PEFINDO CREDIT RATING AGENCY

Rating Summary

March 4, 2025

PT Arkora Hydro Tbk

Credit Ratings

Green Bond I/2023	$_{id}$A+$_{(pg)}$

Rating Period

March 3, 2025 – March 1, 2026

Published Rating History

MAR 2024	$_{id}$A$_{(pg)}$
APR 2023	$_{id}$A$_{(pg)}$

PEFINDO has raised the rating of PT Arkora Hydro Tbk (ARKO)'s Green Bond I Year 2023 to $_{id}$A+$_{(pg)}$ from $_{id}$A $_{(pg)}$. The rating action reflects the Company's improved business position by having the stable operation of its installed three power plants of 27.4 megawatts (MW) capacity (Cikopo, Tomasa, Yaentu), two under-construction plants of 15.4 MW (Kukusan-2 and Tomoni), already tender-won pipeline plant of 20 MW (Nosu), and expansion-plant of 4.5 MW (Kukusan-1) while managing to strengthen its financial profile on a sustained basis.

The debt instrument is partially guaranteed by PT Indonesia Infrastructure Finance (IIF, $_{id}$AAA/stable) that covers a minimum of 75% of the principal amount on a pro-rata basis, the quarterly coupon payments at a minimum of 200%, and any late payment fee for coupon payments and/or any other penalty fees due of a minimum of IDR7.0 billion. The guaranteed amount may gradually decrease in accordance with the maturity of each bond series, and the amount to be maintained on a pro-rata basis equal to 75% of the principal amount and quarterly coupon amount.

The instrument rating mainly reflects unconditional and irrevocable partial guarantee from IIF, in addition to ARKO's key credit profile, which includes its good operating management, strong financial flexibility, and benefits from the government's commitment to expanding the renewable energy supply, although being constrained by ARKO's moderate position as a mini-hydro independent power producer (IPP), its aggressive financial profile, and exposure to the hydrological conditions.

Any significant change in ARKO's credit profile or credit enhancement structure in its guaranteed bond may trigger a similar rating action to its debt instrument.

ARKO develops and operates mini hydro power plant projects. The Company also has an affiliated company providing construction services for its projects and operation and maintenance (O&M) services. As of September 30, 2024, its shareholders consisted of PT Arkora Bakti Indonesia (47.52%), PT Energia Prima Nusantara (26.55%), part of PT United Tractors Tbk (UNTR), ACEI Singapore Holdings Private Ltd (10.07%), Aldo Henry Artoko (0.10%), and the public of 15.75%.

As a guarantor, IIF is a private non-bank financial institution focusing on investing in commercially feasible infrastructure projects. It provides long-term, fund-based products, such as senior loans, mezzanine finance, and equity participations, in addition to non-fund-based products, such as guarantees and fee-based services. Its shareholders consisted of PT Sarana Multi Infrastruktur (Persero) (SMI, 44.99%), International Finance Corporation (IFC, 15.71%), Asian Development Bank (ADB, 15.71%), Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG, 11.88%), and Sumitomo Mitsui Banking Corporation (SMBC, 11.71%) as of December 31, 2024.

Rating Definition

Debt security rated $_{id}$A indicates that the issuer's capacity to meet its long-term financial commitments on the debt security, relative to other Indonesian issuers, is strong. However, the issuer's capacity is somewhat more susceptible to adverse effects of changes in circumstances and economic conditions than higher-rated issuers. The plus (+) sign indicates that the rating is relatively strong within its category. Suffix $_{(pg)}$ means the rating incorporates security in the form of partial guarantee.

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Financial Highlights

As of/for the year ended Consolidated Figure	Sep-2024 (Unaudited)	Dec-2023 (Audited)	Dec-2022 (Audited)	Dec-2021 (Audited)
Total adjusted assets [IDR bn]	1,174.5	1,079.8	904.4	661.8
Total adjusted debt [IDR bn]	678.6	569.1	451.9	429.5
Total adjusted equity [IDR bn]	369.4	360.1	356.4	144.2
Total sales [IDR bn]	205.7	240.5	296.1	232.3
EBITDA [IDR bn]	96.8	116.6	154.4	134.4
Net income after MI [IDR bn]	40.6	39.1	52.7	49.0
EBITDA margin [%]	47.1	48.5	52.1	57.8
Adjusted debt/EBITDA [X]	*5.3	4.9	2.9	3.2
Adjusted debt/adjusted equity [X]	1.8	1.6	1.3	3.0
FFO/adjusted debt [%]	*9.3	8.9	16.9	13.2
EBITDA/IFCCI [X]	2.6	2.4	3.0	2.6
USD exchange rate [IDR/USD]	15,138	15,416	15,731	14,269

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   *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.