

PT Indah Kiat Pulp and Paper Tbk

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Dec-2021	Dec-2020	Dec-2019	Dec-2018
			(Audited)	(Audited)	(Audited)	(Audited)
Corporate Rating	<i>idA+/Positive</i>	Total Adjusted Assets [USD Mn]	8,978.4	8,496.3	8,502.1	8,751.0
Rated Issues		Total Adjusted Debt [USD Mn]	3,568.7	3,660.4	3,942.1	4,370.7
<i>Shelf-Registered Bond I/2020</i>	<i>idA+</i>	Total Adjusted Equity [USD Mn]	4,758.7	4,249.6	4,005.7	3,771.5
<i>Shelf-Registered Bond II/2021</i>	<i>idA+</i>	Total Sales [USD Mn]	3,516.6	2,986.0	3,223.2	3,335.4
<i>Shelf-Registered Sukuk</i>		EBITDA [USD Mn]	1,139.2	813.8	863.5	1,186.4
<i>Mudharabah I/2021</i>	<i>idA+(sy)</i>	Net Income after MI [USD Mn]	527.1	294.1	274.4	588.1
Rating Period		EBITDA Margin [%]	32.4	27.3	26.8	35.6
<i>April 14, 2022 - April 1, 2023</i>		Adjusted Debt/EBITDA [X]	3.1	4.5	4.6	3.7
Rating History		Adjusted Debt/Adjusted Equity [X]	0.7	0.9	1.0	1.2
<i>JUN 2021</i>	<i>idA+/Stable</i>	FFO/Adjusted Debt [%]	21.6	15.0	14.8	20.6
<i>MAR 2021</i>	<i>idA+/Stable</i>	EBITDA/IFCCI [X]	4.5	3.9	4.3	6.4
<i>MAR 2020</i>	<i>idA+/Stable</i>	USD Exchange Rate [IDR/USD]	14,269	14,105	13,901	14,481

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.

PT Indah Kiat Pulp and Paper Tbk rated "idA+", outlook revised to "positive"

PEFINDO has affirmed its "idA+" ratings for PT Indah Kiat Pulp and Paper Tbk (INKP) and its Shelf Registered Bond I Year 2020 and its Shelf Registered Bond II Year 2021. At the same time, PEFINDO has also affirmed "idA+(sy)" rating of Shelf Registered Sukuk Mudharabah I Year 2021. The outlook for the corporate rating revised to "positive" from "stable", reflecting our expectation on INKP's improving financial profile as a result of its plan to reduce its loans, which in turn will strengthen its financial flexibility. The Company's financial figures will also benefit from the increasing price trend resulted in better profit margin. We project its debt to EBITDA ratio of around 2.8x and its funds from operation to debt ratio of 25% on average in 2022-2024, respectively.

An obligor rated idA has a strong capacity to meet its long-term financial commitments relative to those of other Indonesian obligors. However, the obligor is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors. The Plus (+) sign indicates that the rating is relatively strong within the respective rating category.

Suffix (sy) means the rating mandates Islamic principles compliant.

The corporate rating reflects INKP's very strong market position in pulp, paper, packaging, and tissue industry, good vertically integrated operations, as well as good product and customer geographical diversity. It is constrained by risks related to volatility of products and raw material prices, as well as high working capital needs.

The rating may be raised following INKP's successful deleveraging plans in the near term which would improve its capital structure and cash flow protection measures. The outlook may be revised back to stable if the Company's plan to reduce its loan, if its revenue and/or profit margins significantly drop from their current levels, or if it incurs significantly larger new debt than projected without being compensated for by an improved business profile.

INKP is the leading pulp and paper manufacturer, not just in Indonesia but across the world. Operating since 1976, it produces pulp, cultural and industrial paper, packaging, and tissue products. It has mills in Tangerang and Serang in West Java, and in Perawang, Riau, in Sumatra. As of December 31, 2021, it was majority owned by PT Purinusa Ekapersada (53.25% ownership), part of the Sinarmas group of companies. The remaining shares were held by the public (46.75%).

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.