

PT LONTAR POPYRUS PULP & PAPER INDUSTRY

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Mar-2019	Dec-2018	Dec-2017	Dec-2016
			(Un-audited)	(Audited)	(Audited)	(Audited)
Corporate Rating	<i>idA+ / Negative</i>	Total Adjusted Assets [USD Mn]	2,030.7	1,997.5	1,820.9	1,662.8
Rated Issues		Total Adjusted Debt [USD Mn]	915.9	935.6	800.3	693.8
<i>Sukuk Mudharabah I/2018 Seri A</i>	<i>idA+ (sy)</i>	Total Adjusted Equity [USD Mn]	954.9	924.3	887.5	829.2
<i>Sukuk Mudharabah I/2018 Seri B</i>	<i>idA+ (sy)</i>	Total Sales [USD Mn]	138.6	643.0	584.1	535.0
<i>MTN I/2017</i>	<i>idA+</i>	EBITDA [USD Mn]	56.2	281.3	206.1	158.3
<i>MTN II/2017</i>	<i>idA+</i>	Net Income after MI [USD Mn]	30.3	120.8	101.3	106.5
Rating Period		EBITDA Margin [%]	40.6	43.7	35.3	29.6
<i>July 10, 2019 – July 1, 2020</i>		Adjusted Debt/EBITDA [X]	*4.1	3.3	3.9	4.4
Rating History		Adjusted Debt/Adjusted Equity [X]	1.0	1.0	0.9	0.8
<i>JUL 2018</i>	<i>idA+ / Stable</i>	FFO/Adjusted Debt [%]	*16.3	22.2	21.1	19.8
<i>APR 2018</i>	<i>idA / Stable</i>	EBITDA/IFCCI [X]	3.9	6.7	8.6	7.4
<i>OCT 2017</i>	<i>idA / Stable</i>	USD Exchange Rate [IDR/USD]	14,315	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 *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+*” ratings of PT Lontar Papyrus Pulp & Paper Industry and its MTN, “*idA+ (sy)*” rating of Sukuk, but outlook revised to “negative”

PEFINDO has affirmed “*idA+*” ratings of PT Lontar Papyrus Pulp & Paper Industry (LPPI), its Medium-Term (MTN) I/2017, and MTN II/2017. At the same time, PEFINDO has also affirmed “*idA+ (sy)*” rating of its Sukuk Mudharabah I/2018 Seri A and Seri B. However, the outlook for corporate rating has been revised to “**negative**” from “**stable**” to anticipate weaker-than-expected capital structure and cash flow protection measures as a result of lower revenue recognition due to lower pulp price and sales volume amid higher debt balance than previously projected. We also anticipate to the current trade war condition which may further put negative impact to the Company as China is the main market for pulp product

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

The plus (+) sign in a particular rating indicates that it is relatively strong within the respective rating category.

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

The corporate rating reflects LPPI's strong business position in the pulp and tissue industry, good vertically integrated operations and customer geographical diversity, and relatively strong operating management. The rating is constrained by exposure to the fluctuations of product prices (pulp) and moderate financial leverage.

The rating could be lowered if its profitability margins significantly drop from current levels triggered by lower pulp price, and/or if it incurs significant new debt than projected. The outlook could be revised to “stable” if the Company achieves its projected revenue and EBITDA which leads to improvement in its capital structure and cash flow protection measures on a sustained basis.

LPPI is a pulp and tissue manufacturer that is a member of Asian Pulp and Paper (APP) group, a leading forest product manufacturer in the global market. Operating since 1976, LPPI is a subsidiary of PT Pindo Deli Pulp and Paper Mills, which holds a significant role in the production of paper and tissue in Indonesia. It has a production facility in Tebing Tinggi in Jambi, Sumatra. As of March 31, 2019, it was 99.9% owned by PT Pindo Deli Pulp and Paper Mills, which is also a part of the Sinar Mas Group.

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