

MDLN's Shelf-Registration Bond assigned at "idA"

PEFINDO has affirmed the ratings for PT Modernland Realty Tbk (MDLN) and its bond 11/2012 at "idA". We have also assigned its proposed Shelf-Registration Bond 1/2015 for a maximum of IDR2 trillion at "idA". The bond proceeds will be used for loans refinancing and land bank acquisition. The outlook for the corporate rating is "stable". The ratings reflect MDLN's sizable land bank for future development, above average asset quality, and good profitability margins. However, the ratings are constrained by its aggressive financial leverage, lack of recurring revenue, and the execution risks involved in developing new projects in new areas.

MDLN's operations include residential and township development, industrial estates, and a small exposure to the hospitality segment. Its main property projects are situated in Cakung, Serang, and Tangerang. As of April 30, 2015, its shareholders were AA Land Pte Ltd, Singapore (28.8%), PT Bumi Perkasa Permai (6.55%) and the public (64.65%).

Rating Period: April 6, 2015 – April 1, 2016

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