

PT Perkebunan Nusantara X

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CREDIT PROFILE

| | |
|--------------------------------------|-------------------------|
| Corporate Rating | <i>id</i> BBB/Stable |
| Rated Issues | |
| Bond I/2013 | <i>id</i> BBB |
| Rating Period | |
| February 17, 2017 – February 1, 2018 | |
| Rating History | |
| APR 2016 | <i>id</i> BBB+/Stable |
| APR 2015 | <i>id</i> BBB+/Stable |
| DEC 2014 | <i>id</i> BBB+/Negative |
| AUG 2014 | <i>id</i> A/Negative |
| APR 2014 | <i>id</i> A+/Stable |
| APR 2013 | <i>id</i> A+/Stable |

FINANCIAL HIGHLIGHTS

| As of/for the year ended | Dec-2016 | Dec-2015 | Dec-2014 | Dec-2013 |
|-----------------------------------|--------------|-----------|-----------|-----------|
| | (Un-audited) | (Audited) | (Audited) | (Audited) |
| Total Adjusted Assets [IDR Bn] | 13,079.2 | 12,246.9 | 4,486.2 | 3,742.1 |
| Total Adjusted Debt [IDR Bn] | 2,301.3 | 1,709.4 | 1,991.4 | 1,357.4 |
| Total Adjusted Equity [IDR Bn] | 8,946.2 | 9,190.4 | 1,018.5 | 1,425.4 |
| Total Sales [IDR Bn] | 2,281.3 | 2,531.6 | 1,902.4 | 2,375.1 |
| EBITDA [IDR Bn] | 246.0 | 540.0 | 228.9 | 386.1 |
| Net Income after MI [IDR Bn] | (156.6) | 119.1 | (33.0) | 128.9 |
| EBITDA Margin [%] | 10.8 | 21.3 | 12.0 | 16.3 |
| Adjusted Debt/EBITDA [X] | 9.4 | 3.2 | 8.7 | 3.5 |
| Adjusted Debt/Adjusted Equity [X] | 0.3 | 0.2 | 2.0 | 1.0 |
| FFO/Adjusted Debt [%] | 1.4 | 18.6 | 3.3 | 22.4 |
| EBITDA/IFCCI [X] | 1.3 | 3.5 | 1.3 | 10.2 |
| USD Exchange Rate [IDR/USD] | 13,436 | 13,785 | 12,440 | 12,189 |

FFO = EBITDA – IFCCI + 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

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 lowers the rating of PT Perkebunan Nusantara X to “*id*BBB”, outlook “stable”

PEFINDO has lowered the ratings of PT Perkebunan Nusantara X (PPNX) and its Bond I/2013 to “*id*BBB” from “*id*BBB+”. The downgrade was driven by the Company’s weakened capital structure and cash flow protection measures as a result of sluggish performance of sugar business unit amid increasing debt position. In 2016, the Company’s lower revenue from sugar business unit was largely due to significant drop in the production of sugar as a result of lower than expected production sharing with farmer. In 2016, the Company only obtained around 19.3% from the farmer’s sugar, lower than around 30%-32% in 2011-2015. Lower production volume was also attributable to the weaker than projected extraction rate as a result of unfavorable weather condition. In 2016, its blended extraction rate declined to 6.4% from 8.3% in 2015. The Company’s corporate rating outlook is “**stable**”.

An obligor rated *id*BBB 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 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 product prices and unfavorable weather.

The ratings may be raised if PPNX could consistently and significantly recover the performance of its sugar business unit, resulting in the meaningful improvement in its capital structure. This could be achieved if the Company could maintain the production sharing of sugar at the normal level in addition to the stable sugar price and manageable production costs. On the other hand, the rating may be lowered if it experiences weak cash flow generation as a result of weaker-than-expected performance in its core businesses, such as sugar, tobacco, and bio-ethanol, and a decline in the price of commodities.

Located in East Java, PPNX is a state-owned plantation company engaged in the sugar and tobacco industry. PPNX processes sugar cane, largely from farmers’ plantation, in its sugar cane mills. PPNX operates 11 sugar cane mills. It also operates one bio-ethanol plant. At the end of 2016, its total area was 71,689 hectares (ha) (including farmers). It consisted of the sugar cane plantation area of 70,611 ha and the tobacco plantation area of 1,078 ha. As of December 31, 2016, PPNX was owned by PT Perkebunan Nusantara III (Persero) (*id*A/Negative outlook) with 90.0% ownership and the Indonesian government with the ownership of 10.0%.

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