



PEFINDO CREDIT RATING INDONESIA

# PRESS RELEASE

## October 27, 2009

### PT Pabrik Kertas Tjiwi Kimia Tbk

PEFINDO put the corporate rating of PT Pabrik Kertas Tjiwi Kimia Tbk. (TKIM or the Company) to “**idSD**” due to payment suspension to its international creditors that participated in Master Restructuring Agreement (MRA). This payment suspension, which was announced in April 2009, was triggered by litigation effort instigated by US Exim, one of TKIM’s international creditors which negotiated many of the terms of the MRA but ultimately did not participate in the MRA. US Exim litigation efforts have caused Writs of Garnishment to be issued by the New York District Court on Bank of New York Mellon Corporation, Deutsche Bank Trust Company Americas and Cathay Bank (Collectively, “the Corresponding Banks”). This action has created the potential payments that TKIM transmit to its international creditors through these Correspondent Banks to be frozen. Hence, although the Company has the capacity to continue to fulfill its financial obligations as stipulated in the MRA, the Company had no option but suspended the payment to its international creditors. The unpaid installment and interest between April 2009 and the end of September 2009 is estimated at USD25.66 million.

PEFINDO maintained the Company’s IDR Bond I/A amounting to IDR35.9 billion due in October 2014 and IDR Bond I/B amounting to IDR100.0 billion due in October 2017 at “**idBBB**”. However, the “Outlook” is revised to “**Negative**” from “**Stable**” to reflect potential negative impact from the current litigation to the Company’s business and financial profiles. The rating still reflects the Company’s strong business position as paper and stationary producer, its vertically integrated operations within the group of companies and above average cash flow protection. The rating is constrained by the Company’s highly leveraged capital structure, large amount of receivables to related companies, long credit term to customer and risk related to litigation or claim from MRA’s non-participating creditors.

The Company produces a wide variety of papers, stationary and packaging that are mostly exported. TKIM is a member of Sinar Mas Group of companies. The Group is engaged in diversified businesses, including property, financial services, agriculture, forestry, mining, pulp and paper. PT Purinusa Ekapersada (PTPE) owns about 59.6% of the Company’s shares, while the remaining 40.4% is held by public. PTPE also owns PT Pindo Deli Pulp And Paper Mills (PDPP), PT Indah Kiat Pulp & Paper Tbk. (INKP) and PT Lontar Papyrus Pulp & Paper Industry (LOPA). TKIM’s operational activities are supported by 12 production facilities with total annual paper capacity of 1.14 million tons and a self-owned power plant with total capacity of 140 MW.

Rating Period: October 21, 2009 – October 1, 2010

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