# Press Release

June 8, 2020

# PT Chandra Asri Petrochemical Tbk.

***Analysts:*** *Niken Indriarsih / Umar Hareddy*

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

## CREDIT PROFILE

**Corporate Rating** *$_{id}$AA-/Negative*

**Rated Issues**

| | |
|---|---|
| *Bond I/2016* | *$_{id}$AA-* |
| *Shelf Reg. Bond I/2017-2018* | *$_{id}$AA-* |
| *Shelf Reg. Bond II/2018-2019* | *$_{id}$AA-* |

**Rating Period**

*June 4, 2020 – June 1, 2021*

**Rating History**

| | |
|---|---|
| *OCT 2019* | *$_{id}$AA-/Stable* |
| *OCT 2018* | *$_{id}$AA-/Stable* |
| *OCT 2017* | *$_{id}$AA-/Stable* |
| *OCT 2016* | *$_{id}$A+/Stable* |

## FINANCIAL HIGHLIGHTS

| As of/for the year ended | Dec-2019 (Audited) | Dec-2018 (Audited) | Dec-2017 (Audited) | Dec-2016 (Audited) |
|---|---|---|---|---|
| Total adjusted assets [USD mn] | 3,451.2 | 3,173.5 | 2,987.3 | 2,129.3 |
| Total adjusted debt [USD mn] | 787.9 | 608.1 | 630.9 | 425.0 |
| Total adjusted equity [USD mn] | 1,761.0 | 1,770.1 | 1,668.8 | 1,141.7 |
| Total sales [USD mn] | 1,881.0 | 2,543.2 | 2,418.5 | 1,930.3 |
| EBITDA [USD mn] | 174.2 | 396.6 | 543.7 | 498.7 |
| Net income after MI [USD mn] | 22.9 | 181.7 | 318.6 | 300.0 |
| EBITDA margin [%] | 9.3 | 15.6 | 22.5 | 25.8 |
| Adjusted debt/EBITDA [X] | 4.5 | 1.5 | 1.2 | 0.9 |
| Adjusted debt/adjusted equity [X] | 0.4 | 0.3 | 0.4 | 0.4 |
| FFO/adjusted debt [%] | 13.3 | 44.7 | 64.4 | 84.7 |
| EBITDA/IFCCI [X] | 3.1 | 7.7 | 15.1 | 13.6 |
| 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 revises PT Chandra Asri Petrochemical Tbk's outlook to negative, affirms rating at "$_{id}$AA-"

PEFINDO has affirmed its **"$_{id}$AA-"** ratings for PT Chandra Asri Petrochemical Tbk (TPIA), its Bond I/2016, Shelf Registered Bond I/2017-2018, and Shelf Registered Bond II/2018-2019. However, the outlook for the corporate rating has been revised to **"negative"** from "stable" to anticipate prolonged narrowing spread between the feedstock costs and the petrochemical product prices as reflected by continuous declining profitability margins and to some extent will weaken its financial profile that is no longer commensurate with the **"$_{id}$AA-"** rating category. During the past three years, the Company's financial profile has been on pressures as a result of narrowing spread between the feedstock costs and the petrochemical product prices while at the same time incurring additional debt to finance its expansion. We are also of the view that the Coronavirus Disease (COVID-19) pandemic has escalated the degree of uncertainty in the regions that leads to softening economic activities and could further negatively affect the spread between the feedstock costs and petrochemical product prices.

An obligor rated $_{id}$AA differs from the highest rated obligors only to a small degree, and has a very strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. The Minus (-) sign indicates that the rating is relatively weak within the respective rating category.

The corporate rating reflects our view of TPIA's leading position in the domestic petrochemical industry that is supported by synergies with its strategic partners, vertically integrated operations with satisfactory supporting facilities, and strong liquidity and financial flexibility. Its sensitivity to industry cyclicality and exposure to the volatility of the spread between the feedstock costs and the petrochemical product prices, risks related to the expansion of petrochemical facilities, and adequate cash flow protection constrain its rating, in our view.

The rating could be lowered if we view that there is a persistent deterioration in its financial profile due to weaker than expected profitability on account of prolonged narrowing spread between the feedstock costs and the petrochemical product prices and/or higher debt than projected. On the other hand, we may revise the rating to stable if the Company improves its financial profile on account of a better spread between the feedstock costs and the petrochemical product prices as reflected by Net Debt to EBITDA ratio of maximum 2.5x and FFO to Debt ratio of minimum 20%, respectively, on a sustained basis, while maintaining its optimum utilization rate. We also would like to note that in the rating scenario we have not taken into account the additional debt-funded capital expenditure (capex) for the construction of its second naphtha cracker, as its final investment decision has not been finalized yet.

TPIA is an integrated petrochemical producer, providing olefins, polyolefin, styrene monomer, and butadiene. It owns the only naphtha cracker, styrene monomer and butadiene plants in the country. Its production facilities include a naphtha cracker with a total production capacity of 2,138 kilo tons per annum (KTA), a polyethylene plant with 736 KTA capacity, a styrene monomer plant with 340 KTA capacity, a polypropylene plant with 590 KTA capacity, and a butadiene plant with 137 KTA capacity. As of December 31, 2019, it was owned by PT Barito Pacific Tbk (41.9%), SCG Chemicals Co Ltd (30.6%), Prajogo Pangestu (14.8%), Marigold Resources Pte Ltd (4.8%), and the public (7.9%).