

Fitch Rates Indika Energy's Proposed Bond Notes B+

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Fitch Ratings has rated Indika Energy's proposed bonds, to be sold by a special purpose vehicle subsidiary, at B+ with a "positive outlook."

Indika Energy, an integrated coal miner, plans to use proceeds from the senior unsecured notes to refinance its existing debt of about \$235 million, most of it associated with the 2012 purchase of Multi Tambangjaya Utama, a coal mining company.

"The notes are rated at the same level as Indika's Issuer Default Rating of B+, as the guarantee issued by Indika will rank equally in right of payment with all unsecured, unsubordinated indebtedness of Indika," Fitch said.

"Indika's rating reflects strong dividend inflows from its 46 percent-held Kideco Jaya Agung, the third-largest coal producer in Indonesia. It also reflects increasing earnings contribution from Indika's other operations in the coal value chain, such as contract mining and logistics as well as from its engineering, procurement and construction business," Fitch said.

Fitch also estimated that Indika would see increasing earnings contributions from its 69 percent-owned mining subcontractor Petrosea and 51 percent-owned Mitrahaftera Segara Sejati.

"Fitch also expects meaningful earnings contribution from MTU from 2015 onwards if Indika can successfully ramp up production from Multi Tambangjaya Utama as planned," it said.

Indika booked a 4.4 percent year-on-year decline in net income in the January-September period. Net income fell to \$80 million from \$83.7 million.

Its operating expenses and financing costs rose as fuel costs climbed in the nine months, while financial markets' volatility also led to higher costs to secure financing for projects.

Operating expenses rose to \$113.4 million from \$78.2 million over the period, and financing costs increased to \$53.7 million from \$48.8 million.

Its nine month revenue, however, rose 33.7 percent to \$542.7 million.

Indika Energy owes its origins to the early 1990s, when three young men — Agus Lasmono, Wishnu Wardana and Arsjad Rasjid — forged a friendship while studying at Pepperdine University in California.

In 2000, Indika's predecessor was established under the name Indika Inti Energi. It changed its name to Indika Energy in February 2008 and listed on the Indonesia Stock Exchange in June of that year.

The three friends remain at the helm of Indika, which has grown into an energy conglomerate worth billions of dollars.

Shares in Indika rose 2.6 percent to Rp 1,610 in Thursday trading in Jakarta.

Source: <http://www.thejakartaglobe.com/archive/fitch-rates-indika-energys-proposed-bond-notes-b/>