

PT Kapuas Prima Coal Tbk

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of / for the year ended	Jun-2021	Dec-2020	Dec-2019	Dec-2018
			(Un-audited)	(Audited)	(Audited)	(Audited)
Corporate Rating	<i>idBBB/Positive</i>	Total Adjusted Assets [IDR Bn]	2,426.2	1,378.4	1,417.3	1,317.3
Rated Issues		Total Adjusted Debt [IDR Bn]	1,167.5	402.1	520.4	472.1
<i>Bond I Year 2018</i>	<i>idBBB</i>	Total Adjusted Equity [IDR Bn]	887.3	797.7	768.9	588.1
Rating Period		Total Sales [IDR Bn]	499.9	608.1	885.1	754.6
<i>October 5, 2021 – October 1, 2022</i>		EBITDA [IDR Bn]	148.3	126.3	321.7	217.9
<i>October 5, 2021 – December 21, 2021</i>		Net Income after MI [IDR Bn]	90.1	31.1	178.6	110.2
Rating History		EBITDA Margin [%]	29.7	20.8	36.3	28.9
<i>OCT 2020</i>	<i>idBBB/Stable</i>	Adjusted Debt/EBITDA [X]	*3.9	3.2	1.6	2.2
<i>OCT 2019</i>	<i>idBBB/Stable</i>	Adjusted Debt/Adjusted Equity [X]	1.3	0.5	0.7	0.8
<i>OCT 2018</i>	<i>idBBB/Stable</i>	FFO/Adjusted Debt [%]	*17.0	18.7	41.0	36.5
		EBITDA/IFCCI [X]	7.2	2.6	5.3	9.2
		USD Exchange Rate [IDR/USD]	14,542	14,105	13,901	14,481

FFO = EBITDA – IFCCI + interest income – current tax expense
EBITDA = (operating profit + depreciation exp. + amortization exp.)
IFCCI = (gross interest expense + other financial charges + capitalized interest); foreign exchange 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.

PT Kapuas Prima Coal Tbk rated “idBBB”, outlook revised to “positive”

PEFINDO has affirmed its “idBBB” ratings to PT Kapuas Prima Coal Tbk (ZINC) and its Bond I Year 2018. The outlook for the corporate rating is revised to “positive” from “stable” to reflect our expectation that ZINC’s business position and cash flow protection measures will improve as results of more integrated business expansions. We expect ZINC to increase its overall mining annual production to reach more than 600 thousand tons ore starting 2022 from currently 450 thousand tons ore, following the operation of its lead smelter in the first half of 2022 (1H2022). Its lead smelter with capacity of 20 thousand tons bullion per year will generate revenue of around IDR800 billion in 2022. With additional revenue of around IDR800 billion from the new lead smelter, we are of the view that its cash flow protection measures to improve, with the projected funds from operation to debt ratio of 44% on average in 2022 – 2024 from 17% at the end of June 2021. To finance both its investment and working capital, ZINC had received bank loan of USD96 million. ZINC plans to repay its maturing Bond I Year 2018 Series D of IDR18.4 billion on December 21, 2021 using internal funds. As of June 30, 2021, its cash and cash equivalent were IDR924.5 billion.

An obligor rated idBBB 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 weaken its capacity to meet its financial commitments.

The rating reflects ZINC’s adequate reserves and resources profile, as well as its vertically integrated operations after the operation of lead and zinc’s smelters. The rating is constrained by its aggressive capital structure, small capacity compared to global peers, and exposure to fluctuating commodity prices.

The rating may be raised following ZINC’s successful business expansion in the near term, which would generate significant cash flow and result to financial leverage improvement. The outlook may be revised to stable if the Company fails to operate the lead smelter in a timely manner which lead to a stagnant revenue generation. The rating may be lowered if its EBITDA generation is significantly declined and/or its capital structure becomes substantially more aggressive. The rating may also be under pressure if price fluctuations in the global zinc, lead, and silver markets significantly impair its revenue and profitability. We have not incorporated the possibility of zinc smelter to be consolidated in the Company’s financial projection.

Established in 2005, ZINC engaged in exploration and production activities for industrial metals: zinc (Zn), lead (Pb), silver (Ag), and iron ore (Fe). The Company currently operates three blocks of underground pits named Gossan, Karim, and Ruwai in Lamandau, Central Kalimantan, with an estimated raw ore production capacity of around 550,000 tons per annum in 2021. Publicly listed in 2017, its shareholders were PT Sarana Inti Selaras (12.69%), Sim Anthony (14.42%), Kioe Nata (12.33%), Budimulio Utomo (10.15%), Haroen Soedjatmiko (9.57%), William (9.16%), and the public 31.68% as of June 30, 2021.

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.