

PT Pindad (Persero)

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Jun-2017	Dec-2016	Dec-2015	Dec-2014	
		(Unaudited)	(Audited)	(Audited)	(Audited)	
Corporate Rating	<i>idA-/Stable</i>	Total Adjusted Assets [IDR Bn]	4,315.5	4,133.8	4,036.0	2,797.1
Rated Issues		Total Adjusted Debt [IDR Bn]	980.7	1,047.1	956.9	1,043.1
<i>MTN (Proposed)</i>	<i>idA-</i>	Total Adjusted Equity [IDR Bn]	1,227.1	1,226.2	1,237.2	544.4
Rating Period		Total Sales [IDR Bn]	747.9	2,025.4	1,948.8	1,436.7
<i>October 5, 2017 – October 1, 2018</i>		EBITDA [IDR Bn]	46.4	130.8	211.7	127.9
Rating History		Net Income After MI [IDR Bn]	3.5	45.8	4.2	(9.8)
<i>MAY 2017</i>	<i>idA-/Stable</i>	EBITDA Margin [%]	6.2	6.5	10.9	8.9
		Adjusted Debt to EBITDA [X]	*10.6	8.0	4.5	8.2
		Adjusted Debt to Adjusted Equity [X]	0.8	0.9	0.8	1.9
		FFO to Adjusted Debt [%]	*3.6	9.7	9.7	4.8
		EBITDA to IFCCI [X]	1.6	1.6	1.8	1.6
		USD Exchange Rate [IDR/USD]	13,319	13,436	13,795	12,440

FFO = EBITDA – IFCCI + Gross Interest Income – Current Tax Expense
EBITDA = Operating Profit + Depreciation Expense + Amortization Expense
IFCCI = Gross Interest Expense + Other Financial Charges + Capitalized Interest; (FX Loss not included)
*MI = Minority Interest * = Annualized*
The above ratios have been computed based on information from the company and published accounts. Where applicable, some items have been reclassified according to PEFINDO's definitions.

PEFINDO assigns "idA-" ratings to PT Pindad (Persero) and its MTN

PEFINDO has assigned its "idA-" rating to PT Pindad (Persero) or PNDD. The outlook for the corporate rating is "stable". At the same time, PEFINDO has also assigned PNDD's planned MTN issuance of maximum IDR1 trillion at "idA-". Majority of the proceeds will be used for refinancing of its bank loans while the remainder for working capital needs.

An obligor rated idA 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 minus (-) sign indicates that the rating is relatively weak within the respective rating category.

The ratings reflect our view of PNDD's strong support from the government because of its key role in producing military products, stable revenue from its munitions business, and wide variety of product offerings. The ratings, however, are constrained by its high dependency on the state budget, making it vulnerable to government procurement processes and budget cuts, as well as its aggressive capital structure and weak cash flow protection measures, and exposure to the fluctuation of raw material costs.

We could raise the rating if PNDD consistently improves its operating profitability, financial leverage level, and cash flow protection measures. We also believe an upgrade in its rating requires a fairly large order backlog that would provide sufficient revenue visibility for the next three years. The rating, however, could be lowered if we view a reduction in government support, such as through a material divestment of the government's ownership and significantly reduced government contracts. The rating could also be under pressure if its EBITDA falls significantly below target and/or if it adopts a more aggressive financial policy, including incurring higher debt than projected without being compensated by higher revenue.

PNDD, originally founded in 1808, designs and manufactures a wide variety of military products mainly for the Indonesian government, but sells to foreign governments as well. Its key products include small caliber munition, assault rifles, and armored vehicles. Its operations are divided into six main business segments: munitions, weapons, special vehicles, commercial explosives, industrial machinery, and wrought and cast. More than 70% of its revenue over the past five years came from defense related services, while only 5% was generated overseas. As of June 30, 2017, it was wholly owned by the government of Indonesia.

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