PT TIGA PILAR SEJAHTERA FOOD Tbk

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CREDIT PROFILE

Press Release
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PEFINDO revises the outlook of PT Tiga Pilar Sejahtera Food Tbk’s rating to “Stable” from “Credit Watch with Negative Implications”, ratings are maintained at “CCC”

PEFINDO has revised the outlook of PT Tiga Pilar Sejahtera Food Tbk (AISA)’s rating to “Stable” from “Credit Watch with Negative Implication” following the results of AISA’s Bondholders General Meeting (Rapat Umum Pemegang Obligasi/RUPO) and Sukuk Ijarah holders General Meeting (Rapat Umum Pemegang Sukuk Ijarah/RUPSI) on March 22, 2018, which extend the maturity date of Bond I/2013 and Sukuk Ijarah I/2013 to April 5, 2019. The 12 months maturity extension reduces its refinancing risk and gives rooms for AISA to execute several corporate actions for repayment purposes. The repayment of Sukuk Ijarah I/2016 may be accelerated if repayment sources are sufficient. The Company will start the next interest payment in July 2018 on a semi-annual basis.

At the same time, PEFINDO has maintained its “CCC” ratings for AISA and its Bond I/2013, and its “CCCsy” ratings for its Sukuk Ijarah I/2013 and Sukuk Ijarah II/2016, as we concern on risks related to the execution of AISA’s corporate actions to settle the repayment sources, such as rice divestment and loans refinancing. Delayed on rice subsidiaries divestment will significantly impact AISA’s capability to repay its maturing bond and sukuk.

We may upgrade the rating if the rice subsidiaries divestment and other corporate actions being materialized to repay the maturing bond and sukuk. However, the corporate rating could be put on “Credit Watch with Negative Implication” if delays on the rice divestment process take a longer time than anticipated and/or if the Company’s financial performance further deteriorates. Its maturing bond and sukuk ratings could be lowered to “D” if there are interests and/or principals’ mispayment on their respective due dates.

An obligor rated “CCC” is currently vulnerable, and is dependent upon favorable business and financial conditions to meet its financial commitments.

The suffix (sy) means the rating mandates compliance with Islamic principles.

The ratings also reflect the Company’s weak liquidity and cash flow protection, its aggressive capital structure, its exposure to fluctuating raw material costs, and the tight competition in the industry. However, the ratings are offset by AISA’s relatively diversified products and its above average position in the domestic food market.

AISA will focus on its food business (basic and consumer food) after divesting its rice business. Its food production facilities are in Java. As of September 30, 2017, its shareholders were PT Tiga Pilar Corpora (26.10%), J P Morgan Chase Bank Non-Treaty Clients (9.33%), Trophy 2014 Investors Limited (9.09%), Morgan Stanley & Co. LLC-Client Account (6.52%), Maybank Kim Eng Securities (5.48%), Primanex Pte. Limited (5.38%), and the public (38.09%).