

PT Barata Indonesia (Persero)

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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>idBBB/Negative</i>	Total Adjusted Assets [IDR Bn]	4,927.3	4,538.9	2,951.0	2,064.7
Rated Issues		Total Adjusted Debt [IDR Bn]	1,493.3	823.6	567.6	351.9
<i>MTN IV (proposed)</i>	<i>idBBB</i>	Total Adjusted Equity [IDR Bn]	1,252.0	1,186.5	1,130.0	937.9
<i>MTN 2019</i>	<i>idBBB</i>	Total Sales [IDR Bn]	2,227.6	2,176.9	1,193.3	702.8
<i>MTN 2018</i>	<i>idBBB</i>	EBITDA [IDR Bn]	217.6	168.7	94.1	63.3
<i>MTN 2017</i>	<i>idBBB</i>	Net Income After MI [IDR Bn]	71.2	67.8	51.6	20.3
Rating Period		EBITDA Margin [%]	9.8	7.8	7.9	9.0
<i>April 14, 2020 – April 1, 2021</i>		Adjusted Debt to EBITDA [X]	6.9	4.9	6.0	5.6
Rating History		Adjusted Debt to Adjusted Equity [X]	1.2	0.7	0.5	0.4
<i>OCT 2019</i>	<i>idBBB/Stable</i>	FFO to Adjusted Debt [%]	8.0	11.1	13.8	9.7
<i>OCT 2018</i>	<i>idBBB/Stable</i>	EBITDA to IFCCI [X]	3.5	4.0	3.5	2.7
<i>NOV 2017</i>	<i>idBBB/Stable</i>	USD Exchange Rate [IDR/USD]	13,901	14,481	13,548	13,436

FFO = EBITDA – IFCCI + Gross 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 "idBBB" rating to PT Barata Indonesia (Persero)'s MTN

PEFINDO has affirmed its "idBBB" ratings to PT Barata Indonesia (Persero) (BRTA) and its Medium-Term Notes (MTN) I 2017 Seri A, MTN I 2018 Seri B, MTN II 2019 Seri A, MTN II 2019 Seri B, MTN III 2019. At the same time, PEFINDO has assigned "idBBB" rating to the Company's proposed MTN IV of IDR500 billion which will be used for its working capital. The outlook for the corporate rating is revised to "negative" from "stable" to anticipate BRTA's prolonged operating cash cycle, heavy reliance on borrowings to support its working capital, and the risk of a lack of new contracts available due to the coronavirus disease (COVID-19) pandemic, which will likely dampened demand for capital projects following a lower economic growth.

An obligor rated *idBBB* has an adequate capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

The rating reflects our view on BRTA's strong support from the government, its good market position as a manufacturer of iron and steel castings in its main end markets, and our expectation for continued demand from infrastructure projects. The rating is constrained by its high dependency on the state budget, albeit indirectly, making it vulnerable to government procurement processes and budget cuts especially amid COVID-19 pandemic, as well as its high financial leverage and exposure to the fluctuation of raw material prices and their availability.

The rating could be lowered if BRTA's credit profile weakens further as a result of the Company's inability to timely collect its receivables amid higher debt than projected. We could also lower the rating if revenue and/or EBITDA falls significantly below target. Failure to secure new contracts could also indicate a more challenging operating environment amid the COVID-19 pandemic, thus, may pressure BRTA's rating. The outlook could be revised to stable if BRTA improves its operating cash cycle and financial leverage on a sustained basis.

PT Barata Indonesia (BRTA) is a state foundry and manufacture company, the shares of which were 100% owned by the Government as of December 31, 2019. It manufactures iron and steel castings and forged components for sale to industrial and energy companies. As a midstream player, its industrial castings are engineered and produced for applications to be used in a range of industry sectors, such as agro, oil and gas, rolling stock, hydro mechanical, industry process, as well as construction and material handling equipment. BRTA also positions itself as an engineering, procurement, and construction (EPC) company, leveraging its long experience in foundry and manufacturing for greater job acquisitions, with focus on sugar and agro, oil and gas, generator, water resources, and component machinery.

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.