

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 affirmed its "idA+" rating to PT. Indah Kiat Pulp and Paper Tbk (INKP) and revised its outlook to "stable" from "positive". This revision reflects INKP's debt level is in moderate category from previously we projected in conservative category, due to the Company's plan to increase debt to finance its capital expenditure.

PEFINDO also has affirmed "idA+" ratings for its Shelf Registered (SR) Bond I Year 2020, SR Bond II Year 2021, SR Bond III Year 2022 as well as its "idA+(sy)" ratings for its Sukuk Mudharabah I Year 2021 and Sukuk Mudharabah II Year 2022. INKP plans to repay its SR Bond I Phase I Serie B of IDR883.48 billion due on June 5, 2023, by using its internal fund or external. At the end of 2022, the Company had cash and cash equivalents of USD1.27 billion.

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 Purinusa 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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The rating contained in this report or publication is the opinion of PT Pemeringkat Efek Indonesia (PEFINDO) given based on the rating result on the date the rating was made. The rating is a forward-looking opinion regarding the rated party's capability to meet its financial obligations fully and on time, based on assumptions made at the time of rating. The rating is not a recommendation for investors to make investment decisions (whether the decision is to buy, sell, or hold any debt securities based on or related to the rating or other investment decisions) and/or an opinion on the fairness value of debt securities and/or the value of the entity assigned a rating by PEFINDO. All the data and information needed in the rating process are obtained from the party requesting the rating, which are considered reliable in conveying the accuracy and correctness of the data and information, as well as from other sources deemed reliable. PEFINDO does not conduct audits, due diligence, or independent verifications of every information and data received and used as basis in the rating process. PEFINDO does not take any responsibility for the truth, completeness, timeliness, and accuracy of the information and data referred to. The accuracy and correctness of the information and data are fully the responsibility of the parties providing them. PEFINDO and every of its member of the Board of Directors, Commissioners, Shareholders and Employees are not responsible to any party for losses, costs and expenses suffered or that arise as a result of the use of the contents and/or information in this rating report or publication, either directly or indirectly. PEFINDO generally receives fees for its rating services from parties who request the ratings, and PEFINDO discloses its rating fees prior to the rating assignment. PEFINDO has a commitment in the form of policies and procedures to maintain objectivity, integrity, and independence in the rating process. PEFINDO also has a "Code of Conduct" to avoid conflicts of interest in the rating process. Ratings may change in the future due to events that were not anticipated at the time they were first assigned. PEFINDO has the right to withdraw ratings if the data and information received are determined to be inadequate and/or the rated company does not fulfill its obligations to PEFINDO. For ratings that received approval for publication from the rated party, PEFINDO has the right to publish the ratings and analysis in its reports or publication, and publish the results of the review of the published ratings, both periodically and specifically in case there are material facts or important events that could affect the previous ratings. Reproduction of the contents of this publication, in full or in part, requires written approval from PEFINDO. PEFINDO is not responsible for publications by other parties of contents related to the ratings given by PEFINDO.