PEFINDO
CREDIT RATING AGENCY

Press Release
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PT Barata Indonesia (Persero)

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CREDIT PROFILE

Corporate Rating *idBBB/Stable*

Rated Issues
MTN (Proposed) *idBBB*

Rating Period
November 7, 2017 – November 1, 2018

Rating History
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FINANCIAL HIGHLIGHTS

As of/for the year ended	**Jun-2017** (Unaudited)	**Dec-2016** (Audited)	**Dec-2015** (Audited)	**Dec-2014** (Audited)
Total Adjusted Assets [IDR Bn]	2,125.5	2,064.7	1,302.8	846.3
Total Adjusted Debt [IDR Bn]	394.3	351.9	277.9	317.4
Total Adjusted Equity [IDR Bn]	957.2	937.9	310.0	38.0
Total Sales [IDR Bn]	270.7	702.8	650.2	568.5
EBITDA [IDR Bn]	30.3	63.3	43.1	(42.2)
Net Income After MI [IDR Bn]	4.8	20.3	12.5	(96.6)
EBITDA Margin [%]	11.2	9.0	6.6	(7.4)
Adjusted Debt to EBITDA [X]	*11.6	5.6	6.4	(7.5)
Adjusted Debt to Adjusted Equity [X]	0.4	0.4	0.9	8.4
FFO to Adjusted Debt [%]	*0.1	9.7	5.2	(20.8)
EBITDA to IFCCI [X]	1.3	2.7	1.9	(2.0)
USD Exchange Rate [IDR/USD]	13,319	13,436	13,795	12,440

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   ** = 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.

PEFINDO assigns "idBBB" ratings to PT Barata Indonesia (Persero) and MTN

PEFINDO has assigned its **"idBBB"** ratings to PT Barata Indonesia (Persero) (BRID) and its proposed Medium-Term Notes (MTN) of a maximum of IDR300 billion. The proceeds from the MTN issuance will be used for the working capital needs for its ongoing projects. The outlook for the corporate rating is **"stable"**.

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 ratings reflect our view on BRID'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 ratings are constrained by its high dependency on the state budget, albeit indirectly, making it vulnerable to government procurement processes and budget cuts, as well as its high financial leverage and exposure to the fluctuation of raw material prices.

We could raise the rating if BRID establishes a longer track record of good operating performance, improved financial leverage, and stronger cash flow protection measures. Any rating upgrade would also require a fairly large order backlog that would provide sufficient revenue visibility for the next two years. The rating, however, could be lowered if its operating performance declines beyond what is expected and/or its EBITDA falls significantly below target, resulting in a weaker credit profile. Failures to secure large contracts stemming from a weaker connection to the government and/or government-related entities also indicate downward pressure on BRID's rating. The rating could also be under pressure if it adopts a more aggressive financial policy, including incurring higher debt than projected, without being compensated by higher revenue and/or cash flow.

BRID is a state foundry company, the shares of which were 100% owned by the Government as of June 30, 2017. It manufactures iron and steel castings and forged components for sale to industrial and municipal customers. As a midstream player, its industrial castings are engineered and produced for applications to be used in a range of industry sectors, such as rolling stock, shipbuilding, agro, hydro mechanical, industry process, oil and gas, as well as construction and material handling equipment. BRID 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 oil and gas, agro, and power plant industries. It has an annual production capacity of 12,800 tons and plans to raise it to 21,000 tons by 2019 using part of the state capital injection it received in 2016.

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