

PEFINDO revised the outlook for the corporate rating of PT Mayora Indah Tbk to “negative”

PEFINDO has revised the outlook for the corporate rating of PT Mayora Indah Tbk (MYOR) to “**negative**” from “**stable**”. The negative outlook was assigned to anticipate weaker-than-projected capital structure and cash flow protection measures resulting from lower profitability margin accompanied by higher debt than projected. Its profitability margin, presented by gross profit margin, declined by 16.5% as of September 30, 2014 (9M2014) from 24.3% in 2013, due to higher raw material and packaging costs. The use of raw material and packaging costs, which accounted for 84.0% of cost of goods sold (COGS), increased by 40.8% year-on-year (YoY) in 9M2014, and it leads to the higher working capital needs financed by borrowings. Meanwhile, the ratings for MYOR and its Bond IV/2012, as well as its Sukuk Mudharabah II/2012 are maintained at “**idAA-**” and “**idAA-(sy)**”, respectively. The ratings could be lowered if there is no improvement in the Company's profitability margin in the near term. The ratings also could be under pressure if the Company adds significant debt. The outlook could be revised to stable if the Company could improve its profitability margin on a sustainable basis, supported with an improvement in its financial profiles.

The ratings reflect the Company's strong position in the domestic packaged food market, well-diversified product offering and the increasing contributions from overseas markets, and strong cash flow protection measures. However, the ratings are constrained by the Company's exposure to the fluctuation of raw material costs and tight competition in the industry. MYOR is one of the well-known manufacturers of packaged foods or snacks in Indonesia. It has a wide range of food products divided into six products categories: Biscuits, Candies, Wafers, Coffee, Chocolates, and Healthy Food. Its flagship brands include Roma, Royal Choice, and Danisa for biscuits; Kopiko and Kis for candies; Torabika and Kopiko for coffee; Astor and Beng-Beng for wafers; Choki-Choki for chocolates; and Energen for healthy food. The Company's production facilities are located in Cibitung and Tangerang. As of September 30, 2014, the Company's shareholders consisted of PT Unita Branindo (32.9%) and others (67.1%).

Rating Period: December 4, 2014 – February 1, 2015
Contact Analyst: Martin Pandiangan & Anies Setyaningrum
martin.pandiangan@pefindo.co.id & anies.setyaningrum@pefindo.co.id

DISCLAIMER

PT Pemeringkat Efek Indonesia (PEFINDO) does not guarantee the accuracy, completeness, timeliness or availability of the contents in this report or publication. PEFINDO cannot be held liable for its use, its partial use, lack of use, in combination with other products or used solely, nor can it be held responsible for the result from its use or lack of its use in any investment or other kinds of financial decision making on which this report or publication is based. In no event shall PEFINDO be held liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses including but not limited to lost profits and opportunity costs in connection with any use of the contents of this report or publication. Credit analyses, including ratings, and statements in this report or publication are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. The contents cannot be a substitute for the skill, judgment and experience of its users, its management employees and/or clients in making investment or other business decisions. PEFINDO also assumes no obligation to update the content following publication in any form. PEFINDO does not act as fiduciary or an investment advisor. While PEFINDO has obtained information from sources it believes to be reliable, PEFINDO does not perform an audit and does not undertake due diligence or independent verification of any information used as the base of and presented in this report or publication. PEFINDO keeps the activities of its analytical units separate from its business units to preserve independence and objectivity of its analytical processes and products. As a result, certain units of PEFINDO may have information that is not available to other units. PEFINDO has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. PEFINDO may receive compensation for its ratings and other analytical work, normally from issuers of securities. PEFINDO reserves the right to disseminate its opinions and analyses. PEFINDO public ratings and analyses are made available on its Website, <http://www.pefindo.com> (free of charge) and through other subscription-based services, and may be distributed through other means, including via PEFINDO publications and third party redistributors. Information in PEFINDO's website and its use fall under the restrictions and disclaimer stated above. Reproduction of the content of this report, in full or in part, is subject to written approval from PEFINDO.