

PT Arkora Hydro Tbk

Credit Ratings

Proposed Green Bond I/2023

^{id}A_(pg)

Rating Period

April 17, 2023 – March 1, 2024

Published Rating History

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Rating Definition

Debt security rated ^{id}A 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. Suffix _(pg) means the rating incorporates security in the form of partial guarantee.

PEFINDO assigned its ^{id}A_(pg) rating for PT Arkora Hydro Tbk (ARKO)'s proposed Green Bond I Year 2023 of a maximum of IDR350.0 billion. The proceeds will be used for refinancing its existing loans. The debt instrument is partially guaranteed by PT Indonesia Infrastructure Finance (IIF, ^{id}AAA/Stable) that covers minimum 75% of the principal amount on a pro rata basis, the quarterly coupon payments at minimum 200%, and any late payment fee for coupon payments or any other penalty fees due of a minimum of IDR7.0 billion.

The corporate rating reflects ARKO's good operating management, strong financial flexibility, and benefits from the government's commitment to expand the renewable energy supply. However, the corporate rating is constrained by its moderate position as a mini-hydro independent power producer (IPP), its aggressive financial profile, and its exposure to the hydrological conditions.

The instrument rating reflects ARKO's good operating management, its strong financial flexibility, benefits from the government's commitment to expand the renewable energy supply, and an improved recovery in the event of distress of a guaranteed bond from IIF, which is unconditional and irrevocable based on the guarantee agreement. The guaranteed amount may gradually decrease in accordance to the maturity of each bond series and the amount to be maintained on a pro-rata basis equal to 75% of the principal amount and quarterly coupon amount. The instrument rating is constrained by ARKO's moderate position as a mini-hydro independent power producer (IPP), its aggressive financial profile, and its exposure to the hydrological conditions.

The instrument rating may be raised following the upgrade of ARKO's corporate rating or if there is a stronger credit enhancement structure. The instrument rating may be lowered if the guarantor's and/or ARKO's corporate rating is lowered.

ARKO develops and operates mini hydro power plant projects. Currently, it has two power generations with a total capacity of 17.4 megawatts (MW) and two sites under construction with total capacity of 15.4 MW. It also has an affiliated company providing construction services for its projects and operation and maintenance (O&M) services. As of December 31, 2022, its shareholders consisted of PT Arkora Bakti Indonesia (47.52%), PT Energia Prima Nusantara (26.55%), part of PT United Tractors Tbk (UNTR), ACEI Singapore Holdings Private Ltd (10.07%), and the public of 15.85%.

As a guarantor, IIF is a private non-bank financial institution focusing on investing in commercially feasible infrastructure projects. It provides long-term, fund-based products, such as senior loans, mezzanine finance, and equity participations, in addition to non-fund based products, such as guarantees and fee-based services. Its shareholders consisted of PT Sarana Multi Infrastruktur (Persero) (SMI, 30.00%), International Finance Corporation (IFC, 19.99%), Asian Development Bank (ADB, 19.99%), Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG, 15.12%), and Sumitomo Mitsui Banking Corporation (SMBC, 14.90%) as of December 31, 2022.

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Financial Highlights

As of/for the year ended	Dec-2022	Dec-2021	Dec-2020	Dec-2019
Consolidated Figure	(Audited)	(Audited)	(Audited)	(Audited)
Total adjusted assets [IDR bn]	904.4	661.8	544.8	515.3
Total adjusted debt [IDR bn]	451.9	429.5	405.5	346.0
Total adjusted equity [IDR bn]	356.4	144.2	104.9	123.3
Total sales [IDR bn]	296.1	232.3	77.1	162.2
EBITDA [IDR bn]	114.9	103.5	52.8	24.8
Net income after MI [IDR bn]	52.7	49.0	(22.6)	(8.6)
EBITDA margin [%]	38.8	44.6	68.5	15.3
Adjusted debt/EBITDA [X]	3.9	4.1	7.7	13.9
Adjusted debt/adjusted equity [X]	1.3	3.0	3.9	2.8
FFO/adjusted debt [%]	8.2	6.0	4.1	(3.4)
EBITDA/IFCCI [X]	2.3	2.0	1.4	0.7
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 been reclassified according to PEFINDO's definitions.

DISCLAIMER

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