

PT Indah Kiat Pulp and Paper Tbk

Credit Rating(s)

| | |
|---------------------------|-------------|
| General Obligation (GO) | idA+/Stable |
| Shelf Registered Bond I | idA+ |
| Shelf Registered Bond II | idA+ |
| Shelf Registered Bond III | idA+ |
| Shelf Registered Bond IV | idA+ |
| SR Sukuk Mudharabah I | idA+(sy) |
| SR Sukuk Mudharabah II | idA+(sy) |
| SR Sukuk Mudharabah III | idA+(sy) |
| SR USD Bond I | idA+ |

Rating Period

July 7, 2023 – July 1, 2024

Published Rating History

| | |
|----------|---------------|
| MAR 2023 | idA+/Stable |
| JUL 2022 | idA+/Positive |
| APR 2022 | idA+/Positive |
| JUN 2021 | idA+/Stable |
| MAR 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.

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PEFINDO has assigned its idA+ rating for PT Indah Kiat Pulp and Paper Tbk (INKP)'s Shelf-Registered USD Bond I Year 2023 with maximum amount of USD300 million. The Company plans to use the proceed to finance its capital expenditure. PEFINDO has also affirmed its idA+ ratings for INKP's outstanding bonds and its idA+(sy) ratings for its outstanding sukuk. Outlook for the corporate rating is stable.

The corporate rating reflects INKP's very strong market position in the pulp, paper, packaging, and tissue industry, good vertically integrated operations, as well as good product and customer geographical diversity. It 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 it 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 West Java, and in Perawang, Riau, in Sumatra. As of March 31, 2023, 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%).

Financial Highlights

| As of/for the year ended | Mar-2023 (Audited) | Dec-2022 (Audited) | Dec-2021 (Audited) | Dec-2020 (Audited) |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total adjusted assets [USD mn] | 9,735.1 | 9,640.7 | 8,978.4 | 8,496.3 |
| Total adjusted debt [USD mn] | 3,339.6 | 3,356.4 | 3,568.7 | 3,660.4 |
| Total adjusted equity [USD mn] | 5,738.8 | 5,605.2 | 4,764.9 | 4,256.7 |
| Total sales [USD mn] | 1,056.2 | 4,002.6 | 3,516.6 | 2,986.0 |
| EBITDA [USD mn] | 370.1 | 1,395.4 | 1,139.2 | 813.8 |
| Net income after MI [USD mn] | 133.2 | 857.5 | 527.1 | 294.1 |
| EBITDA margin [%] | 35.0 | 34.9 | 32.4 | 27.3 |
| Adjusted debt/EBITDA [X] | 2.3 | 2.4 | 3.1 | 4.5 |
| Adjusted debt/adjusted equity [X] | 0.6 | 0.6 | 0.7 | 0.9 |
| FFO/adjusted debt [%] | 30.9 | 28.4 | 21.6 | 15.0 |
| EBITDA/IFCCI [X] | 5.9 | 5.5 | 4.5 | 3.9 |
| USD exchange rate [IDR/USD] | 15,062 | 15,731 | 14,269 | 14,105 |

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

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