

MDLN's ratings upgraded to "idA" from "idA-"

PEFINDO has upgraded the ratings for PT Modernland Realty Tbk (MDLN or the Company) and its outstanding bond II Modernland Realty year 2012 to "idA" from "idA-". The upgrade is due to improvement in the Company's business position following the acquisition of Jakarta Garden City (JGC) project, which we believe has a good prospect to meet property demands going forward. We believe that the execution risk in developing the project is minimal given its strategic location and established infrastructure. MDLN has successfully launched its first cluster post acquisition in May 2014, where all 200 of the units launched were sold out resulting in marketing sales from JGC project to reach IDR586 billion up to 1H2014. We revised the outlook for the ratings to "Stable" from "Positive" following the ratings upgrade. The ratings reflect MDLN's sizable land bank for future development, its good asset quality, and strong cash flow protection measures. However, the ratings are constrained by its moderate financial leverage level, lack of recurring income, and the execution risks in developing new project in new area.

MDLN's operations include residential development, industrial estates, and a small exposure to the hospitality and commercial segment. The main property projects are situated in Cakung, Serang, Bekasi and Tangerang. As of June 30, 2014, its shareholders were AA Land Pte Ltd, Singapore with 28.8% ownership, PT Bumi Perkasa Permai (7.2%) and the public (64%).

Rating Period: October 6, 2014 – October 1, 2015
Contact Analyst: Yogie Surya Perdana & Rian Gunawan
yogie.perdana@pefindo.co.id & rian.gunawan@pefindo.co.id

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