

PT Waskita Karya (Persero) Tbk

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Dec-2018	Dec-2017	Dec-2016	Dec-2015
			(Audited)	(Audited)	(Audited)	(Audited)
Corporate Rating	<i>idA-/Stable</i>	Total adjusted assets [IDR bn]	122,395.7	95,660.0	59,722.2	28,918.4
Rated Issues		Total adjusted debt [IDR bn]	64,643.5	44,621.2	25,240.7	8,034.9
<i>Shelf-Registered Bond I/2015</i>	<i>idA-</i>	Total adjusted equity [IDR bn]	26,891.2	20,519.0	15,062.4	8,313.5
<i>Shelf-Registered Bond II/2016-2017</i>	<i>idA-</i>	Total sales [IDR bn]	48,817.7	45,239.0	23,769.9	14,164.4
Rating Period		EBITDA [IDR Bn]	7,870.7	7,986.1	3,412.3	1,883.1
<i>March 12, 2019 – March 1, 2020</i>		Net income after MI [IDR bn]	3,962.8	3,881.7	1,713.3	1,047.7
Rating History		EBITDA margin [%]	16.1	17.7	14.4	13.3
<i>MAR 2018</i>	<i>idA-/Positive</i>	Adjusted debt/EBITDA [X]	8.2	5.6	7.4	4.3
<i>MAR 2017</i>	<i>idA-/Positive</i>	Adjusted debt/adjusted equity [X]	2.4	2.2	1.7	1.0
<i>MAR 2016</i>	<i>idA-/Stable</i>	FFO/adjusted debt [%]	5.8	8.7	7.7	15.6
<i>2013-2015</i>	<i>idA/Stable</i>	EBITDA/IFCCI [X]	3.2	2.9	3.5	5.5
<i>MAR 2012</i>	<i>idA-/Stable</i>	USD exchange rate [IDR/USD]	14,481	13,548	13,795	13,725
<i>FEB 2007</i>	<i>idBBB+/Stable</i>					
<i>2004-2005</i>	<i>idBBB/Stable</i>					
<i>OCT 2003</i>	<i>idBBB-/Stable</i>					

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
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.

PT Waskita Karya (Persero) Tbk's rating affirmed at "idA-", outlook revised to stable

PEFINDO has affirmed the ratings for PT Waskita Karya (Persero) Tbk (WSKT), its shelf-registered Bonds I/2015, shelf-registered Bonds II 2016 phase II, and shelf-registered Bonds II 2017 at "idA-". We have also affirmed the rating of its shelf-registered Bonds II 2016 phase I of IDR2 trillion due on June 10, 2019 at "idA-". WSKT plans to use internal cash from turnkey payments to repay the maturing bond. WSKT is scheduled to receive around IDR26 trillion of turnkey payments in 2019, coming from projects such as the South Sumatra light rail transit as well as Jakarta-Cikampek and Terbanggi Besar-Pematang Panggang toll roads among others. It received IDR13.8 trillion of cash inflows from turnkey payments in 2018. The outlook for the corporate rating has been revised to "stable" from "positive", reflecting our expectation that its leverage, measured by net debt-to-EBITDA, will remain high over the near to medium term given the high contract backlog of around IDR68 trillion by the end of 2018, some of which are turnkey projects which require significant amount of working capital. Its debt-to-equity ratio of 2.4x as of December 31, 2018 was also nearing the 3.0x mark as set on its banks and bonds covenants. WSKT's high debt position is also likely to put pressure on interest coverage amid higher interest rate environment as 76% of its debt structure consists of bank loans, 43% of which are short-term.

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 in a particular rating indicates that it is relatively weak within the respective rating category.

The rating reflects WSKT's strong market position in the construction industry, its good margin on account of a diverse project segment, and its benefits as a major state-owned construction company. The rating is constrained by its high financial leverage, the relatively volatile business environment, and risks related to its aggressive toll road business expansion and divestment plan.

The rating may be raised if WSKT succeeds in timely divesting its toll road assets according to the expected price range, while improving its credit profile to a level that is commensurate with an idA rating, on a sustained basis. This should go together with a good profitability above its peers to compensate for the higher risks coming from its turnkey projects. The rating may be lowered if the Company fails to reach its targeted revenue and if it incurs additional debt than projected, resulting in a deterioration in its credit profile. We could also lower the rating if investments in its toll road business, including its plan to divest toll road assets, fail to perform as expected, resulting in a worsening financial profile.

WSKT is one of the largest construction companies in the country. Its main business, providing construction works, contributed 97% of revenue in 2018. Its other businesses include precast concrete, toll roads, property, and energy. It has an extensive domestic marketing network with 33 marketing offices throughout the country. The Indonesian government held a 66% share on the Company as of December 31, 2018, with the remainder owned by public.

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