PT HUTAMA KARYA (PERSERO)

CREDIT PROFILE

PEFINDO assigns "idAAA(gg)" rating for PTHK’s proposed Shelf-Registered Bond I/2016. PEFINDO also affirms "idA-" ratings for PT Hutama Karya (Persero) and its outstanding Bond.

A debt security rated idAAA has the highest rating assigned by PEFINDO. The obligor’s capacity to meet its long-term financial commitment on the debt security, relative to other Indonesian obligors, is superior.

An obligor rated idA indicates that, the obligor has a strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, the obligor is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors.

The suffix (gg) in a particular rating incorporates security in the form of government guarantee.

The Minus (-) sign in a particular rating indicates that the rating is relatively weak within the respective rating category.

The ratings reflect PTHK’s important role in providing Trans Sumatera toll road infrastructure, its satisfactory market position in the construction industry, and the benefits of being a state-owned construction company. However, the ratings are constrained by its aggressive financial profile, lower margins compared to its peers, and the relatively volatile business environment in construction. The rating may be raised if PTHK significantly strengthens its market position in the domestic construction industry and demonstrates steady cash flow generation through its diversification plan, which would help to improve its profitability margins. This has to be accompanied by a significant improvement in its financial profile, as indicated by its annualized debt to EBITDA ratio being below 3.0x and its annualized FFO to debt ratio being above 20.0% (after stripping off debts that are related to the construction of Trans Sumatera toll roads). On the other hand, the rating may be lowered if PTHK fails to reach its targeted revenue and if its additional debt is higher than projected, resulting in a deterioration in its financial profile as indicated by its annualized debt to EBITDA being above 4.5x and FFO to debt being below 10.0%.

PTHK is a state-owned construction company in the civil engineering and general contractors business. Construction services are its main business, with specialization in road and bridge construction services, investment, and manufacturing. Since September 2014, it has been assigned through Perpres (President’s Regulation) 100/2014, which was then amended through Perpres 117/2015, as the institution responsible for the fund raising, technical planning, construction, operation and maintenance of 24 sections of the Trans Sumatera toll road. As of June 30, 2016, it was wholly owned by the Indonesian government.
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