PRESS RELEASE
June 16, 2016

PT Sumberdaya Sewatama's rating outlook is revised to "negative"

PEFINDO has revised the outlook for the corporate rating of PT Sumberdaya Sewatama (SSMM) to **"negative"** from **"stable"**. The negative outlook was assigned to anticipate weaker-than-projected capital structure and cash flow protection measures resulting from weaker-than-projected profitability margins and lower-than-expected revenue generation. Our expectation of the weakening financial profile is triggered by significant costs increases and negative revenue growth in 1Q2016 and 2015, as indicated by operating costs that increased significantly by around 36.5% year on year (YoY) and 90.1% YoY, respectively, while revenue contracted by around 22.4% YoY and 6.6% YoY. The negative revenue growths in 1Q2016 and 2015 were mainly brought about by a significant number of contract termination on its temporary power business by Perusahaan Listrik Negara (PPLN-$_{id}$AAA/Stable), its one and only customer in the utility segment. Furthermore, SSMM also experienced margin pressure resulting from USD related cost increases that it could not fully pass on to its major customer, significant increase in penalty cost, some amount of severance pay, and a recognition of IDR151.0 billion loss due to non-trade bad debts. Temporary power segment still accounts for more than 80% of the Company's revenue with its largest customer being PPLN. Any change in PPLN's future policy toward temporary power business, in our opinion, may have impact on the Company's financial profile. The ratings could be lowered if the Company fails to achieve its targeted revenue and improve profitability margins from current level, which could weaken its cash flow protection measures and capital structure. The ratings could also be under pressure if its additional debt exceeds projections, or if there is further deterioration of its temporary power business, which would worsen its financial profile resulting in its annualized debt-to-EBITDA ratio being consistently above 3.5x, and its annualized FFO-to-debt-ratio consistently below 15.0% in the upcoming quarters. The outlook could be revised to stable if the Company could improve its cash flow protection measures and capital structure supported by cost efficiency efforts and improving business performance of its major segments. Meanwhile, the ratings for PT Sumberdaya Sewatama and the Company's Bond I/2012 were maintained at **"$_{id}$A"**, and so was the **"$_{id}$A$_{(sy)}$"** rating of its Sukuk Ijarah I/2012.

The ratings reflect its strong market position with a relatively stable revenue stream, its business synergy with the Group, and strong operating profit margins. The ratings are constrained by its high dependence on a single buyer, the uncertain growth potential of temporary power rental, and its more aggressive financial leverage to support independent power producer (IPP) expansion.

SSMM's business is classified into: temporary power rental, operations and maintenance, energy efficiency (pillar) services, and IPP. It is 99.9% owned by PT ABM Investama Tbk, a non-operating holding company with business interests in coal mining, contract mining and engineering services, integrated logistics, and power. It is also part of the Tiara Marga Trakindo Group, which owns PT Trakindo Utama, Indonesia's biggest distributor of Caterpillar heavy equipment.

Rating Period: June 14, 2016 – September 1, 2016
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