

PT Perkebunan Nusantara X

Analysts: Gifar Indra Sakti / Umar Hareddy

Phone/Fax/E-mail: (62-21) 7278 2380 / 7278 2370 / gifar.sakti@pefindo.co.id / umar.hareddy@pefindo.co.id

CREDIT PROFILE

Corporate Rating *idBBB+/Stable*

Rated Issues

MTN 2018

idBBB+

Rating Period

August 13, 2020 – February 1, 2021

Rating History

FEB 2020

idBBB+/Stable

FEB 2019

idBBB+/Stable

FEB 2018

idBBB+/Stable

FEB 2017

idBBB+/Stable

APR 2016

idBBB+/Stable

APR 2015

idBBB+/Stable

DEC 2014

idBBB+/Negative

AUG 2014

idA/Negative

APR 2014

idA+/Stable

APR 2013

idA+/Stable

FINANCIAL HIGHLIGHTS

As of/for the year ended	Jun-2020 (Unaudited)	Dec-2019 (Audited)	Dec-2018 (Audited)	Dec-2017 (Audited)
Total Adjusted Assets [IDR Bn]	12,406.0	12,142.7	12,418.4	11,083.2
Total Adjusted Debt [IDR Bn]	1,948.8	1,992.4	2,279.4	2,346.7
Total Adjusted Equity [IDR Bn]	8,505.6	8,563.1	8,405.9	6,997.3
Total Sales [IDR Bn]	776.8	2,619.1	2,597.5	2,562.8
EBITDA [IDR Bn]	54.3	529.9	536.7	422.1
Net Income after MI [IDR Bn]	(65.4)	107.9	104.8	52.3
EBITDA Margin [%]	7.0	20.2	20.7	16.5
Adjusted Debt/EBITDA [X]	*17.9	3.8	4.2	5.6
Adjusted Debt/Adjusted Equity [X]	0.2	0.2	0.3	0.3
FFO/Adjusted Debt [%]	*(4.2)	13.4	12.2	6.5
EBITDA/IFCCI [X]	0.6	2.4	2.2	1.8
USD Exchange Rate [IDR/USD]	14,302	13,901	14,481	13,548

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.

Ratings for PT Perkebunan Nusantara X and its MTN affirmed at "idBBB+" with stable outlook

PEFINDO has affirmed its "idBBB+" ratings for PT Perkebunan Nusantara X (PPNX) and its Medium-Term Notes (MTN) Year 2018. The outlook for the corporate rating is "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 weaken its capacity to meet its financial commitments. The plus (+) sign indicates that the rating is relatively strong within its category.

The rating reflects its position as one of the largest sugar producers in Indonesia with good productivity, its vertically-integrated operations with more product diversity expected, and stable domestic demand for sugar. The rating is constrained by the Company's moderate financial profile, 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 tobacco – and a decline in commodity prices. We are aware that the Company is in the middle of restructuring its bank loans as a part of its parent long term financial transformation plan. However, PEFINDO doesn't incorporate yet the long term financial transformation plan on its parent in the rating scenario as it is still in the process.

The divestiture of its subsidiary, PT Nusantara Medika Utama, will result in a thinner revenue cushion for the Company during the low price of commodities, in our view. However, it is mitigated by a proceed of around IDR80 billion (after-tax) that can be used to deleverage its debt position. Besides, the Coronavirus Disease (COVID-19) pandemic also caused an increase in domestic sugar prices that, to some extent, benefited the Company as a result of the lockdown policies implemented by exporting countries. This policy makes it difficult for the sugar import process to stabilize the gap between supply and demand at domestic. Factoring those conditions, we are of the view that PPNX's overall credit profile is still commensurate with the current "idBBB+" rating.

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. At the end of 2019, it managed 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 June 30, 2020, it was 90.0% owned by PT Perkebunan Nusantara III (Persero) (PTPN, idBBB/Creditwatch Negative) and 10.0% by the Indonesian government.

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