

## Rating Rationale

### Brickwork Ratings assigns 'BWR BB+' for the Bank Loan Facilities aggregating ₹ 774 Cr of Kohinoor Pulp & Paper Pvt. Ltd, Kolkata.

Brickwork Ratings (BWR) has assigned the following **Rating<sup>1</sup>** for Bank Loan Facilities of Kohinoor Pulp & Paper Pvt. Ltd (*'KPPPL' or the 'Company'*) Kolkata:

Facility*	Limits (₹ Cr)	Tenure	Rating
Fund Based Term Loan	774.00	Long Term	<b>BWR BB +</b> (BWR Double B Plus) <b>(Outlook: Stable)</b>
<b>Total</b>	<b>774.00 (INR Seven Hundred &amp; Seventy Four Crores only)</b>		

\* Bank wise details sanctions mentioned in Annexure I

BWR has essentially relied upon the audited financial statements of KPPPL's up to FY13, projected financials up to FY17, publicly available information and information/clarifications provided by the Company.

The ratings have, inter alia, factored the Group's established presence in the paper industry, the experience of the promoters, strategically located to have backward linkages in terms of bamboo cultivation, vertically integrated nature of operations for manufacturing pulp & paper products, inclusion of captive power plant and availability of various subsidies & fiscal incentives from the Government of Assam. The rating is however constrained by risks arising out of implementation of a large scale project and limited experience in manufacturing bamboo based pulp.

#### Company Background:

Kohinoor Pulp & Paper Private Limited (KPPPL) was incorporated on June 30, 2008 and has its registered office in Kolkata. KPPPL intends to set up a 350 TPD bamboo based pulp manufacturing plant along with captive power plant of 10 MW & chlorine di-oxide (a bleaching agent for pulp mill) plant of 12 MTPD capacities under Phase I. The Company also setting up a 250 MTPD paper mill with captive power plant of 35 MW along with technology up gradation of 12MTPD chlorine di-oxide plant under Phase II.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

### **Management Profile:**

The Company is being promoted by Mr. Vijay Bothra, Mr. Vivek Dugar (son-in-law of Mr. Vijay Bothra), Mr. Ajay Bhoopal and Mr. Prashant Bothra (son of Mr. Vijay Bothra) of the Kohinoor Group. Mr. Vivek Dugar is an established businessman, with experience of more than 15 years. He is a part of T.M. Dugar group owned by Dugar family, having a group engaged in the trading activities of automobiles, confectionery, fertilizer, stationery and hardware. KPPPL belongs to a Kohinoor Group which has a presence in diverse business activities such as iron & steel, power, paper, agro, food processing and oil processing industries.

The major companies of Kohinoor group are Kohinoor Steel Pvt. Ltd, Kohinoor Paper & Newsprint Pvt. Ltd and Kohinoor Power Pvt. Ltd.

### **Business Process:**

KPPPL intends to set up a 250 MTPD bamboo based paper pulp unit at Goalpara, Assam in 2010 along with captive power plant of 10 MW & chlorine dioxide (a bleaching agent for pulp mill) plant of 12 MTPD under Phase I.

Subsequently, the Company thought of forward integration by setting up 250 MTPD paper plant and captive power plant of 35 MW along with technology up gradation of 12 MTPD chlorine dioxide plant considered in Phase II.

During the execution of Phase I, KPPPL decided to change the configuration in the first phase and increase the capacity of pulp unit from 250 MTPD to 350 MTPD, as it anticipates favorable growth in pulp market and expects to realize benefits arising from scale of economies.

Due to the proposed implementation of the expansion project, the Company has deferred the Commencement of Operations Date (COD) of Phase I by 2 years from April 2013 to April 2015. Now both Phase I with expanded capacity and Phase II of the project are expected to start from April 2015.

The major raw material to be used in this project for the production of pulp is bamboo. Assam is the largest producer of bamboo in India and therefore the project is strategically located in Assam due to availability of cheap raw material. Besides bamboo, coal shall be used for running captive power plant. It is likely to be sourced from neighboring state of Meghalaya. KPPPL has entered into an agreement with Godavari Commodities Ltd for procuring 8000 MTPM of coal.

The Company has been allotted land from Assam Industries Development Corporation (AIDC) measuring 200 acres and construction of Phase I is at an advanced stage as only erection of machinery needs to be completed. The machines are expected to be arrive by October, 2014.

### Project Cost & Means of Finance:

The project cost for Phase I was estimated at ₹ 491.77 Cr, funded by promoter's contribution of ₹ 152.27 Cr and remaining ₹ 339.50 Cr by way of term loans from Banks.

The project cost for Phase II was estimated at ₹ 629.59 Cr out of which Bankers have sanctioned ₹ 434.50 Cr and remaining by way of promoter's contribution.

The project cost for Expansion project (Phase I) was estimated at ₹ 130.39 Cr out of which ₹ 90.00 Cr has been sanctioned by Banks recently.

Till 31<sup>st</sup> March 2014, the actual costs incurred by the Company in Phase I and Phase II project is ₹ 271.84 Cr and ₹ 114.39 Cr respectively.

The loan has been appraised by a consortium of bankers led by Indian Overseas Bank (IOB) and includes 8 other banks, besides North Eastern Development Finance Corporation. The Consolidated project cost of all the phases including expansion in pulp capacity is ₹ 1251.95 Cr.

### Financials:

As the plant is yet to commence operations, only projections are examined. As per audited FY13 financial, the Net worth of the Company stood at ₹ 88.70 Cr.

### Rating Outlook

The project, after modifications/expansion, is under active implementation and is expected to commence operations as scheduled. The ability of the Company to bring in the balance equity, completion of the ongoing project without any cost and time over runs would remain the key sensitivity.

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**Kohinoor Pulp & Paper Pvt. Ltd**

**Annexure I**

<b>Name of the Bank</b>	<b>Limits in Amt.(₹ Cr)</b>
<b>Indian Overseas Bank</b>	200.00
<b>UCO Bank</b>	94.50
<b>Dena Bank</b>	50.00
<b>Bank of Baroda</b>	75.00
<b>Allahabad Bank</b>	100.00
<b>Federal Bank</b>	34.50
<b>State Bank of Hyderabad</b>	50.00
<b>State Bank of Bikaner &amp; Jaipur</b>	75.00
<b>North Eastern Development Finance Corporation</b>	20.00
<b>Corporation Bank</b>	75.00
<b>Total</b>	<b>774.00</b>