PEFINDO
CREDIT RATING AGENCY

Press Release
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PT IMPACK PRATAMA INDUSTRI Tbk

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CREDIT PROFILE

Corporate Rating *idA-/Negative*

Rated Issues
Bond I/2016 *idA-*

Rating Period
September 12, 2018 – September 1, 2019

Rating History
SEPT 2017 *idA-/Stable*
SEPT 2016 *idA-/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	**Jun-2018**	**Dec-2017**	**Dec-2016**	**Dec-2015**
	(Unaudited)	(Audited)	(Audited)	(Audited)
Total Adjusted Assets [IDR Bn]	2,252.5	2,156.2	2,163.1	1,557.8
Total Adjusted Debt [IDR Bn]	755.5	724.2	776.9	354.6
Total Adjusted Equity [IDR Bn]	1,139.4	1,150.5	1,112.7	979.4
Total Sales [IDR Bn]	621.5	1,193.1	1,135.3	1,147.8
EBITDA [IDR Bn]	81.6	212.9	266.9	259.1
Net Income after MI [IDR Bn]	32.6	87.3	102.5	76.8
EBITDA Margin [%]	13.1	17.8	23.5	22.6
Adjusted Debt/EBITDA [X]	*4.6	3.4	2.9	1.4
Adjusted Debt/Adjusted Equity [X]	0.7	0.6	0.7	0.4
FFO/Adjusted Debt [%]	*11.7	18.3	23.3	54.4
EBITDA/IFCCI [X]	2.3	2.8	5.9	6.1
USD Exchange Rate [IDR/USD]	14,404	13,548	13,436	13,795

FFO = EBITDA – IFCCI + 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 affirms "idA-" rating on IMPC, outlook revised to negative

PEFINDO has affirmed its **"idA-"** ratings for PT Impack Pratama Industry (IMPC) and its Bond I/2016. However, the outlook for the corporate rating is revised to **"negative"** from **"stable"** to anticipate further weakening in its credit profile due to continuous depression on its profitability margin, in account of weakened Indonesian Rupiah (IDR) against US Dollars (USD) and higher purchase price for raw materials, while its ability to pass through price hike is viewed to be limited due to unfavorable purchasing power. Despite being able to purchase its raw materials, namely polycarbonate, at a more advantageous price during the third quarter of 2018, we expect that IMPC might not be able to purchase it at competitive price as it used to be due to higher expected price of oil, while we estimate that the global utilization rate for polycarbonate, its main raw material, to be high. In addition, we anticipate that its real estate segment might not be able to contribute much to its income generation in the near to medium term, due to the weak property market.

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 corporate rating reflects IMPC's strong market position in the polycarbonate roofing products industry, its extensive distribution network, and favorable diversification profile. However, the rating is constrained by weakening financial profile, its high dependency on the property sector, and pressure on its profitability margin with exposure to USD.

The rating will be lowered if IMPC is unable to successfully improve its income generation, such as through continuous pressure on its profitability margin, and thus causing its credit profile to further weaken. The rating will also be under pressure if it incurs higher debt than expected which is not accompanied by adequate income generation, and/or if there is unfavorable outcome from the bondholders general meeting (RUPO) following breach of financial covenant, and/or it fails to generate a favorable strategy to pay its maturing bond at the end of 2019. The outlook of the Company's rating could be revised to stable if IMPC could adequately improve its income generation and profitability margin, which can be done through successful natural hedge strategy by enlarging export sales.

Starting commercial operations in 1982, IMPC manufactures and distributes plastic building materials in Indonesia and abroad. It provides various roofing products: polycarbonate, vinyl, and fiber reinforced polyester products; aluminum composite panels; sealants; packaging products comprising corrugated plastic boards; and polymer resins. It also distributes roofing sheets of plastic and adhesives, and is involved in the development of properties. Its property projects include office tower (Altira Office Tower) and office park (Altira Office Park) which are located in North Jakarta area. IMPC performed an initial public offering in December 2014. As of June 30, 2018, its shareholders were PT Harimas Tunggal Perkasa (43.7%), PT Tunggal Jaya Investama (45.6%), Hariyanto Tjiptodihardjo (1.7%), and others including public (9.0%).