PT Jakarta Lingkar Baratsatu

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CREDIT PROFILE

Corporate Rating *idA+/Stable*

Rated Issues
Bond I/2018 *idA+*

Rating Period
June 11, 2019 – June 1, 2020

Rating History
JUN 2018 *idA+/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	**Mar-2019** (Unaudited)	**Dec-2018** (Audited)	**Dec-2017** (Audited)	**Dec-2016** (Audited)
Total Adjusted Assets [IDR Bn]	2,909.8	2,811.3	2,572.7	2,613.7
Total Adjusted Debt [IDR Bn]	1,290.8	1,291.0	1,240.4	1,442.1
Total Adjusted Equity [IDR Bn]	1,378.7	1,322.7	1,186.9	1,039.3
Total Sales [IDR Bn]	124.2	^469.1	^432.9	^387.7
EBITDA [IDR Bn]	112.4	386.5	366.3	328.8
Net Income after MI [IDR Bn]	55.5	165.2	147.7	52.3
EBITDA Margin [%]	90.5	^82.4	^84.6	^84.8
Adjusted Debt/EBITDA [X]	*2.9	3.3	3.4	4.4
Adjusted Debt/Adjusted Equity [X]	0.9	1.0	1.0	1.4
FFO/Adjusted Debt [%]	*21.0	16.5	15.4	9.9
EBITDA/IFCCI [X]	3.4	2.8	2.4	1.8
USD Exchange Rate [IDR/USD]	14,244	14,481	13,548	13,436

FFO = EBITDA – IFCCI + 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 ^ Not including construction revenue * Annualized*
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.

PEFINDO affirms "idA+" ratings to PT Jakarta Lingkar Baratsatu and its bond

PEFINDO has affirmed its **"idA+"** ratings to PT Jakarta Lingkar Baratsatu (JLBS) and its Bond I Year 2018. The outlook for the corporate rating is **"stable"**.

An obligor rated idA has a strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, the obligor is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors.

The plus (+) sign indicates that the rating is relatively strong within the respective rating category.

The rating reflects JLBS' steady toll revenue growth, solid profitability indicators, and strong operating cash flow supported by low capital spending. The rating is constrained by its risk of excessive dividend distribution and exposure to traffic volume risk.

The rating could be raised if the Company significantly exceeds revenue and/or EBITDA projections, while reducing debt, improving its capital structure to a debt to EBITDA ratio of less than 2.0x on a sustained basis. The rating could be lowered if there is significant reduction in toll revenue proportion sharing and/or significant deterioration on its toll revenue and/or if it incurs additional debt, making its capital structure substantially more aggressive. The rating could also be under pressure if it pays an excessive dividend payment to its shareholders, thereby limiting the scope of deleveraging.

JLBS was established in 1995 and started operating the 9.9-kilometer JORR-W1 (Kebon Jeruk-Penjaringan) toll road in February 2010. The concession period will expire on February 2, 2042. As of March 31, 2019, its shareholders were PT Bangun Tjipta Sarana (64.8%), PT Marga Utama Nusantara (35.0%), and PT Reka Daya Adicipta (0.2%).

Supporting factors for the above rating are:

- ***Steady toll revenue growth.*** We are of the view that JLBS has steady toll revenue growth, especially after the tariff integration and the fully looping connection of JORR's toll-road. Increasing traffic volume on the back of the rising population, car ownership, and freight transportation should also enhance the revenue growth of JORR. The concession holders also have a right to ask for a tariff adjustment once every two years, subject to the fulfillment of minimum service standards. We view the competition with alternative free roads, freight trains, and future public transportation systems (MRT and LRT) as minimal. After the tariff integration, JLBS also enjoyed higher revenue growth of 11.2% year-on-year (YoY) in the first quarter of 2019 (1Q2019) compared to 5.4% YoY in 1Q2018.
- ***Solid profitability indicators.*** JLBS has maintained strong profitability measures, which are more favorably compared to its peers. Its EBITDA margin was relatively stable at above 80% in the past five years, owing to its high proportion of type I vehicles (passenger cars, small buses and trucks), which has accounted for more than 90% of traffic since 2015, so needing less road maintenance requirements. The tariff integration should also make its cost structure more favorable, as it is also exposed to obtain revenue from type II to IV vehicles, which have a higher tariff. In the near to medium term, we project the margin to remain comfortably around 80%, supported by steady toll revenue growth and efficiency efforts, particularly in toll road operations through the modernization of facilities and the use of technology.
- ***Strong operating cash flow supported by low capital spending.*** We expect JLBS to generate positive operating cash flow over the near to medium term through a combination of traffic and tariff increases. This is supported by the minimum of capital spending in the near to medium term as no major further development is needed. As a result, its cash flow protection measures are expected to strengthen. We expect, its debt and interest coverage, measured by funds from operations (FFO) to debt and EBITDA to interest ratios, in the near to medium term will be 22.2% and 3.1x, respectively, on a three-year average basis.

Constraining factors for the above rating are:

- ***Risk of excessive dividend distribution.*** After refinancing its investment loan from Bank Mandiri with the proceeds from the bonds issuance, JLBS can now distribute a dividend to its shareholders without needing consent from its creditors. We view this as escalating the risk of excessive dividend distribution. To some extent, excessive dividend distribution could deteriorate its ability to deleverage its current debt position. The latest dividend was paid in May 2019, with 60.5% of 2018's net income distributed to its shareholders.
- ***Exposure to traffic risk.*** Although JORR is considered one of the finest toll-roads in Indonesia, we are of the view that it is exposed to traffic risk. A slowdown in the economy may lead to businesses reducing their logistics activities, which means lower frequency in the transportation of goods to Tanjung Priok, and/or lower business or leisure air travel through Soekarno-Hatta airport. This may negatively impact JORR toll road traffic volume and, consequently, JLBS' revenue.