

PT Barata Indonesia (Persero)

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Sep-2021	Dec-2020	Dec-2019	Dec-2018
			(Unaudited)	(Unaudited)	(Audited)	(Audited)
Corporate Rating	<i>idBB-</i>	Total Adjusted Assets [IDR Bn]	3,924.1	4,834.6	4,927.3	4,538.9
Rated Issues		Total Adjusted Debt [IDR Bn]	1,884.1	1,512.1	1,493.3	823.6
<i>MTN I/2017 Series A</i>	<i>idBB-</i>	Total Adjusted Equity [IDR Bn]	(134.0)	1,081.4	1,252.0	1,186.5
<i>MTN I/2017 Series B</i>	<i>idBB-</i>	Total Sales [IDR Bn]	514.2	1,247.8	2,227.6	2,176.9
Rating Period		EBITDA [IDR Bn]	(46.4)	(288.2)	217.6	168.7
<i>January 3, 2022 – April 1, 2022</i>		Net Income After MI [IDR Bn]	(155.3)	(487.4)	71.2	67.8
Rating History		EBITDA Margin [%]	(9.0)	(23.1)	9.8	7.8
<i>SEP 2021</i>	<i>idD</i>	Adjusted Debt to EBITDA [X]	*(30.5)	(5.2)	6.9	4.9
<i>APR 2021</i>	<i>idSD</i>	Adjusted Debt to Adjusted Equity [X]	NR	1.4	1.2	0.7
<i>MAR 2021</i>	<i>idCCC/C.W. Negative</i>	FFO to Adjusted Debt [%]	*(9.1)	(25.7)	8.0	11.1
<i>DEC 2020</i>	<i>idBB/Stable</i>	EBITDA to IFCCI [X]	(0.6)	(3.2)	3.5	4.0
<i>SEP 2020</i>	<i>idCCC/C.W. Negative</i>	USD Exchange Rate [IDR/USD]	14,321	14,105	13,901	14,481
<i>SEP 2020</i>	<i>idSD</i>					
<i>SEP 2020</i>	<i>idCCC/C.W. Negative</i>					
<i>APR 2020</i>	<i>idBBB/Negative</i>					
<i>OCT 2019</i>	<i>idBBB/Stable</i>					
<i>OCT 2018</i>	<i>idBBB/Stable</i>					
<i>NOV 2017</i>	<i>idBBB/Stable</i>					

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.

PT Barata Indonesia (Persero) rated “*idBB-*” with “**Stable**” outlook

PEFINDO has raised the ratings of PT Barata Indonesia (Persero) (Barata) and its Medium-Term Notes (MTN) I Year 2017 Series A and Series B to “*idBB-*” from “*idD*”. The outlook for the corporate rating is “**stable**”. The rating action follows the recent settlement agreement between Barata and its creditors on November 26, 2021, which has been decreed by the Commercial Court at the Surabaya District Court on December 6, 2021. The settlement agreement includes the rescheduling of all Barata’s debts and trade payables which will be fully repaid in three to ten years based on the classification of creditors, with the debt installments to be paid quarterly, subject to the availability of Cash Flow Available for Debt Services (CFADS) using a cash waterfall scheme. The CFADS will be managed by an independent financial advisor. The settlement agreement also contains a lower interest rate for the financial creditors, which includes the MTN holders, of 3% annually, from which 0.5% will be paid in cash and the remainder will be deferred. The settlement agreement also entails a grace period for principal payments of two years. We are of the view that the settlement agreement will provide significant cash relief to Barata, and to a large extent, reduce the risk of miss payment. We also expect that the settlement agreement will allow Barata to rebuild its market position in the national manufacturing industry and eventually, improve its capacity to repay its financial obligations.

An obligor rated *idBB* has a somewhat weak capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. It faces ongoing uncertainties or exposure to adverse business, financial or economic conditions which could result in an inadequate capacity to meet its financial commitments. The minus (-) sign indicates that the rating is relatively weak within its category.

The rating reflects our view on Barata’s weak financial profile, high dependence on state budget, and exposure to raw material procurement. The rating is offset by its established presence in the industry.

We may raise the rating if Barata improves its operating management on a sustained basis reflected by its ability to rebuild its order backlog that would provide sufficient revenue and profit visibility, combined with material improvement in its financial indicators such as leverage and cash flow protection measures. We may lower the rating if Barata’s operating performance declines beyond what we expected, reflected by its inability to generate adequate working capital inflows as well as lack of new contract wins, further impairing its revenue and profit visibility.

PT Barata Indonesia (Persero) is a state foundry and manufacturing company, the shares of which were 100% owned by the Government as of September 30, 2021. 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. Barata 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.