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 2019	*idBBB*
MTN 2018	*idBBB*
MTN 2017	*idBBB*
Rating Period	
October 10, 2019 – October 1, 2020	
Rating History	
OCT 2018	*idBBB/Stable*
NOV 2017	*idBBB/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	**Jun-2019** (Unaudited)	**Dec-2018** (Audited)	**Dec-2017** (Audited)	**Dec-2016** (Audited)
Total Adjusted Assets [IDR Bn]	5,226.0	4,538.9	2,951.0	2,064.7
Total Adjusted Debt [IDR Bn]	1,212.3	823.6	567.6	351.9
Total Adjusted Equity [IDR Bn]	1,215.1	1,186.5	1,130.0	937.9
Total Sales [IDR Bn]	1,125.2	2,176.9	1,193.3	702.8
EBITDA [IDR Bn]	89.5	168.7	94.1	63.3
Net Income After MI [IDR Bn]	32.6	67.8	51.6	20.3
EBITDA Margin [%]	8.0	7.8	7.9	9.0
Adjusted Debt to EBITDA [X]	*6.8	4.9	6.0	5.6
Adjusted Debt to Adjusted Equity [X]	1.0	0.7	0.5	0.4
FFO to Adjusted Debt [%]	*8.3	11.1	13.8	9.7
EBITDA to IFCCI [X]	4.0	4.0	3.5	2.7
USD Exchange Rate [IDR/USD]	14,141	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   ** = 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 affirms "idBBB" ratings to PT Barata Indonesia (Persero) and its 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, and MTN III 2019. 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 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, as well as its high financial leverage and exposure to the fluctuation of raw material prices.

We could raise the rating if BRTA 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 for medium term. The rating, however, could be lowered if its operating performance declines beyond what is expected and/or if its EBITDA falls significantly below target, resulting in a weaker credit profile. Failures to secure large contracts stemming from the government and/or government-related entities also indicate downward pressure on BRTA's rating. The rating could also be under pressure if it adopts a more aggressive financial policy, including incurring higher debt, without being compensated by higher revenue and/or cash flow.

BRTA is a state foundry company, the shares of which were 100% owned by the Government as of June 30, 2019. 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. 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 & agro, oil and gas, generator, water resources, and component machinary.