



Tamil Nadu Newsprint and Papers Limited

(A Govt. of Tamil Nadu Enterprise)

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TNPL - The Corporate Identity Number : L22121TN1979PLC007799

TNPL/SHARES/1(2&3)/16

Dated : June 27, 2016

| | |
|---|---|
| To BSE Limited (BSE) Corporate Relationship Department Phiroze Jeejeebhoy Towers 25th Floor, Dalal Street Mumbai- 400001 | To National Stock Exchange of India Limited (NSE) Listing Department Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051 |
|---|---|

Dear Sir,

Sub : Compliance under SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015

The Company has received rating from CRISIL, a leading rating agency for Commercial Papers to be issued for an amount of Rs.50 crore, duly rated as 'A1+ (SO)' by CRISIL,. Instruments with the aforesaid rating are considered to have a very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

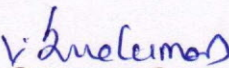
A copy of the Rating Rationale is attached herewith.

Kindly take the same on record.

Thanking you,

Yours faithfully,

For Tamil Nadu Newsprint and Papers Ltd.


Company Secretary

Rating Rationale

June 24, 2016 | Mumbai

Tamil Nadu Newsprint and Papers Limited

Rs.500 Million Commercial Paper

CRISIL A1+(SO) (Converted from Provisional rating to Final rating)

CRISIL has converted its 'Provisional CRISIL A1+(SO)' rating - assigned on May 25, 2016, to the proposed Rs.500 million commercial paper (CP) programme of Tamil Nadu Newsprint and Papers Ltd (TNPL) - to a final rating of 'CRISIL A1+(SO)'. This is because CRISIL has received the following final legal documents, duly executed:

- Final representation and warranties letter
- Issuing and paying agent (IPA) awareness letter
- Executed Standby letter of credit (SBLC) letter
- Executed amendment to the above SBLC letter.

The documents (including the SBLC amendment) executed for the transaction are in line with the assumptions at the time of assigning the provisional rating. Hence, CRISIL has converted the provisional rating to final rating.

The rating reflects the strength of the unconditional and irrevocable Stand by Letter of Credit (SBLC) from Kotak Mahindra Bank Ltd (KMBL; rated 'CRISIL AAA/FAAA/Stable/CRISIL A1+'), acting in dual capacity as the SBLC providing bank and IPA. The SBLC is valid for a single tranche of CP, to be issued for a maximum tenor of 90 days subject to maturity date being on or before September 19, 2016 and quantum, subject to maximum outstanding amount of Rs.500 million under the CP programme. The SBLC shall remain in full force and effect till September 19, 2016.

The rating is also supported by a well-defined payment structure (*refer to annexure for details*) to ensure that obligations are serviced on time.

About the Company

TNPL was promoted by the Government of Tamil Nadu (GoTN) and the Industrial Development Bank of India (IDBI) in 1979 to manufacture newsprint and writing and printing paper (WPP), using bagasse as the principal fibre source. GoTN is currently the single largest shareholder, holding 35.3 percent stake in the company.

TNPL has a production capacity of 400,000 tons per annum (tpa) at its plant at Pugalur in Kagithapuram (Tamil Nadu), which is the largest single location paper plant in India. The company possesses manufacturing capability for both newsprint and WPP; however, because of better cost economics, TNPL has been manufacturing only WPP. The Pugalur plant is also backward integrated, with a pulp production capacity of 880 tons per day (tpd). Furthermore, TNPL has a 300-tpd de-inking pulp plant to produce pulp from waste paper. Also, the residue generated from the Pugalur plant is combined with limestone to produce cement at its 600-tpd cement plant. The company also has captive power facilities of 103.62 megawatts (MW), of which about 7 MW is available to be sold to the state grid after meeting its entire in-house requirement. TNPL recently undertook a 200,000-tpa greenfield project in the value-added coated board segment at Trichy (Tamil Nadu), which commenced production in January 2016.

TNPL reported a profit after tax (PAT) of Rs.1.60 billion on net sales of Rs.22.49 billion for 2014-15, against a PAT of Rs.1.61 billion on net sales of Rs.23.89 billion for 2013-14.

For the nine months ended December 31, 2015, the company reported a PAT of Rs.1.58 billion on net sales of Rs.16.51 billion, compared with a PAT of Rs.0.97 billion on net sales of Rs.14.09 billion for the corresponding period of the previous year.

About the Guarantor

KMBL, which is part of the Kotak group, has a diversified business profile across commercial vehicle financing, consumer loans, corporate finance and asset reconstruction. The bank is also engaged in investment banking, equity broking, securities-based lending, and car finance, through subsidiaries. KMBL, earlier a non-banking financial company (NBFC), was reconstituted as a commercial bank in 2002-03, with the objective of providing a more comprehensive range of financial services. Effective April 1, 2015, ING Vysya Bank merged with KMBL.

Annexure: Payment Structure

| Timeline | Event |
|----------|---|
| T -1 day | <ul style="list-style-type: none"> • TNPL shall deposit the requisite amount in the collection and payment account held with KMBL(IPA) on or before 4.00 pm one working day in advance of due date/date of maturity of the CP • In case if TNPL fails to deposit the requisite amount by 4.00 pm, the IPA shall provide a written notice to SBLC Bank calling upon the bank to arrange requisite amount for repayment • IPA shall also ensure that the notice reaches the SBLC bank by 5.00 pm on T-1 date |

| | |
|-------------------|---|
| T day by 12.00 pm | <ul style="list-style-type: none"> Upon receipt of notice, SBLC bank shall make payments of requisite amount to the collection and payment account by at least 12.00 pm on due date/date of maturity of the CP |
| T day | <ul style="list-style-type: none"> Payment made to investor based on funds deposited in the collection and payment account |

If TNPL ascertains that it is unable to meet repayment obligations, it will intimate the SBLC Bank and IPA in writing on or before Day T-2 (2 days in advance of due date of the CP). Failure to do so shall not in any manner affect the obligation of the SBLC Bank to advance the facility or obligation of the IPA under this Agreement.

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating Criteria for Manufacturing Companies](#)

[Rating Criteria for Paper Industry](#)

[Criteria for rating Short-Term Debt \(including Commercial Paper\)](#)

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Last updated: April 2016

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