

PT Indah Kiat Pulp and Paper Tbk

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Dec-2019	Dec-2018	Dec-2017	Dec-2016
			(Audited)	(Audited)	(Audited)	(Audited)
Corporate Rating	<i>idA+/Stable</i>	Total Adjusted Assets [USD Mn]	8,502.1	8,751.0	7,634.2	6,878.8
Rated Issues		Total Adjusted Debt [USD Mn]	3,942.1	4,370.7	4,014.6	3,748.7
<i>Proposed Shelf Reg Bond I</i>	<i>idA+</i>	Total Adjusted Equity [USD Mn]	4,005.7	3,771.5	3,217.6	2,819.4
Rating Period		Total Sales [USD Mn]	3,223.2	3,335.4	3,127.9	2,720.5
<i>March 18, 2020 - March 1, 2021</i>		EBITDA [USD Mn]	863.5	1,186.4	897.6	577.0
Rating History		Net Income after MI [USD Mn]	274.4	588.1	413.2	202.7
-		EBITDA Margin [%]	26.8	35.6	28.7	21.2
		Adjusted Debt/EBITDA [X]	4.6	3.7	4.5	6.5
		Adjusted Debt/Adjusted Equity [X]	1.0	1.2	1.2	1.3
		FFO/Adjusted Debt [%]	14.8	20.6	19.2	12.2
		EBITDA/IFCCI [X]	4.3	6.4	7.0	4.7
		USD Exchange Rate [IDR/USD]	13,901	14,481	13,548	13,436

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
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.

PEFINDO assigns "idA+" ratings for PT Indah Kiat Pulp and Paper Tbk and its proposed Shelf Registered Bond I

PEFINDO has assigned its "idA+" ratings for PT Indah Kiat Pulp and Paper Tbk (INKP) and its proposed Shelf Registered Bond I of IDR10.0 trillion, which will be used to refinance its matured debt and/or interest payment (60%) and to finance its working capital (40%). The outlook for the corporate rating is "stable".

An obligor rated *idA* has a strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, the obligor is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors. The Plus (+) sign indicates that the rating is relatively strong within the respective rating category.

The corporate rating reflects INKP's very strong market position in pulp, paper, packaging, and tissue industry, good vertically integrated operations, and good product and customer geographical diversity. The corporate rating is constrained by its moderate financial leverage, risks related to volatility of products and raw material prices, and high working capital needs.

The rating could be raised if INKP sustainably improves its capital structure and cash flow protection measures by means of a significant debt reduction and/or significant improvement in its operating cash cycle and profitability, resulting in a debt to EBITDA ratio of less than 2.8x on a sustained basis. The rating could be lowered if its revenue and/or profit margins significantly drop from their current levels, or if it incurs significantly larger new debt than projected.

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 West Java, and in Perawang, Riau, in Sumatra. As of December 31, 2019, it was majority owned by PT Purinusa Ekapersada (53.25% ownership), part of the Sinarmas group of companies. The remaining shares were held by the public (46.75%).

DISCLAIMER

The rating contained in this report or publication is the opinion of PT Perneringkat 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.