January 11, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF INTERNATIONAL PAPER APPM LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	43	**CARE AA(SO) (Double A [Structured Obligation])**	**Reaffirmed**
Short-term Bank Facilities	63.50	**CARE A1+(SO) (A One Plus[Structured Obligation])**	**Reaffirmed**
Long-term Bank Facilities-Term Loan*	-	**-**	**Withdrawn**
Total Facilities	**106.50(Rupees One Hundred Six crore and Fifty lakh only)**		

***** Since the company has fully repaid the ECB loan, the same has been withdrawn.

Rating Rationale

The ratings assigned to the bank facilities of International Paper APPM Limited (IPAPPM) continue to factor in credit enhancement in the form of a letter of comfort extended by International Paper Company (IPC), USA to IPAPPM. The ratings also derives its strength from 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 and other initiatives ensuring raw material self-sufficiency. The ratings also factor in improvement in total operating income coupled with profitability margins and improved capital structure during FY15 (refers to the period April 01 to March 31) and H1FY16 (provisional). The ratings are, however, constrained by volatile input prices faced by the industry and cyclical nature of the pulp and paper industry.

The ability of the company to further improve its financial performance and manage the volatility in input prices amidst the cyclical nature and intense competition in the industry is the key rating sensitivity.

Background

International Paper APPM Ltd. (formerly known as The Andhra Pradesh Paper Mills Ltd.) 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 Metric Tonnes Per Annum (MTPA).

IP Holding Asia Singapore Pte Ltd, a subsidiary of International Paper Company (IPC), USA, has acquired entire stake (53.46%) held by the previous promoters of IPAPPM. In addition, IP Holding Asia Singapore Pte Ltd has acquired an additional 21.5% in APPM in a public tender offer (Open Offer), which was completed in October, 2011. With this, IPC holds 75% of the IPAPPM through its subsidiary.

During FY15, IP APPM registered total operating income of Rs.1149.89 crore (Rs.1102.19 crore in FY14) with PAT of Rs.0.25 crore (net loss of Rs.41.61 crore in FY14). Furthermore, during H1FY16 (provisional), the company registered total operating income of Rs.560.40 crore with PAT of Rs.1.58 crore.

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

Analyst Contact

Name: Ms. Radhika Ramabhadran
Tel: 040- 6900-0516
Cell: + 91 8008883012
Email: radhika.ramabhadran@careratings.com

****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.

CONTACT

Head Office Mumbai

Mr. Sanjay Kumar Agarwal
Mobile: + 91 8108007676
E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 9819084000
E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 9820998779
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Rakesh Jayaraman
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 76655 96136
Tel: +91-141-402 0213 / 14
E-mail: rakesh.jayaraman@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

CIN - L67190MH1993PLC071691