

PT INKA Multi Solusi

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Oct-2018 (Unaudited)	Dec-2017 (Audited)	Dec-2016 (Audited)	Dec-2015 (Audited)
Corporate Rating	<i>idBBB/Negative</i>	Total Adjusted Assets [IDR Bn]	1,143.9	1,147.0	331.7	120.6
Rated Issues		Total Adjusted Debt [IDR Bn]	808.4	701.1	151.3	28.1
<i>MTN Syariah 2017</i>	<i>idBBB(sy)</i>	Total Adjusted Equity [IDR Bn]	91.6	73.2	44.1	14.7
Rating Period		Total Sales [IDR Bn]	760.2	814.8	418.9	157.1
<i>December 3, 2018 – October 1, 2019</i>		EBITDA [IDR Bn]	90.3	86.2	37.3	11.5
Rating History		Net Income after MI [IDR Bn]	18.4	29.0	19.1	6.7
<i>OCT 2017</i>	<i>idBBB+/Stable</i>	EBITDA Margin [%]	11.9	10.6	8.9	7.3
<i>JUL 2017</i>	<i>idBBB+/Stable</i>	Adjusted Debt/EBITDA [X]	*7.5	8.1	4.1	2.4
		Adjusted Debt/Adjusted Equity [X]	8.8	9.6	3.4	1.9
		FFO/Adjusted Debt [%]	*2.6	5.6	13.4	26.6
		EBITDA/IFCCI [X]	1.3	2.5	4.2	6.7
		USD Exchange Rate [IDR/USD]	15,227	13,548	13,436	13,795

*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 of PT INKA Multi Solusi and its MTN to “idBBB”

PEFINDO has lowered the ratings of PT INKA Multi Solusi (IKMS) to “idBBB” from “idBBB+”. At the same time, PEFINDO has also lowered the ratings of IKMS’ Medium Term Notes (MTN) Syariah 2017 to “idBBB(sy)” from “idBBB+(sy)”. The rating downgrade was triggered by IKMS’ higher financial leverage in comparison to the previous projection, in account of elevating operating cycle period. We revised the outlook for the corporate rating to “**negative**” from “**stable**” to anticipate further weakening of its parent, PT Industri Kereta Api (Persero)’s (INKA, idA-/Negative) credit profile, which might potentially reduce its ability to support IKMS when needed.

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.

Suffix sy means that the rating mandates Islamic principles compliant.

The rating reflects IKMS’s status, which we view as a strategic important subsidiary to its parent, INKA, its strong foothold in manufacturing rolling stock vehicles, and strong underlying industry fundamentals driven by higher demand from increased infrastructure spending. However, the rating is constrained by IKMS’ aggressive capital structure due to its high debt-funded capital needs and hence interest burden, high dependency on the success rate of the tender followed by INKA, and exposure to the fluctuation of raw material costs.

We could lower the rating if we view there is further weakening of INKA’s credit profile, that will eventually impair our view in regards to INKA’s ability to support IKMS when needed. The rating will also be under-pressure if it consistently fails to achieve targeted income generation as a result of a significant loss of market share or a change in the government’s investment policy, and/or if it incurs higher debt than projected without a corresponding backlog order. The outlook could be revised to “**stable**” if we view that INKA’s credit profile will remain stable in the near to medium term, and/or if IKMS has increased its income generation by conducting significant diversification of its customer base.

Originally founded in 2009 as PT Railindo Global Karya, IKMS offers a wide range of rolling stock vehicles and services, which include the assembling of locomotives and the manufacturing of passenger cars, freight wagons, multiple units, and key related components. It also has three subsidiaries, PT IMS Service, PT IMS Trading, and PT IMS Consulting. At September 30, 2018, more than 99% of its shares were owned by INKA.

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