PEFINDO
CREDIT RATING AGENCY

Press Release

July 14, 2022

PT Chandra Asri Petrochemical Tbk

Credit Rating(s)

General Obligation (GO)	$_{id}$AA-/Stable
SR Bond I	$_{id}$AA-
SR Bond II	$_{id}$AA-
SR Bond III	$_{id}$AA-
SR Bond IV (proposed)	$_{id}$AA-

Rating Period

May 25, 2022 – May 1, 2023

Published Rating History

JUN 2021	$_{id}$AA-/Stable
JUN 2020	$_{id}$AA-/Negative
OCT 2019	$_{id}$AA-/Stable

Rating Definition

A debt security rated $_{id}$AA differs from the highest rated debt only to a small degree. The obligor's capacity to meet its long-term financial commitments on the debt security, relative to other Indonesian obligors, is very strong. The Minus (-) sign indicates that the rating is relatively weak within the respective rating category.

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PEFINDO has assigned its "$_{id}$AA-" rating for TPIA's Shelf Registered Bond IV of a maximum of IDR8 trillion, including IDR2 trillion for the first phase issuance that will be used for working capital. PEFINDO has also affirmed its "$_{id}$AA-" ratings for PT Chandra Asri Petrochemical Tbk (TPIA) and its Shelf Registered Bond I, Shelf Registered Bond II, and Shelf Registered Bond III. Outlook for the corporate rating is stable. The rating has taken into account TPIA's weakened performance in the first quarter of 2022 as a result of higher feedstock price and weaker demand of petrochemical products from China, which in our view is mitigated by the Company's strong liquidity in addition to high domestic demand and we expect that the overseas demand will improve in the near term in line with lockdown relaxation in China.

The rating reflects our view of TPIA's leading position in the domestic petrochemical industry that is supported by synergies with its strategic partners, vertically integrated operations with satisfactory supporting facilities, and strong liquidity with very strong financial flexibility. However, its sensitivity to industry cyclicality and risks related to the expansion of petrochemical facilities constrain its rating, in our view.

The rating may be raised if we view that TPIA's business profile significantly strengthens and provides better product and market diversification that could mitigate the margins volatility, while maintaining its conservative capital structure. The rating may be lowered if we view that there is a persistent deterioration in its financial profile due to weaker than expected profit margins because of rising feedstock prices and/or declining product prices. This may be resulted from a weaker than anticipated demand for petrochemical products, especially in the domestic market where it focuses on, and/or an acceleration of the capacity expansion by the players in the industry, and/or higher than expected feedstock price. The rating may also be under pressure if TPIA undertakes higher than projected debt-funded expansion, resulting in a moderate financial profile. Our rating has not incorporated TPIA's plan for additional debt-funded capital expenditure (capex) for the construction of its second naphtha cracker as its final investment decision has not been disclosed yet.

TPIA is an integrated petrochemical producer, providing olefins, polyolefin, styrene monomer, butadiene, methyl-tertiary-butyl-ether (MTBE), and butene-1. It owns the only naphtha cracker, styrene monomer, butadiene, MTBE, and butene-1 plants in the country. Its production facilities include a naphtha cracker with a total production capacity of 2,138 kilo tons per annum (KTA), a polyethylene plant with 736 KTA capacity, a styrene monomer plant with 340 KTA capacity, a polypropylene plant with 590 KTA capacity, a butadiene plant with 137 KTA capacity, a MTBE plant with 128 KTA capacity, and a butene-1 plant with 43 KTA capacity. As of March 31, 2022, it was owned by PT Barito Pacific Tbk (34.6%), SCG Chemicals Co Ltd (30.6%), PT Top Investment Indonesia (15.0%), Prajogo Pangestu (7.8%), Marigold Resources Pte Ltd (3.9%), and the public (8.1%).

Financial Highlights

As of/for the year ended Consolidated Figure	Mar-2022 (Unaudited)	Dec-2021 (Audited)	Dec-2020 (Audited)	Dec-2019 (Audited)
Total adjusted assets [USD mn]	4,968.4	4,993.1	3,593.7	3,451.2
Total adjusted debt [USD mn]	1,510.8	1,076.4	844.3	787.9
Total adjusted equity [USD mn]	2,915.9	2,927.7	1,811.4	1,761.0
Total sales [USD mn]	677.7	2,580.4	1,806.4	1,881.0
EBITDA [USD mn]	21.9	353.0	183.1	174.2
Net income after MI [USD mn]	(11.2)	152.1	51.4	22.9
EBITDA margin [%]	3.2	13.7	10.1	9.3
Adjusted debt/EBITDA [X]	*17.2	3.0	4.6	4.5
Adjusted debt/adjusted equity [X]	0.5	0.4	0.5	0.4
FFO/adjusted debt [%]	*1.4	22.7	14.0	13.3
EBITDA/IFCCI [X]	1.3	5.4	2.8	3.1
USD exchange rate [IDR/USD]	14,349	14,269	14,105	13,901

FFO = EBITDA – IFCCI + Interest Income – Current Tax Expense
EBITDA = Operating Profit + Depreciation Expense + Amortization Expense
IFCCI = Gross Interest Expense + Other Financial Charges + Capitalized Interest; (FX Loss not included)
MI= Minority Interest **annualized*

The above ratios have been computed based on information from the company and published accounts. Where applicable, some items have been reclassified according to PEFINDO's definitions.