

## PT Barata Indonesia (Persero)

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| <b>CREDIT PROFILE</b>                         |                            | <b>FINANCIAL HIGHLIGHTS</b>          |                 |                 |                 |                 |
|---|----------------------------|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
|   |                            | <b>As of/for the year ended</b>      | <b>Jun-2020</b> | <b>Dec-2019</b> | <b>Dec-2018</b> | <b>Dec-2017</b> |
|   |                            |                                      | (Audited)       | (Audited)       | (Audited)       | (Audited)       |
| <b>Corporate Rating</b>                       | <i>idCCC/C.W. Negative</i> | Total Adjusted Assets [IDR Bn]       | 4,728.0         | 4,927.3         | 4,538.9         | 2,951.0         |
| <b>Rated Issues</b>                           |                            | Total Adjusted Debt [IDR Bn]         | 1,530.3         | 1,493.3         | 823.6           | 567.6           |
| <i>MTN I/2017</i>                             | <i>idCCC</i>               | Total Adjusted Equity [IDR Bn]       | 1,257.4         | 1,252.0         | 1,186.5         | 1,130.0         |
| <i>MTN III/2019</i>                           | <i>idCCC</i>               | Total Sales [IDR Bn]                 | 756.9           | 2,227.6         | 2,176.9         | 1,193.3         |
| <b>Rating Period</b>                          |                            | EBITDA [IDR Bn]                      | 67.6            | 217.6           | 168.7           | 94.1            |
| <i>September 11, 2020 – December 11, 2020</i> |                            | Net Income After MI [IDR Bn]         | 11.5            | 71.2            | 67.8            | 51.6            |
| <b>Rating History</b>                         |                            | EBITDA Margin [%]                    | 8.9             | 9.8             | 7.8             | 7.9             |
| <i>APR 2020</i>                               | <i>idBBB/Negative</i>      | Adjusted Debt to EBITDA [X]          | *11.3           | 6.9             | 4.9             | 6.0             |
| <i>OCT 2019</i>                               | <i>idBBB/Stable</i>        | Adjusted Debt to Adjusted Equity [X] | 1.2             | 1.2             | 0.7             | 0.5             |
| <i>OCT 2018</i>                               | <i>idBBB/Stable</i>        | FFO to Adjusted Debt [%]             | *2.6            | 8.0             | 11.1            | 13.8            |
| <i>NOV 2017</i>                               | <i>idBBB/Stable</i>        | EBITDA to IFCCI [X]                  | 1.6             | 3.5             | 4.0             | 3.5             |
|   |                            | USD Exchange Rate [IDR/USD]          | 14,302          | 13,901          | 14,481          | 13,548          |

*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.*

### PEFINDO lowers the ratings for PT Barata Indonesia (Persero) to "idCCC", outlook revised to CreditWatch Negative

PEFINDO has lowered the ratings of PT Barata Indonesia (Persero) (Barata) and its Medium-Term Notes (MTN) I 2017 Serie A, MTN I 2017 Serie B, and MTN III 2019 to "idCCC" from "idBBB" due to high liquidity risk particularly related to its maturing MTN III 2019 of IDR100 billion due on September 14, 2020. We are of the view that Barata does not have adequate cash to repay its maturing MTN, which makes it highly dependent on external funds, including the availability of undrawn credit facility, to serve its obligations. We revised the outlook for the corporate rating to "credit watch with negative implication", to reflect the high uncertainty on the Company's ability to improve its liquidity profile to address its short-term liabilities in a timely manner, including MTN I 2017 Serie A due on December 11, 2020.

An obligor rated idCCC is currently vulnerable, and is dependent upon favorable business and financial conditions to meet its financial commitments.

The rating reflects our view on Barata's high liquidity risk, high financial leverage, and weak cash flow protection measures. The rating is offset by its good market position as a manufacturer of iron and steel castings in its main end markets, and our expectation for continued demand from infrastructure projects.

The rating could be lowered if Barata fails to secure the payment of its MTN III 2019 of IDR100 billion over the upcoming days as committed. We may raise the ratings and/or remove the ratings from CreditWatch with negative implication if Barata is able to settle its maturing MTN III 2019 and already has sufficient funding sources to repay or refinance its maturing MTN I 2017 Seri A.

PT Barata Indonesia (Persero) (Barata) is a state foundry and manufacture company, the shares of which were 100% owned by the Government as of June 30, 2020. 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. BRTA also positions itself as an engineering, procurement, and construction (EPC) company, leveraging its long experience in foundry and manufacturing for greater job acquisitions, with focus on sugar and agro, oil and gas, generator, water resources, and component machinery.

**DISCLAIMER**

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