

## PT Chandra Asri Petrochemical Tbk.

Analysts: Niken Indriarsih / Umar Hareddy

Phone/Fax/E-mail: (62-21) 7278 2380 / 7278 2370 / [niken.indriarsih@pefindo.co.id](mailto:niken.indriarsih@pefindo.co.id) / [umar.hareddy@pefindo.co.id](mailto:umar.hareddy@pefindo.co.id)

| <b>CREDIT PROFILE</b>               |                       | <b>FINANCIAL HIGHLIGHTS</b>  |                 |                 |                 |         |
|-------------------------------------|-----------------------|--|-----------------|-----------------|-----------------|---------|
|                                     |                       | <b>As of/for the year ended</b>  |                 |                 |                 |         |
|                                     |                       | <b>Dec-2019</b>  | <b>Dec-2018</b> | <b>Dec-2017</b> | <b>Dec-2016</b> |         |
|                                     |                       | (Audited)  | (Audited)       | (Audited)       | (Audited)       |         |
| <b>Corporate Rating</b>             | <i>idAA-/Negative</i> |  |                 |                 |                 |         |
| <b>Rated Issues</b>                 |                       |  |                 |                 |                 |         |
| <i>Bond I/2016</i>                  | <i>idAA-</i>          |  |                 |                 |                 |         |
| <i>Shelf Reg. Bond I/2017-2018</i>  | <i>idAA-</i>          |  |                 |                 |                 |         |
| <i>Shelf Reg. Bond II/2018-2019</i> | <i>idAA-</i>          |  |                 |                 |                 |         |
| <i>Proposed Shelf Reg. Bond III</i> | <i>idAA-</i>          |  |                 |                 |                 |         |
| <b>Rating Period</b>                |                       |  |                 |                 |                 |         |
| <i>June 4, 2020 – June 1, 2021</i>  |                       |  |                 |                 |                 |         |
| <b>Rating History</b>               |                       |  |                 |                 |                 |         |
| <i>OCT 2019</i>                     | <i>idAA-/Stable</i>   |  |                 |                 |                 |         |
| <i>OCT 2018</i>                     | <i>idAA-/Stable</i>   |  |                 |                 |                 |         |
| <i>OCT 2017</i>                     | <i>idAA-/Stable</i>   |  |                 |                 |                 |         |
| <i>OCT 2016</i>                     | <i>idA+/Stable</i>    |  |                 |                 |                 |         |
|                                     |                       | Total adjusted assets [USD mn]   | 3,451.2         | 3,173.5         | 2,987.3         | 2,129.3 |
|                                     |                       | Total adjusted debt [USD mn]   | 787.9           | 608.1           | 630.9           | 425.0   |
|                                     |                       | Total adjusted equity [USD mn]   | 1,761.0         | 1,770.1         | 1,668.8         | 1,141.7 |
|                                     |                       | Total sales [USD mn]   | 1,881.0         | 2,543.2         | 2,418.5         | 1,930.3 |
|                                     |                       | EBITDA [USD mn]  | 174.2           | 396.6           | 543.7           | 498.7   |
|                                     |                       | Net income after MI [USD mn]   | 22.9            | 181.7           | 318.6           | 300.0   |
|                                     |                       | EBITDA margin [%]  | 9.3             | 15.6            | 22.5            | 25.8    |
|                                     |                       | Adjusted debt/EBITDA [X]   | 4.5             | 1.5             | 1.2             | 0.9     |
|                                     |                       | Adjusted debt/adjusted equity [X]  | 0.4             | 0.3             | 0.4             | 0.4     |
|                                     |                       | FFO/adjusted debt [%]  | 13.3            | 44.7            | 64.4            | 84.7    |
|                                     |                       | EBITDA/IFCCI [X]   | 3.1             | 7.7             | 15.1            | 13.6    |
|                                     |                       | USD exchange rate [IDR/USD]  | 13,901          | 14,481          | 13,548          | 13,436  |
|                                     |                       | <i>FFO = EBITDA – IFCCI + interest income – current tax expense</i><br><i>EBITDA = operating profit + depreciation expense + amortization expense</i><br><i>IFCCI = gross interest expense + other financial charges + capitalized interest; (FX loss not included)</i><br><i>MI = minority interest</i><br><i>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.</i> |                 |                 |                 |         |

