

## PT Waskita Karya (Persero) Tbk

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### CREDIT PROFILE

<b>Corporate Rating</b>	<i>idBBB/Stable</i>
<b>Rated Issues</b>	
<i>PUB II/2016-2017</i>	<i>idBBB</i>
<b>Rating Period</b>	
<i>November 16, 2020 – November 1, 2021</i>	
<b>Rating History</b>	
<i>JUL 2020</i>	<i>idBBB+/Negative</i>
<i>JAN 2020</i>	<i>idA-/Negative</i>
<i>2019</i>	<i>idA-/Stable</i>
<i>2017- 2018</i>	<i>idA-/Positive</i>
<i>2016</i>	<i>idA-/Stable</i>
<i>2013-2015</i>	<i>idA-/Stable</i>
<i>2012</i>	<i>idA-/Stable</i>
<i>2007</i>	<i>idBBB+/Stable</i>
<i>2004-2005</i>	<i>idBBB/Stable</i>
<i>2003</i>	<i>idBBB-/Stable</i>

### FINANCIAL HIGHLIGHTS

As of/for the year ended	Jun-2020	Dec-2019	Dec-2018	Dec-2017
	(Limited Review)	(Audited)	(Audited)	(Audited)
Total adjusted assets [IDR bn]	112,076.3	120,593.4	122,395.7	95,660.0
Total adjusted debt [IDR bn]	66,278.3	70,887.5	64,643.5	45,188.5
Total adjusted equity [IDR bn]	23,828.0	27,122.6	26,891.2	20,519.0
Total sales [IDR bn]	8,097.8	31,530.7	49,009.1	45,227.4
EBITDA [IDR Bn]	1,023.4	5,094.4	8,062.1	7,974.5
Net income after MI [IDR bn]	(1,095.1)	938.1	3,962.8	3,881.7
EBITDA margin [%]	12.6	16.2	16.5	17.6
Adjusted debt/EBITDA [X]	*32.4	13.9	8.0	5.7
Adjusted debt/adjusted equity [X]	2.8	2.6	2.4	2.2
FFO/adjusted debt [%]	*(2.2)	2.0	6.1	8.6
EBITDA/IFCCI [X]	0.5	1.4	3.3	2.9
USD exchange rate [IDR/USD]	14,302	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 Waskita Karya (Persero) Tbk and shelf-registered bonds II to "idBBB"

PEFINDO has lowered the ratings for PT Waskita Karya (Persero) Tbk (WSKT) and its shelf-registered bonds II to "idBBB" from "idBBB+". The downgrade in ratings reflects our view on WSKT's weak standalone credit profile over the near to medium term, due to the difficult operating environment caused by COVID-19, significantly delaying project completion, new project tenders, and cash collections. WSKT's EBITDA dropped by 62% year-on-year (YoY) in the first half of 2020 (1H2020) while cash and cash equivalents dropped to IDR1.4 trillion as of Jun. 30, 2020 from IDR9.3 trillion as of Dec. 31, 2019. New contract wins in the nine months of 2020 (9M2020) were amounted to IDR12.2 trillion, a 19% decline YoY, depleting its order book to just IDR50.6 trillion as of Sep. 30, 2020, the lowest over the past five years. This represents an order book to construction revenue ratio of just 2.0x on a trailing 12-month basis, down from 3.6x average in 2015-2019. WSKT is in the process of a debt restructuring with its lenders in an effort to preserve liquidity and to provide working capital to execute its order book and investments. Though we view debt restructuring as credit negative, the outcome of it is expected to significantly benefit WSKT financially in the near to medium term. The outlook for the corporate rating is "stable".

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 rating reflects WSKT's strong market position in the construction sector, its benefits as a major state-owned construction company, and moderate financial flexibility. The rating is constrained by its weak liquidity, high leverage, and the volatile business environment in the construction sector.

The rating could be upgraded if WSKT significantly improves its leverage and debt service coverage on a sustained basis supported by strong contract backlog which provides revenue visibility over the next few years. The rating may be lowered if we believe that our assessment on WSKT's financial flexibility deteriorates, which no longer supports our view on its moderate access to external funding to carry out its operating activities or refinance existing borrowings regularly at a short notice. We may also lower the rating if leverage continue to remain high with limited likelihood for deleveraging and debt service coverage falls to less than 1.0x on a sustained basis. We could also lower the rating if WSKT continuously booked low new contracts, impacting the visibility of its revenue, or the risk of project completion delays and cost overruns increases due to COVID-19, particularly if WSKT could not impose any escalation on the latter, hence, reducing its profitability.

WSKT is one of the largest construction companies in the country. Its main business, providing construction works, contributed 91% of revenue in 2019. Its other businesses include precast concrete, toll roads, property, and energy. It has an extensive domestic marketing network with 33 marketing offices throughout the country. The Indonesian government held a 66% stake in WSKT as of Jun. 30, 2020, with the remainder publicly owned.

**DISCLAIMER**

*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.*