



PEFINDO CREDIT RATING INDONESIA

# PRESS RELEASE

## October 3, 2013

### "idA-" affirmed to MDLN with "positive" outlook

PEFINDO has affirmed its ratings for PT Modernland Realty Tbk (MDLN) and its outstanding bond II Modernland Realty year 2012 at "idA-". The outlook of the corporate rating is revised to "positive" from "stable", reflecting its strong cash flow and liquidity profile for the next three years following the sale of 170 hectares land bank reserves in Tangerang worth IDR3.4 trillion to PT Alam Sutera Tbk, which will be paid in installments over 30 months, and the Company's plan to fully acquire the Jakarta Garden City (JGC) project. The acquisition, which is expected to be completed in 4Q2013, will allow MDLN to consolidate JGC, thus, will boost MDLN's revenue stream and cash flow in the medium term. The ratings reflect MDLN's sizable land bank for future development, good asset quality, and strong cash flow protection measures. However, the ratings are constrained by its higher financial leverage in the near term, lack of recurring income, and the risks of new projects in new areas.

MDLN's operation includes residential development, industrial estate, and a small exposure to the hospitality and commercial segment. The main property projects are situated in Tangerang, Cakung, Pondok Cabe, Bekasi and Serang. In July 2013, MDLN entered into a conditional share sale agreement with Le-Vision Pte Ltd and Castlehigh Pte Ltd, subsidiaries of Keppel Land Ltd, to purchase their 51% stake in JGC, so that MDLN's ownership in JGC become 100%, in a deal worth IDR2.3 trillion. As of June 30, 2013, MDLN's shareholders were AA Land Pte Ltd, Singapore, with 29.8% ownership, PT Potensi Sukses Bersama (6.6%), and public (63.6%).

Rating Period: October 1, 2013 – October 1, 2014

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