PEFINDO
CREDIT RATING AGENCY

Press Release
May 28, 2019

PT Sumberdaya Sewatama

Analysts: *Martin Pandiangan / Aryo Perbongso*
Phone/Fax/E-mail: *(62-21) 7278 2380 / 7278 2370 / martin.pandiangan@pefindo.co.id / aryo.perbongso@pefindo.co.id*

CREDIT PROFILE

Corporate Rating *$_{id}$B+/Negative*

Rated Issues

Bond I/2012	*$_{id}$B+*
Sukuk Ijarah I/2012	*$_{id}$B+$_{(sy)}$*

Rating Period
May 24, 2019 – September 1, 2019

Rating History

SEP 2018	*$_{id}$BB/Stable*
SEP 2017	*$_{id}$BB+/Stable*
MAY 2017	*$_{id}$BB+/Stable*
APR 2017	*$_{id}$BB+/CW Neg*
FEB 2017	*$_{id}$BBB-/CW Neg*
SEP 2016	*$_{id}$A/Negative*
JUNE 2016	*$_{id}$A/Negative*
2012-2015	*$_{id}$A/Stable*

FINANCIAL HIGHLIGHTS

As of / for the year ended	**Mar-2019** (Unaudited)	**Dec-2018** (Audited)	**Dec-2017** (Audited)	**Dec-2016** (Audited)
Total Adjusted Assets [IDR Bn]	2,907.5	3,045.6	3,151.9	3,299.9
Total Adjusted Debt [IDR Bn]	2,759.3	2,771.2	2,767.7	1,805.7
Total Adjusted Equity [IDR Bn]	(217.7)	(156.6)	(67.9)	120.0
Total Sales [IDR Bn]	138.5	757.8	996.4	1,265.3
EBITDA [IDR Bn]	36.8	174.3	366.2	452.4
Net Income after MI [IDR Bn]	(60.6)	(289.7)	(182.6)	(315.2)
EBITDA Margin [%]	26.6	23.0	36.8	35.8
Adjusted Debt/EBITDA [X]	*18.7	15.9	7.6	4.0
Adjusted Debt/Adjusted Equity [X]	NR	NR	NR	15.0
FFO/Adjusted Debt [%]	*0.5	1.5	8.0	14.7
EBITDA/IFCCI [X]	1.0	1.3	2.4	2.2
USD Exchange Rate [IDR/USD]	14,244	14,481	13,548	13,436

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 NR = Not Relevant *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 downgrades the ratings of PT Sumberdaya Sewatama and its Bond to "$_{id}$B+", Sukuk to "$_{id}$B+$_{(sy)}$", revises outlook to "Negative"

PEFINDO has lowered the ratings for PT Sumberdaya Sewatama (SSMM) and its Bond I Year 2012 to **"$_{id}$B+"** from **"$_{id}$BB"**, and SSMM's Sukuk Ijarah I Year 2012 to **"$_{id}$B+$_{(sy)}$"** from **"$_{id}$BB$_{(sy)}$"**. The rating downgrade reflects our anticipation of high likelihood that SSMM will face liquidity pressure in the near term due to continued deterioration on its business and financial performances from expected lower power rental demand. Despite obtaining capital injection of IDR200.0 billion from the new shareholder in December 2018, we view the Company will only record weak operating cash flow going forward, as the utilization of fleet dropped to below 40% in 2018 from 45% in 2017. We anticipate the fleet utilization will continue to decline to less than 30% in 2019 following PT Perusahaan Listrik Negara (PPLN)'s focus to accelerate the phasing out of diesel power rental in 2019. Lower business prospect is also reflected from negative revenue growth of -25.7% year-on-year as of March 31, 2019. The rating downgrade is also triggered as SSMM could not meet its financial covenant to maintain debt to EBITDA ratio at a maximum of 5.0x and EBITDA to net interest expense ratio at a minimum of 2.0x as of March 31, 2019. Refer to SSMM's calculation, its debt to EBITDA ratio was 14.3x and its EBITDA to net interest expense ratio was 0.9x at the end of March 2019. The outlook for the corporate rating is revised to **"negative"** from **"stable"** to anticipate continuing pressures on its liquidity due to weakening business performance and prolonged negotiation on financial covenant breach with the lenders.

An obligor rated $_{id}$B has a weak capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. Adverse business, financial or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.

The Plus (+) sign indicates that the rating is relatively strong within the respective rating category.

The suffix (sy) means the rating mandates compliance with Islamic principles.

The corporate rating reflects SSMM's high dependence on a single buyer, the uncertain growth of the temporary power rental business, and its weak financial profile and liquidity. However, the rating is offset by the Company's position as the largest private power rental provider in Indonesia and its business synergy with its controlling group.

The rating could be further lowered if there is increasing liquidity pressure resulting from failure to significantly reduce its reliance on PLN in the near term, if it fails to achieve its revenue and/or EBITDA margin targets, and if it incurs higher debt than projected, which could further weaken its cash flow protection measures and capital structure. The rating could also be under pressure if there is any mispayment of interest and/or principal for its restructured debt. The outlook could be revised to stable if the Company could improve its cash flow measures and capital structure supported by significant improving business performance.

SSMM's business is classified into: temporary power rental, operations and maintenance, and energy efficiency (pillar) services. It terminated its Independent Power Producer (IPP) business in 2017. At the end of March 2019, PT ABM Investama Tbk held 0.99% Series A stake, while a new shareholder, PT Godra Investama Mandiri, owned 99.01% Series B stake.