### PEFINDO assigns "idAA-" rating to PT Chandra Asri Petrochemical Tbk's proposed Shelf Registered Bond III

PEFINDO has assigned its "idAA-" rating to the PT Chandra Asri Petrochemical Tbk (TPIA)'s proposed Shelf Registered Bond III with a maximum amount of IDR5 trillion which will be issued gradually over the next two years. The proceeds from the first issuance phase in this year of a maximum of IDR1 trillion will be used to finance the Company's working capital/general purpose needs. In addition, the remaining shelf amount that will be issued in the later years will be used to finance its working capital/general purpose needs and/or refinancing its loan facilities. However, the outlook for the corporate rating has been revised to "negative" from "stable" to anticipate prolonged narrowing spread between the feedstock costs and the petrochemical product prices as reflected by continuous declining profitability margins and to some extent will weaken its financial profile that is no longer commensurate with the "idAA-" rating category. During the past three years, the Company's financial profile has been on pressures as a result of narrowing spread between the feedstock costs and the petrochemical product prices while at the same time incurring additional debt to finance its expansion. We are also of the view that the Coronavirus Disease (COVID-19) pandemic has escalated the degree of uncertainty in the regions that leads to softening economic activities and could further negatively affect the spread between the feedstock costs and petrochemical product prices. At the same time, PEFINDO has affirmed its "idAA-" ratings for the Company and its Bond I/2016, Shelf Registered Bond I/2017-2018, and Shelf Registered Bond II/2018-2019.

An obligor rated idAA differs from the highest rated obligors only to a small degree, and has a very strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. The Minus (-) sign indicates that the rating is relatively weak within the respective rating category.

The corporate rating reflects our view of TPIA's leading position in the domestic petrochemical industry that is supported by synergies with its strategic partners, vertically integrated operations with satisfactory supporting facilities, and strong liquidity and financial flexibility. Its sensitivity to industry cyclicality and exposure to the volatility of the spread between the feedstock costs and the petrochemical product prices, risks related to the expansion of petrochemical facilities, and adequate cash flow protection constrain its rating, in our view.

The rating could be lowered if we view that there is a persistent deterioration in its financial profile due to weaker than expected profitability on account of prolonged narrowing spread between the feedstock costs and the petrochemical product prices and/or higher debt than projected. On the other hand, we may revise the rating to stable if the Company improves its financial profile on account of a better spread between the feedstock costs and the petrochemical product prices as reflected by Net Debt to EBITDA ratio of maximum 2.5x and FFO to Debt ratio of minimum 20%, respectively, on a sustained basis, while maintaining its optimum utilization rate. We also would like to note that in the rating scenario we have not taken into account the additional debt-funded capital expenditure (capex) for the construction of its second naphtha cracker, as its final investment decision has not been finalized yet.

TPIA is an integrated petrochemical producer, providing olefins, polyolefin, styrene monomer, and butadiene. It owns the only naphtha cracker, styrene monomer and butadiene plants in the country. Its production facilities include a naphtha cracker with a total production capacity of 2,138 kilo tons per annum (KTA), a polyethylene plant with 736 KTA capacity, a styrene monomer plant with 340 KTA capacity, a polypropylene plant with 590 KTA capacity, and a butadiene plant with 137 KTA capacity. As of December 31, 2019, it was owned by PT Barito Pacific Tbk (41.9%), SCG Chemicals Co Ltd (30.6%), Prajogo Pangestu (14.8%), Marigold Resources Pte Ltd (4.8%), and the public (7.9%).

**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.*