



PT Malindo Feedmill Tbk.

PEFINDO reaffirmed the rating at “**idAA-(bg)**” for PT Malindo Feedmill Tbk.’s (MAIN or the Company) bond I/2008 of IDR300 billion. The outlook for the rating is stable. The bond rating reflects the current rating of PT Bank CIMB Niaga Tbk. (BNGA) at “**idAA-**” as the guarantor of the full amount of MAIN’s bond principal and coupon payments. The guarantee from BNGA is in the form of unconditional and irrevocable Standby Letter of Credit. The Company has utilized the bond proceeds to acquire PT. Leong Ayamsatu Primadona, an affiliated company (48%) and for working capital (18%) while the remaining 34% remain unused as the Company’s plan to build a new feed mill in Cikande has been postponed due to unfavorable economic condition.

The Guarantor:

Established in 1958, BNGA is currently 77.24% controlled by CIMB Group Sdn. Bhd. of Malaysia. As of December 31, 2008, BNGA was the 6th largest bank in the country with total assets of IDR103.20 trillion, total deposits of IDR84.05 trillion and total loans of IDR73.83 trillion. The corporate rating of BNGA from PEFINDO is **idAA-** with stable outlook. The rating reflects BNGA’s strong market position, sound capitalization, and its well-diversified business but is constrained by tight competition within its chosen market, particularly in the middle commercial business.

The Issuer:

PT Malindo Feedmill Tbk. (MAIN or the Company) is engaged in producing and trading of poultry feed and commercial Day Old Chicks (DOC). In 1H08, the Company expanded its business by acquiring 99.69% shares in PT Leong Ayamsatu Primadona (LAP) that is engaged in breeding of DOC and broiler. The Company also has 99% shares in PT Bibit Indonesia, a producer and marketer of parent stock DOC. In September 2007, MAIN established PT Prima Fajar as a producer and marketer of broiler and breeder, where MAIN controlled 99% of its shares. As of September 30, 2008, MAIN’s shareholders consisted of Dragon Amity Ltd., Mauritius (76.60%), Societe Generale Bank and Trust (5.07%), Bank of New York (5.00%), and others (13.33%). MAIN’s ultimate owners are the Lau Brothers which also run poultry business in Malaysia namely Leong Hup Holdings Berhad and Emivest Berhad. The Company’s revenue has grown with a five-year CAGR of 35% to IDR1,085.56 billion in 2007 from IDR326.78 billion in 2003. Nevertheless, with revenue from poultry feed of IDR638.85 billion up to 3Q08, MAIN’s market share in this segment is still low at around 3.18%. Meanwhile, for DOC breeding, MAIN’s market share is estimated at 7.29% with revenue of IDR279.58 billion. The acquisition of LAP has decreased the Company’s equity to IDR71.43 billion as at September 30, 2008 from IDR187.71 billion as at September 30, 2007 due to difference arising from restructuring transaction of entity under common control in the amount of IDR-136.97 billion. Nevertheless, the Company meets the bond’s covenant requirement to maintain Debt to Adjusted Equity Ratio at a maximum of 2.8x because the calculation of adjusted equity in the covenant excludes the difference arising from restructuring transaction of equity under common control. If using bonds definition, the Debt to Adjusted Equity Ratio was 2.1x at September 30, 2008.

Rating Period: March 5, 2009 – December 1, 2009

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