

## PT Indah Kiat Pulp and Paper Tbk

### Credit Rating(s)

General Obligation (GO)	idA+/Stable
Shelf Registered Bond I/2020	idA+
Shelf Registered Bond II/2021	idA+
Shelf Registered Bond III/2022	idA+
SR Sukuk Mudharabah I/2021	idA+(sy)
SR Sukuk Mudharabah II/2022	idA+(sy)

### Rating Period

March 10, 2023 – March 1, 2024

### Published Rating History

JUL 2022	idA+/Positive
APR 2022	idA+/Positive
JUN 2021	idA+/Stable
MAR 2021	idA+/Stable
MAR 2020	idA+/Stable

### Rating Definition

Debt security rated idA 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 (sy) means the rating indicates Islamic principles compliant.

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PEFINDO has assigned its "idA+" rating to PT. Indah Kiat Pulp and Paper Tbk (INKP)'s Bond IV Year 2023 with a maximum amount of IDR12 trillion and its "idA+(sy)" rating for its Sukuk Mudharabah III Year 2023 of up to IDR3 trillion. 60% of the bond and Sukuk proceeds will be used to refinance its loans, while the rest will be used to finance its working capital needs. We have also affirmed the ratings of INKP and its outstanding bonds at "idA+" and its outstanding Sukuk at "idA+(sy)". Outlook for the corporate rating is stable.

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 moderate capital structure, 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 deleveraging and/ or if it improves its profit margin resulting from an improvement in the operating management or a rise in pulp price, leading to strengthening its capital structure and cash flow protection figures on a sustained basis. The rating could be lowered 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, 2022, it was majority owned by PT Purinus Ekapersada (53.25% ownership), part of the Sinarmas group of companies. The remaining shares were held by the public (46.75%).

### Financial Highlights

As of/for the year ended	Dec-2022 (Audited)	Dec-2021 (Audited)	Dec-2020 (Audited)	Dec-2019 (Audited)
Total adjusted assets [USD mn]	9,640.7	8,978.4	8,496.3	8,502.1
Total adjusted debt [USD mn]	3,356.4	3,568.7	3,660.4	3,942.1
Total adjusted equity [USD mn]	5,605.2	4,764.9	4,249.6	4,005.7
Total sales [USD mn]	4,002.6	3,516.6	2,986.0	3,223.2
EBITDA [USD mn]	1,395.4	1,139.2	813.8	863.5
Net income after MI [USD mn]	857.5	527.1	294.1	274.4
EBITDA margin [%]	34.9	32.4	27.3	26.8
Adjusted debt/EBITDA [X]	2.4	3.1	4.5	4.6
Adjusted debt/adjusted equity [X]	0.6	0.7	0.9	1.0
FFO/adjusted debt [%]	28.4	21.6	15.0	14.8
EBITDA/IFCCI [X]	5.5	4.5	3.9	4.3
USD exchange rate [IDR/USD]	15,731	14,269	14,105	13,901

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

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