

PPNX's rating affirmed at “**idBBB+**”, outlook “**Stable**”

PEFINDO has affirmed its “**idBBB+**” rating for PT Perkebunan Nusantara X (PPNX). At the same time, we have assigned “**idBBB+**” rating to the Company's Medium-term Notes (MTN) III Year 2015 with the value of IDR100 billion. The proceed from its MTN III Year 2015 will be used to finance the Company's working capital needs. We revise the corporate rating outlook to “**stable**” from “**negative**” based on our expectation that performance of the Company's sugar business will increase following the improvement in the domestic sugar price and support from the Government in the form of capital injection of IDR975.0 billion. The ratings reflect its stable productivity from the sugar cane plantation and its vertically integrated operations. However, the ratings are constrained by its aggressive 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 2014, its total plantation area was 73,488 hectares (ha) (including plasma). It consisted of the sugar cane plantation area of 72,435 ha and the tobacco plantation area of 1,053 ha. Its production facilities include 11 sugar cane mills and one bio-ethanol plant, which are located in East Java. As of December 31, 2014, PPNX was owned by PT Perkebunan Nusantara III (Persero) (**idA+**/stable outlook) with 90.0% ownership and the Indonesian government with the ownership of 10.0%.

Rating period: April 10, 2015 – April 1, 2016

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