

PT Perkebunan Nusantara X

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CREDIT PROFILE

Corporate Rating	<i>idBBB+/Stable</i>
Rated Issues	
MTN 2018	<i>idBBB+</i>
Rating Period	
February 5, 2020 – February 1, 2021	
Rating History	
FEB 2019	<i>idBBB/Stable</i>
FEB 2018	<i>idBBB/Stable</i>
FEB 2017	<i>idBBB/Stable</i>
APR 2016	<i>idBBB+/Stable</i>
APR 2015	<i>idBBB+/Stable</i>
DEC 2014	<i>idBBB+/Negative</i>
AUG 2014	<i>idA/Negative</i>
APR 2014	<i>idA+/Stable</i>
APR 2013	<i>idA+/Stable</i>

FINANCIAL HIGHLIGHTS

As of/for the year ended	Dec-2019 (Unaudited)	Dec-2018 (Audited)	Dec-2017 (Audited)	Dec-2016 (Audited)
Total Adjusted Assets [IDR Bn]	12,164.1	12,413.1	11,083.2	11,065.2
Total Adjusted Debt [IDR Bn]	1,962.1	2,279.4	2,346.7	2,315.8
Total Adjusted Equity [IDR Bn]	8,404.0	8,400.6	6,997.3	6,991.5
Total Sales [IDR Bn]	2,627.9	2,597.5	2,562.8	2,260.4
EBITDA [IDR Bn]	542.6	527.9	422.1	163.9
Net Income after MI [IDR Bn]	84.7	104.8	52.3	(158.1)
EBITDA Margin [%]	20.6	20.3	16.5	7.2
Adjusted Debt/EBITDA [X]	3.6	4.3	5.6	14.1
Adjusted Debt/Adjusted Equity [X]	0.2	0.3	0.3	0.3
FFO/Adjusted Debt [%]	15.0	11.7	6.5	(3.0)
EBITDA/IFCCI [X]	2.5	2.2	1.8	0.8
USD Exchange Rate [IDR/USD]	13,901	14,481	13,548	13,436

*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 raises the ratings for PT Perkebunan Nusantara X (PPNX) and its MTN to “idBBB+”

PEFINDO has raised the ratings for PT Perkebunan Nusantara X (PPNX) and its Medium-Term Notes (MTN) 2018 to “idBBB+” from “idBBB”. The upgrade was triggered by the Company’s improving credit profile that we view will remain at that range over the near to medium term. We expect the Company will be able to book EBITDA margin of around 20% in the near to medium term before improving on the following terms on the back of better efficiencies on its operating management. Backed by these assumptions, we expect its debt to EBITDA and FFO to debt ratios – as a proxy of credit profile ratios – will hover around 3.7x and 16%, respectively. We maintained the outlook for the corporate rating at “stable”.

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 lead to a weakened capacity of the obligor to meet its financial commitments. The Plus (+) sign indicates that the rating is relatively strong within the respective rating category.

The rating reflects the stable productivity of PPNX’s sugar cane plantation and its vertically-integrated operations, with more product diversity expected. The rating is constrained by the Company’s moderate capital structure, high dependency on farmers’ sugar cane supply, and exposure to the fluctuations of product prices and unfavorable weather.

We may raise the rating if PPNX’s credit profile continues to improve on a sustained basis as a result of deleveraging plans through assets disposal initiatives and/or if the Company’s achievement is better than projection. However, the rating may be lowered if the Company incurs greater debt than projected and/or its financial profile deteriorates due to weaker-than-expected cash flow and/or profitability, stemming from a major slowdown in its core businesses – sugar, edamame, and hospital – and a decline in commodity prices. We may also review the rating if the Company’s subsidiary, PT Nusantara Medika Utama, will be detached from the Company’s business on account of the Government initiatives to establish a new holding state-owned hospital company.

Located in East Java, PPNX is a vertically-integrated plantation company engaged in the short-lived crops industries (sugar, edamame, and tobacco) and also producing downstream products through bio-ethanol plant. It processes sugar cane in its nine sugar cane mills with some of the by-product, molasses, as a feedstock to its bio-ethanol plant. It also manages four hospitals in the East-Java area. At the end of 2019, it had a total plantation area of 51,840 hectares (ha) of sugar cane plantations (including those owned by farmers), 1,351 ha of edamame plantations, and 511 ha of tobacco plantations. As of December 31, 2019, it was 90.0% owned by PT Perkebunan Nusantara III (Persero) (idA/Stable outlook) and 10.0% by the Indonesian government.

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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.