

## Ratings for TBLA, its Bond, and MTN lowered to “idA-”

PEFINDO has lowered its ratings for PT Tunas Baru Lampung Tbk (TBLA), its Bond II/2012, and MTN I/2014 to “idA-” from “idA”. The outlook for the corporate rating is “stable”. The downgrade reflects the Company’s weakened capital structure and cash flow protection measures as a result of higher than projected debt to finance its capital expenditure which was previously planned to be funded by its internal cash flow. TBLA has recorded weaker operating cash flow since 2015 due to lower crude palm oil (CPO) price and lengthening receivable and inventory periods. Despite potential higher revenue in the near term following the completion of its biodiesel plant and additional import license of sugar, we view that its capital structure and cash flow protection will remain in the aggressive category as we incorporate that the Company will undertake additional loans to finance business expansion and working capital needs. The assigned ratings reflect the Company’s well-diversified products and areas, vertically integrated operation, and the potential growth in the near term from its sugar business. However, the ratings are constrained by the Company’s aggressive capital structure due to its business expansion, weaker cash flow protection, as well as its exposure to unfavorable weather and the fluctuation of global commodity prices.

TBLA produces CPO and its related downstream products, with operations mainly in southern Sumatra and West Kalimantan. TBLA is a member of the Sungai Budi Group, one of the largest business groups in Lampung. As of March 31, 2016, the Company’s shareholders consisted of PT Sungai Budi (26.5%), PT Budi Delta Swakarya (27.8%), and others, including the public (45.7%). The Company has a vertically integrated operation with palm oil plantations and a variety of CPO-derivative products. TBLA has 61,652 hectares (ha) of planted area consisting of 52,602 ha palm oil plantation and 8,970 ha for sugar cane. It also has a sugar refinery mill and in the process of constructing a new sugar mill in Lampung.

Rating Period: June 16, 2016 – June 1, 2017  
Contact Analyst: Gifar Indra Sakti & Mega Nugroho  
[gifar.sakti@pefindo.co.id](mailto:gifar.sakti@pefindo.co.id) & [mega.nugroho@pefindo.co.id](mailto:mega.nugroho@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.*