

## PT Pabrik Gula Rajawali I

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS			
		As of/for the year ended			
Corporate Rating	<i>idBBB+/Negative</i>	Nov-2020	Dec-2019	Dec-2018	Dec-2017
		(Unaudited)	(Audited)	(Audited)	(Audited)
<b>Rated Issues</b>		2,629.5	1,410.6	1,394.3	1,305.9
<i>MTN I/2018</i>	<i>idBBB+</i>	609.8	493.0	489.0	227.4
		476.7	548.4	459.4	454.3
		1,008.7	2,218.7	769.5	791.2
<b>Rating Period</b>		127.3	306.5	213.9	256.8
<i>December 22, 2020 – April 1, 2021</i>		22.5	141.5	67.9	116.4
		12.6	13.8	27.8	32.5
<b>Rating History</b>		*4.4	1.6	2.3	0.9
<i>APR 2020</i>	<i>idA-/Stable</i>	1.3	0.9	1.1	0.5
<i>APR 2019</i>	<i>idA-/Stable</i>	*15.9	44.6	31.3	84.8
<i>APR 2018</i>	<i>idA-/Stable</i>	3.2	5.9	5.3	9.2
<i>APR 2016</i>	<i>idA/Stable</i>	14,128	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.*

### PEFINDO lowers the ratings for PT Pabrik Gula Rajawali I and its MTN to *idBBB+*, outlook revised to "Negative"

PEFINDO has lowered the ratings for PT Pabrik Gula Rajawali I (PGRI) and its Medium-Term Notes (MTN) I Year 2018 to "*idBBB+*" from "*idA-*". At the same time, we also revised the outlook of PGRI's corporate rating to "**negative**" from "**stable**". The rating action was triggered by PGRI's lower than expected revenue and EBITDA in the near to medium term, with its revenue in the first nine months of 2020 (9M2020) declined for more than 50% year-on-year (YoY) compared to 9M2019. This was mainly attributable to lower production volume in 2020 due to unfavorable weather condition that lowered the extraction rate and the agreement between the Company and sugar cane farmers to not sell the sugar below IDR11,200/kg. PGRI was supposed to sell the farmers' sugar to importer of refined sugar as stipulated by the Ministry of Trade at IDR11,200/kg. However, the importer was not able to fulfill its obligation to purchase the sugar at the stated price, while PGRI was not able to find other potential buyers. The lower revenue generation has affected PGRI's financial condition since it must incur additional debt to finance its working capital, with debt to EBITDA and FFO to debt ratios at 4.4x and 15.9%, respectively, as of November 30, 2020.

The rating action also reflects increasing refinancing risk for PGRI's maturing MTN I Year 2018 of IDR500 billion, which will be due in May 2021. The Company has limited financial resources, with cash position of IDR30.3 billion as of November 30, 2020 and unused working capital loan facility of around IDR170 billion, which we view insufficient to repay its maturing MTN. PGRI is currently in the process to obtain additional bank loan as one of the refinancing sources.

The rating may be lowered if it incurs higher-than-projected additional debt and suffers weak cash flows as a result of weaker-than-expected business performance and a decline in sugar prices. The rating could also be lowered if prolonged current Coronavirus Disease (COVID-19) outbreak adversely affects the Company's business operation, such as interrupting the harvesting and milling season, resulting in lower revenue, cash flow, and/or profitability in the near term. The outlook could be revised to stable if PGRI could settle the debt repayment issue.

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 corporate rating reflects PGRI's productivity and extraction rate, which is one of the highest in the industry, and its vertically integrated operations. The rating is constrained by moderate cash flow protection measures and liquidity, its high dependency on farmers' sugarcane supply, and exposure to the fluctuation of sugar price and unfavorable weather conditions.

PGRI is a subsidiary of PT Rajawali Nusantara Indonesia (Persero) that is engaged in sugarcane production and processing. Established in 1995 as a result of the merger of two sugar mills in East Java – Kretet Baru in Malang and Rejo Agung in Madiun – PGRI has production facilities with respective capacities of 11,500 and 5,700 tons of cane a day (TCD). Those facilities cater to 29,476 hectares (ha) of sugarcane plantations, which are dominated by local farmers. As of November 30, 2020, PGRI was owned by RNIP (99.999%) and PT Rajawali Nusindo (0.001%).

**DISCLAIMER**

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