JANUARY 09, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF INTERNATIONAL PAPER APPM LIMITED (ERSTWHILE THE ANDHRA PRADESH PAPER MILLS LTD)

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities –Term loan	5.74 (reduced from 106.06)	**CARE AA(SO) (Double A [Structured Obligation])**	Reaffirmed
Long-term Bank Facilities –Fund Based	43 (reduced from 60)	**CARE AA(SO) (Double A [Structured Obligation])**	Reaffirmed
Short-term Bank Facilities	63.50 (enhanced from 60)	**CARE A1+(SO) (A One Plus [Structured Obligation])**	Reaffirmed
Total Facilities	**112.24**		

@ backed by Letter of Comfort from International Paper Company, USA

Rating Rationale

The ratings continue to factor in credit enhancement in the form of a letter of comfort extended by International Paper Company (IPC), USA to International Paper APPM Limited (IPAPPM). The rating is supported by IPC's established global presence and expertise in the industry and its strong financial position, long-standing track record of IPAPPM in the Indian paper industry characterized by a diversified product-mix, improved operational performance during FY14 (refers to the period April 01 to March 31) and H1FY15and other initiatives ensuring raw material self-sufficiency. The ratings are, however, constrained by volatile input prices faced by the industry and deterioration in the financial performance in FY14. The ability of the company to improve its financial performance is the key rating sensitivity.

Background

International Paper APPM Ltd (IPAPPM) was incorporated in 1964 at Rajahmundry in Andhra Pradesh for manufacturing of paper by L.N. Bangur group. The total installed capacity for the manufacturing of the paper is 241,000 MTPA.

IP Holding Asia Singapore Pte Ltd, a subsidiary of International Paper Company (IPC), USA, has acquired entire stake (53.5%) held by the previous promoters of IPAPPM. In addition, IP Holding Asia Singapore Pte Ltd has acquired an additional 21.5% in IPAPPM in a public tender offer (Open Offer), which was completed in October, 2011. With this, IPC holds 75% of the IPAPPM through its subsidiary.

In FY14, IPAPPM achieved net sales of Rs.1102.94 crore and a net loss of Rs.41.61 crore. Furthermore, for the un-audited 6MFY15 (refers to the period April 01, 2014 to September 30, 2014), IPAPPM has registered net sales of Rs.572.52 crore with loss of Rs.12.98 crore.

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

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.

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

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CIN - L67190MH1993PLC071691