

PPNX's ratings affirmed at “**idBBB+**”, outlook “**stable**”

PEFINDO has affirmed its “**idBBB+**” ratings for PT Perkebunan Nusantara X (PPNX) and its Bond I/2013. At the same time, we have affirmed “**idBBB+**” rating to the Company's Medium-term Notes (MTN) III Year 2015 amounting to IDR100 billion that will mature on April 30, 2016. The Company plans to use its internal fund to repay the maturing MTN. As of December 31, 2015, the Company had cash of IDR393 billion after deducting IDR975 billion capital injection from the Government, while its short term debt was IDR240 billion. The Company's corporate rating outlook is “**stable**”. The ratings reflect its stable productivity from the sugar cane plantation, its vertically integrated operations, and good operating management. However, the ratings are constrained by its moderate capital structure, high dependency on farmers' sugar cane supply, and exposure to the fluctuation of sugar and tobacco prices and unfavorable weather.

PPNX is a state-owned plantation company, engaging in sugar cane and tobacco plantation and processing. At the end of 2015, its total area was 72,228 hectares (ha) (including plasma). It consisted of the sugar cane plantation area of 70,301 ha, the tobacco plantation area of 1,123 ha, and the other area of 804 ha. Its major production facilities include 11 sugar cane mills and one bio-ethanol plant, which are located in East Java. As of December 31, 2015, PPNX was owned by PT Perkebunan Nusantara III (Persero) (**idA**/Negative outlook) with 90.0% ownership and the Indonesian government with the ownership of 10.0%.

Rating Period: April 11, 2016 – April 1, 2017

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