML also improved and stood at 3.65x in FY16 vis-à-vis 3.53x in FY15. The interest coverage ratio of the company further improved and stood 5.32x in 9MFY17 vis-à-vis 3.40x in 9MFY16. The improvement was on account of higher PBILDT level coupled with decline in the interest cost of the company

Debt equity and overall gearing ratio of the company also improved and stood at 0.92x & 1.29x as on March 31, 2016 vis-à-vis 1.07x & 1.57x respectively as on March 31, 2015. The improvement in the leverage ratios was mainly on account of repayment of term loan coupled with lower utilization of working capital and accretion of profit to reserves.

Key Rating Weaknesses**Volatility in raw material pricing**

Hardwood and waste paper are the major raw materials used by WCPM for manufacturing of paper. Of which, hardwood constitutes around 95% of the input requirement. The availability of the raw material domestically has always been a matter of concern for the industry. Paper mills in India have to necessarily depend upon small and scattered plantations. In the process, the cost of collection and transportation at times works out to be greater than cost of the pulpwood itself which may affect the profitability of the company.

Company sources the wood from cultivators in Karnataka, Andhra Pradesh and Tamil Nadu. Company has also started importing wood chips since 2013 to supplement the raw material availability. Proximity of the Goa port gives it an edge over other mills located in the interiors. Currently, the company meets approximately 50-60% of its total requirement by way of imports. WCPM has entered into a fixed price contract for import of raw materials which is renewed annually. During FY16, the domestic wood prices declined, however, the imported prices remained the same due to fixed price nature of contract. During FY17, the company has renegotiated the price with its imported supplier which has led to improvement in margins in 9MFY17.

Un-hedged Forex exposures

The company is exposed to significant forex risk as it does not hedge its foreign currency exposure. As on March 31, 2016, the total un-hedged long term foreign loans were at USD 11.3 million. Further, company imports around 50-60% of its raw material and consumable requirement. Any adverse movement in the in the foreign currency may impact the profitability of the company in future. However, the company has incurred negligible forex loss of Rs.3.8 crore and Rs.2.8 crore during FY16 & FY15 respectively.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Financial ratios – Non-Financial Sector

CARE's methodology for manufacturing companies

Criteria for Short Term Instruments

About the Company

WCPM, incorporated in 1955, is the flagship company of the S. K. Bangur group and is engaged in the manufacturing and marketing of paper and telecom cables.

Company has an integrated paper plant in Dandeli, Karnataka for capacity of 3,20,000 MTPA. It manufactures writing and printing paper (capacity- 2,62,500 MTPA) and paperboard (capacity- 57,500 MTPA).

Further, company also manufactures optical fiber cables at Mysuru, Karnataka having installed capacity of 83,500 km. Other than the captive power plant, it also has set up 6 wind mills totaling to 1.75MW in Tamil Nadu and the power generated is sold to TNEB/ other company.

In FY16 (refers to the period April 01 to March 31), WCPML reported PAT of Rs. 8.86 crore (FY15- Rs. 1.12 crore) on a total operating income of Rs. 1709.57 crore (FY15- Rs. 1650.02 crore).

In 9MFY17 (refers to the period April 01 to December 31), the company reported PAT of Rs. 77.78 crore on a total operating income of Rs. 1363.86 crore.

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has 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.

Analyst Contact:

Name: Mr Vineet Chamaria

Tel: (033) 4018 1600

Mobile: +91 9051730850

Email: vineet.chamaria@careratings.com

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	-	0.00	Withdrawn
Non-fund-based-Short Term	-	-	-	235.00	CARE A1 ; placed notice of withdrawal
Fund-based-Long Term	-	-	-	290.00	CARE A; Stable Placed on notice of withdrawal
Fund-based - LT-Term Loan	-	-	May 2018	43.75	CARE A; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Term Loan-Long Term	LT	-	-	-	-	1)CARE BBB+ (28-Oct-15) 2)CARE BBB (Under Credit Watch) (29-May-15)	1)CARE BBB (20-Jan-15)
2.	Non-fund-based-Short Term	ST	235.00	CARE A1	-	-	1)CARE A3+ (28-Oct-15) 2)CARE A3 (Under Credit Watch) (29-May-15)	1)CARE A3 (20-Jan-15)
3.	Fund-based-Long Term	LT	290.00	CARE A; Stable	-	-	1)CARE BBB+ (28-Oct-15) 2)CARE BBB (Under Credit Watch) (29-May-15)	1)CARE BBB (20-Jan-15)
4.	Fund-based - LT-Term Loan	LT	43.75	CARE A; Stable	-	-	-	-