



India Ratings Downgrades Ballarpur Industries' NCDs to 'IND D'

Ind-Ra-New Delhi-7 April 2017: India Ratings and Research (Ind-Ra) has downgraded Ballarpur Industries Limited's (BILT) non-convertible debentures (NCDs) to 'IND D' from 'IND C' as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
NCDs*	-	-	-	INR5,000	IND D	Downgraded

*Outstanding amount is INR1,500 million

KEY RATING DRIVERS

The downgrade reflects the inability of the company to service its debt obligations in a timely manner owing to its stressed liquidity position due to BILT's poor operational cash flows as well as weak credit metrics as reflected in EBITDA losses at the consolidated level in 9MFY17. The company has already defaulted on timely servicing of its bank loans and CPs.

BILT along with its subsidiary – BILT Graphic Paper Products Limited (BGPPL; 'IND D') - continues to face delays in the necessary deleveraging, as efforts to monetise its assets have not fructified within planned timelines.

The company has also been unable to refinance its debt or elongate the maturity profile of its near-term debt obligations fully.

Cash flows inadequacy has reduced BILT's and BGPPL's ability to fund debt obligations through internal accruals, creating an immediate need for refinancing. In 9MFY17, BILT reported consolidated revenue of INR16.9 billion (down 44.8% yoy) and consolidated EBITDA losses of INR744 million (INR5.6 billion) with net loss of

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INR9,037 million (negative INR781 million). BILT reported EBIT margin of negative 12.1% in 9MFY17 in the key paper segment (9MFY16: 16.1%).

According to the management, BILT raised working capital limits of INR500 million in January 2017 and around INR2,000 million and INR1,500 million in Ballarpur Paper holdings B.V. in March 2017, due to which capacity utilisation is likely to improve at its existing facilities. However, it will require significant deleveraging through asset sales to improve the credit profile. At FYE16, BILT had a consolidated balance sheet debt of around INR72.3 billion (excluding perpetual bonds). According to the management, it is in the advanced stages of raising more working capital lines for operations as well as equity and debt infusion through asset sales.

In FY16, BILT reported consolidated revenue of INR42.7 billion (FY15: INR32.4 billion; FY14: INR52.8 billion) and EBITDA margin of 16.6% (21%; 17.8%). The company has classified its subsidiary Sabah Forest Industries as discontinued operations for FY15 and FY16, which resulted in lower revenue and higher EBITDA margins for these years when compared with FY14 financials.

Ind-Ra continues to take a consolidated view of BILT's business and financial profiles for the ratings. BGPPL has strong operational and strategic linkages with its ultimate parent, BILT, due to their similar business profiles, common treasury and management team.

RATING SENSITIVITIES

Timely debt servicing for at least three consecutive months could result in a positive rating action.

RATING CRITERIA

'Corporate Rating Methodology', dated 4 January 2017 and 'Parent Subsidiary Rating Linkage', dated 28 April 2016, are available at www.indiaratings.co.in.

COMPANY PROFILE

BILT, on a consolidated basis, has one production facility in Malaysia and six production facilities across India, of which Ballarpur, Bhigwan, Sewa and Ashti units are under BILT Graphic Paper Products, while Kamplapuram and Shree Gopal units are under BILT. Overall, the company has a paper capacity of around 1 million MT and a pulp capacity of around 0.8 million MT (including rayon grade pulp capacity).

RATING HISTORY

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Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Amount Outstanding (million)	Rating	28 February 2017	30 December 2016	29 September 2015
Issuer rating	Long term	-	INDD	INDD	INDBBB-/RWN	IND A+RWE
Term loans	Long term	INR490	INDD	INDD	INDBBB-/RWN	IND A+RWE
Fund-based and non-fund-based working capital limits	Long term/Short term	INR7,520	IND D/IND D	IND D/IND D	INDBBB-IND A3/RWN	IND A+IND A1+RWE
NCDs	Long term	INR5,000*	INDD	IND C	INDBBB-/RWN	IND A+RWE
CP	Short term	INR2,470**	INDD	INDD	IND A3/RWN	IND A1+RWE

*Outstanding is INR1,500 million

** Outstanding is INR1,065 million

COMPLEXITY LEVELS OF THE INSTRUMENTS

NCDs are instruments with low complexity levels, where the relationship between the inherent risk factors and intrinsic return characteristics is straightforward.

For more information, visit <https://www.indiaratings.co.in/complexity-indicators>.