PEFINDO
CREDIT RATING AGENCY

Press Release
May 3, 2021

PT Pindad (Persero)

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CREDIT PROFILE

Corporate Rating *idBBB+/Stable*

Rated Issues
MTN 2017 Series D & E *idBBB+*

Rating Period
April 29, 2021 – April 1, 2022

Rating History

DEC 2020	*idBBB+/Stable*
NOV 2020	*idBBB+/CW Negative*
SEP 2020	*idA-/Stable*
MAY 2020	*idA-/Negative*
OCT 2019	*idA-/Stable*
OCT 2018	*idA-/Stable*
OCT 2017	*idA-/Stable*
MAY 2017	*idA-/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	Dec-2020 (Audited)	Dec-2019 (Audited)	Dec-2018 (Audited)	Dec-2017 (Audited)
Total Adjusted Assets [IDR Bn]	7,566.2	6,861.1	6,438.1	5,935.2
Total Adjusted Debt [IDR Bn]	3,855.0	3,211.4	2,529.8	2,560.6
Total Adjusted Equity [IDR Bn]	1,241.9	1,434.4	1,357.6	1,277.8
Total Sales [IDR Bn]	3,503.5	3,398.8	3,200.9	2,456.1
EBITDA [IDR Bn]	484.4	416.5	445.6	264.3
Net Income After MI [IDR Bn]	6.6	101.1	100.6	92.1
EBITDA Margin [%]	13.8	12.3	13.9	10.8
Adjusted Debt to EBITDA [X]	8.0	7.7	5.7	9.7
Adjusted Debt to Adjusted Equity [X]	3.1	2.2	1.9	2.0
FFO to Adjusted Debt [%]	3.4	4.0	10.2	6.8
EBITDA to IFCCI [X]	1.4	1.6	2.3	2.1
USD Exchange Rate [IDR/USD]	14,105	13,901	14,481	13,548

FFO = EBITDA – IFCCI + Gross 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
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.

PT Pindad (Persero) rated "idBBB+" with stable outlook

PEFINDO has assigned its **"idBBB+"** ratings for PT Pindad (Persero) (PIND) and its Medium-Term Notes (MTN) Year 2017 Series D-E. The outlook for the corporate rating is **"stable"**.

An obligor rated idBBB has an adequate capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. The Plus (+) sign indicates that the rating is relatively strong within the respective rating category.

The rating reflects our view on PIND's strong support from the government given its key role in producing military products, stable revenue from its munitions business, and wide variety of product offerings. The rating is constrained by its high dependence on the allocation of the state budget, aggressive capital structure and weak cash flow protection measures, as well as exposure to fluctuations of raw material and component costs.

We could raise the rating if PIND consistently improves its key financial indicators on a sustained basis. The rating could be lowered if we view a reduction in government support, such as through a material divestment of ownership and significantly reduced government contracts. The rating could also be under pressure if its EBITDA falls significantly below target and/or if it adopts a more aggressive financial policy, including incurring higher debt than projected without being compensated by higher revenue. We could also lower the rating if the unfavorable operating condition due to the COVID-19 pandemic prolongs and severely affects PIND's operating performance, such as in terms of new contract achievement and timely deliveries of existing contracts, and/or if it shows signs of a deteriorating liquidity profile, indicated by lower-than-expected revenue or difficulties in accessing funding.

PIND, initially founded in 1983, is engaged in designs and manufactures a wide variety of military products mainly to meet the Indonesian military need and sell a small portion to foreign governments. Its key products include small caliber munitions, assault rifles, and armored vehicles. Its operations are divided into six main business segments, namely: munitions, weapons, special vehicles, commercial explosives, industrial machinery, and wrought and cast. More than 70% of its revenue over the past five years was derived from defense related services, while only 5% was generated overseas. PIND is wholly owned by the government of Indonesia.