PEFINDO
CREDIT RATING AGENCY

Press Release
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PT Surya Semesta Internusa Tbk

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CREDIT PROFILE

Corporate Rating *$_{id}$BBB+/Stable*

Rated Issues
Shelf Registered Bond I/2016 *$_{id}$BBB+*

Rating Period
January 11, 2021 – March 1, 2021

Rating History

MAY 2020	*$_{id}$A-/Negative*
MAR 2020	*$_{id}$A-/Stable*
MAR 2019	*$_{id}$A-/Stable*
MAR 2018	*$_{id}$A-/Negative*
MAR 2017	*$_{id}$A/Negative*
MAR 2016	*$_{id}$A/Stable*
AUG 2015	*$_{id}$A/Stable*
AUG 2014	*$_{id}$A/Stable*
AUG 2013	*$_{id}$A/Stable*
AUG 2012	*$_{id}$A/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	Sep-2020 (Unaudited)	Dec-2019 (Audited)	Dec-2018 (Audited)	Dec-2017 (Audited)
Total Adjusted Assets [IDR Bn]	7,767.5	8,092.4	7,360.5	8,838.0
Total Adjusted Debt [IDR Bn]	1,961.9	1,856.2	1,492.0	2,257.4
Total Adjusted Equity [IDR Bn]	4,211.5	4,478.2	4,356.2	4,476.8
Total Sales [IDR Bn]	2,125.1	4,005.6	3,708.9	3,305.0
EBITDA [IDR Bn]	57.0	526.6	447.8	406.9
Net Income after MI [IDR Bn]	(197.9)	92.3	37.7	1,178.3
EBITDA Margin [%]	2.7	13.1	12.1	12.3
Adjusted Debt/EBITDA [X]	*25.8	3.5	3.3	5.5
Adjusted Debt/Adjusted Equity [X]	0.5	0.4	0.3	0.5
FFO/Adjusted Debt [%]	*(7.4)	14.8	12.4	^4.8
EBITDA/IFCCI [X]	0.4	2.8	2.2	1.6
USD Exchange Rate [IDR/USD]	14,918	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* ^ = adjust tax from toll road divestment
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.

PT Surya Semesta Internusa Tbk's rating lowered to "$_{id}$BBB+", outlook revised to "stable"

PEFINDO has lowered the ratings for PT Surya Semesta Internusa Tbk (SSIA) and its Shelf Registered Bond I Year 2016 to **"$_{id}$BBB+"** from **"$_{id}$A-"**, and revised the corporate rating to **"stable"** from "negative". The rating action is triggered by the continued impact from COVID-19, particularly to SSIA's hotel operations. Despite SSIA's hotel revenue in the third quarter of 2020 (3Q2020) grew by 123.3% compared to the second quarter, it was still significantly below that in the first quarter, accounting for just 15%. We also believe that the re-implementation of large-scale social restrictions (PSBB) in Java and Bali following a spike in new cases will hinder the recovery prospects of SSIA's hotel operations. The economic fallout caused by the pandemic also affected SSIA's industrial estate and construction segments as land sale transactions and new contracts were significantly lower than we anticipated. Consequently, SSIA's financial profile in the nine months of 2020 (9M2020) dropped to unprecedented levels and the likelihood of its financial profile to improve is believed to be very limited given the high degree of uncertainty around when the COVID-19 will be contained. Nonetheless, SSIA continues to implement significant cost initiatives and financial policy decisions, including renegotiate terms with its creditors, to minimize the earning loss caused by COVID-19.

An obligor rated $_{id}$BBB 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 rating reflects SSIA's strong market position in the private construction industry, its favorable hotel assets, and our expectation that its industrial estate performance will improve over the medium term, which should allow for margin expansion. However, the rating is constrained by its weak financial profile, its high dependency on external sources to manage working capital needs for hotel operations, and the sensitivity of the property and construction businesses to macroeconomic changes.

The rating could be raised if we believe that the operating environment has normalized and that the recovery is robust to allow SSIA to improve its financial profile more quickly than expected. However, the rating could be lowered if there is a structural change in the hotel sector due to changing consumer behavior because of the pandemic, resulting in the average occupancy of SSIA's hotels to remain subdued for a long period. We could also lower the rating if the economic fallout from COVID-19 will put continued pressure on SSIA's industrial estate and construction business segments, indicated by a significantly lower than expected marketing sales and new contracts, respectively. In addition, we could lower the rating if we believe that SSIA faces heightened liquidity risk, due to its inability to timely prepare the necessary funds to repay the IDR390 billion bond due on September 21, 2021.

As one of the most diversified property companies in Indonesia, SSIA's business is classified into three main segments: construction, property (industrial estate, real estate, and rental property), and hospitality. As of September 30, 2020, its shareholders were PT Arman Investments Utama (9.3%), PT Persada Capital Investama (8.1%), Intrepid Investments Limited (8.0%), HPAM Progressive Equity Mutual Funds (6.6%), and others including the public (67.9%).