

## PT Indah Kiat Pulp &amp; Paper Tbk

## Company rating

*irAA*/Stable

## Rated Issues

Proposed Obligasi USD Berkelanjutan I Indah Kiat Pulp & Paper Tahun 2023. *irAA*

“Debt Securities with *irAA* rating only slightly lower than the highest rating. The Obligor has a very high capability in fulfilling its financial obligations.”

## Rating Period

July 11, 2023 – July 1, 2024

## Rating History

November, 2021	<i>irAA</i> /Stable
November, 2020	<i>irAA</i> /Stable
November, 2019	<i>irAA</i> /Stable

### Kredit Rating Indonesia assigns ‘*irAA*’ rating to Proposed Obligasi USD Berkelanjutan I Indah Kiat Pulp & Paper Tahun 2023 amounting to USD300 Mn

Kredit Rating Indonesia (KRI) assigns a Company Rating of ‘*irAA*’ with ‘Stable’ outlook for PT Indah Kiat Pulp & Paper Tbk (“INKP” or “the Company”). At the same time, KRI assigns ‘*irAA*’ rating to INKP’s Proposed Obligasi USD Berkelanjutan I Indah Kiat Pulp & Paper Tahun 2023 amounting to USD300 Mn. The ratings reflect INKP strong market position, vertically integrated operations and diversified products. However, the ratings are constrained by the Company’s operating profitability margins which considered relatively lower when compared to its peers.

INKP was established in 1967 as a joint venture company and later in 1986, the Sinar Mas Group acquired 67% of the Company’s shares and in the mid-1990s. The Company is one of the largest pulp, paper and tissue producers in Indonesia with total production capacity 7 mn tons in 2022. The company has a fully integrated pulp and paper mill in three locations; Perawang-Riau, Tangerang, and Serang-Banten. INKP owns vertically integrated operations as the Company is supported by Asia Pulp & Paper that provides not only woods as raw materials but also marketing offices throughout 24 countries to market INKP’s products. Furthermore, the Company also has support from the majority shareholders or benefitted by being part of APP, which owns vast industrial forest in Perawang – Riau along with forestry research and department located adjacent to one of INKP’s mill in Perawang. INKP consistently has the highest revenue in the industry with around USD4 Bn of revenue in 2022. INKP’s revenue significantly increased in 2022 mainly contributed by cultural paper caused by the increase in selling price of the products. INKP’s revenue was considered diversified as its revenue was divided relatively equal into three products; 31% pulp, 33% cultural paper and 36% industrial paper in 2022.

However, the Company is not the most efficient company when compared to its peers as the Company’s gross profit margin and EBITDA margin hovered at 40% and 35% in 2022, respectively. The ratings can be increased if INKP proves a better capability in managing its business more efficiently.

The Company’s shareholder ownership composition as of March 31, 2023, was PT Purinusa Ekapersada (53.25%) and public (46.75%).

## INKP Financial Results Highlights (Consolidated)

As of/For the year ended	Mar 2023 (Audited)	Dec 2022 (Audited)	Dec 2021 (Audited)	Dec 2020 (Audited)
Total Adjusted Assets (USD, Mn)	9,735.1	9,640.7	8,978.5	8,496.3
Total Adjusted Debt (USD, Mn)	3,345.1	3,356.4	3,568.7	3,660.3
Total Adjusted Equity (USD, Mn)	5,738.4	5,604.7	4,764.4	4,249.1
Total Sales (USD, Mn)	1,056.2	4,002.6	3,516.6	2,986.0
Net Income (USD, Mn)	133,2	857,5	526,4	422,9
EBITDA Margin (%)	35.1	34.8	32.1	31.1
EBIT Margin (%)	29.5	28.4	24.4	22.1
EBITDA/Adjusted Debt (x)	0.4	0.4	0.3	0.3
Adjusted Debt/Adjusted Equity (x)	0.6	0.6	0.8	0.9
FFO/Adjusted Debt (%)	0.4	0.3	0.2	0.2
EBITDA/IFCCI (x)	6.0	5.4	4.5	4.5
USD Exchange Rate (IDR/USD)	15,062	15,731	14,269	14,105

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