

PT Indah Kiat Pulp and Paper Tbk

Credit Rating(s)

General Obligation (GO)	idA+/Stable
SR Bond I	idA+
SR Bond II	idA+
SR Bond III	idA+
SR Bond IV	idA+
SR Bond V	idA+
SR Sukuk Mudharabah I	idA+(sy)
SR Sukuk Mudharabah II	idA+(sy)
SR Sukuk Mudharabah III	idA+(sy)
SR Sukuk Mudharabah IV	idA+(sy)
SR USD Bond I	idA+
SR USD Bond II	idA+

Rating Period

June 24, 2024 – June 1, 2025

Published Rating History

JUL 2024	idA+/Stable
MAR 2023	idA+/Stable
JUL 2022	idA+/Positive
APR 2022	idA+/Positive
JUN 2021	idA+/Stable

Rating Definition

Debt security rated idA indicates that the issuer's capacity to meet its long-term financial commitments on the debt security, relative to other Indonesian issuers, is strong. However, the issuer's capacity is somewhat more susceptible to adverse effects of changes in circumstances and economic conditions than higher-rated issuers. The plus (+) sign indicates that the rating is relatively strong within its category.

Suffix (sy) means the rating indicates Islamic principles compliant.

Contact Analysts:

ayuningtyas.nur@pefindo.co.id
kresna.wiryawan@pefindo.co.id

PEFINDO has assigned its idA+ ratings for PT Indah Kiat Pulp and Paper Tbk (INKP)'s Shelf-Registered Bond V Year 2024 with the maximum amount of IDR14 trillion and Shelf-Registered USD Bond II Year 2024 with the maximum amount of USD100 million. PEFINDO has also assigned its idA+(sy) rating for INKP's Shelf-Registered Sukuk Mudharabah IV Year 2024 with the maximum amount of IDR6 trillion. The Company plans to use the issuance proceeds from the IDR bond and Sukuk to finance its working capital and refinancing purposes, while the issuance proceeds from the USD bond will be used to finance its capital expenditure. PEFINDO has also affirmed its idA+ and idA+(sy) ratings for INKP's outstanding bonds and sukuk. Outlook for the corporate rating is stable.

The corporate rating reflects INKP's very strong market position in the industry, good vertically integrated operations, as well as good product and customer geographical diversity. The rating is constrained by moderate capital structure, risks related to volatility of products and raw material prices, as well as high working capital needs.

The rating may be raised following INKP's deleveraging and if it improves its profit margin resulting from a better operating management or a rise in pulp price, leading to strengthening capital structure and cash flow protection figures on a sustained basis. The rating could be lowered if its revenue or profit margins significantly drop from their current levels, or if the Company incurs significantly larger new debt than projected without being compensated for by an improved business profile.

INKP is the leading pulp and paper manufacturer, not just in Indonesia but across the world. Operating since 1976, it produces pulp, cultural and industrial paper, packaging, and tissue products. It has mills in Tangerang and Serang in Western part of Java, and in Perawang, Riau (Sumatra). As of June 30, 2024, it was majority owned by PT APP Purinusa Ekapersada (56.57% ownership), part of the Sinarmas group. The remaining shares were held by the public (43.43%).

Financial Highlights

As of/for the year ended	Mar-2024 (Audited)	Dec-2023 (Audited)	Dec-2022 (Audited)	Dec-2021 (Audited)
Total adjusted assets [USD mn]	10,359.8	10,125.1	9,640.7	8,978.4
Total adjusted debt [USD mn]	3,526.9	3,456.1	3,356.4	3,568.7
Total adjusted equity [USD mn]	6,131.3	6,000.1	5,605.2	4,764.9
Total sales [USD mn]	805.2	3,479.0	4,002.6	3,516.6
EBITDA [USD mn]	242.2	1,022.1	1,395.4	1,139.2
Net income after MI [USD mn]	130.8	411.4	857.5	527.1
EBITDA margin [%]	30.1	29.4	34.9	32.4
Adjusted debt/EBITDA [X]	*3.6	3.4	2.4	3.1
Adjusted debt/adjusted equity [X]	0.6	0.6	0.6	0.7
FFO/adjusted debt [%]	*17.4	18.5	28.4	21.6
EBITDA/IFCCI [X]	3.6	3.4	5.5	4.5
USD exchange rate [IDR/USD]	15,853	15,416	15,731	14,269

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.

DISCLAIMER

The rating contained in this report or publication is the opinion of PT Pemeringkat Efek Indonesia (PEFINDO) given based on the rating result on the date the rating was made. The rating is a forward-looking opinion regarding the rated party's capability to meet its financial obligations fully and on time, based on assumptions made at the time of rating. The rating is not a recommendation for investors to make investment decisions (whether the decision is to buy, sell, or hold any debt securities based on or related to the rating or other investment decisions) and/or an opinion on the fairness value of debt securities and/or the value of the entity assigned a rating by PEFINDO. All the data and information needed in the rating process are obtained from the party requesting the rating, which are considered reliable in conveying the accuracy and correctness of the data and information, as well as from other sources deemed reliable. PEFINDO does not conduct audits, due diligence, or independent verifications of every information and data received and used as basis in the rating process. PEFINDO does not take any responsibility for the truth, completeness, timeliness, and accuracy of the information and data referred to. The accuracy and correctness of the information and data are fully the responsibility of the parties providing them. PEFINDO and every of its member of the Board of Directors, Commissioners, Shareholders and Employees are not responsible to any party for losses, costs and expenses suffered or that arise as a result of the use of the contents and/or information in this rating report or publication, either directly or indirectly. PEFINDO generally receives fees for its rating services from parties who request the ratings, and PEFINDO discloses its rating fees prior to the rating assignment. PEFINDO has a commitment in the form of policies and procedures to maintain objectivity, integrity, and independence in the rating process. PEFINDO also has a "Code of Conduct" to avoid conflicts of interest in the rating process. Ratings may change in the future due to events that were not anticipated at the time they were first assigned. PEFINDO has the right to withdraw ratings if the data and information received are determined to be inadequate and/or the rated company does not fulfill its obligations to PEFINDO. For ratings that received approval for publication from the rated party, PEFINDO has the right to publish the ratings and analysis in its reports or publication, and publish the results of the review of the published ratings, both periodically and specifically in case there are material facts or important events that could affect the previous ratings. Reproduction of the contents of this publication, in full or in part, requires written approval from PEFINDO. PEFINDO is not responsible for publications by other parties of contents related to the ratings given by PEFINDO.