

## ANTM's ratings lowered to "idA-"

PEFINDO has lowered the ratings of Perusahaan Perseroan (Persero) PT Aneka Tambang Tbk (ANTM) and its Shelf-Registration Bond I/2011 to "idA-" from "idA". The lowered rating was due to pressured margins as a result of falling nickel price to a level lower than projected amid high debt utilization for its capacity expansion project of the ferronickel plant in Pomalaa, Southeast Sulawesi. In addition to Pomalaa project, ANTM also continues the construction of a ferronickel plant in East Halmahera, which will be funded by capital injection from the government through rights issue process in 2015. The lowered rating also reflects our expectation that nickel price will likely remain below USD5.5/lbs over the next 12-18 months resulting in its financial profile, particularly leverage and cash flow protection, to remain depressed over those periods. We also maintained our "negative" outlook to anticipate further weakening financial profile as a result of lower-than-expected commodity prices and/or lower sales volume realization. The ratings reflect ANTM's sizable amount and good quality of resources and reserves of its major products, its vertically integrated mining operation, and its diverse mining products. The ratings, however, are constrained by its aggressive financial leverage to finance its expansion projects, weak cash flow protection measures, and its exposure to fluctuating commodity prices.

Founded in July 1968, ANTM is a state-owned mining company in Indonesia producing nickel ores and ferronickel, gold, bauxite, and coal. As of June 30, 2015, ANTM was 65% owned by the Government of Indonesia, and the rest was held by the public (35%).

Rating Period: September 10, 2015 – September 1, 2016

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