

Indika sells 70% stake in Petrosea to diversify away from coal

By Dzulfiqar Fathur Rahman

Publicly listed coal miner PT Indika Energy has sold its stake in publicly listed engineering services company PT Petrosea as the miner seeks to reduce its exposure to coal businesses. Indika Energy, one of the country's coal giants, sold all of its 704.01 million shares, accounting for nearly 70 percent of the total shares, in Petrosea. The company estimated the sales to reach US\$146.58 million.

Petrosea, which provides contract mining services, will therefore no longer be a subsidiary of Indika Energy and excluded from the company's consolidated financial statements. Credit ratings agency Fitch Ratings reported on March 3 that Indika Energy's divestment of the shares was expected to have a limited credit impact. The sales will improve the coal giant's liquidity, thus supporting its investment plans and reduce its debt for this year.

"Fitch continues to view Indika's diversification strategy as prudent over the long term and it could help the company to maintain its good access to funding markets as we believe access for coal-related entities will narrow in the medium term because lenders are increasingly taking into account environmental considerations," the agency reported in a press release.

Indika Energy, traded under the ticker symbol INDY, is planning to expand the share of revenue from noncoal businesses in its overall revenue to 50 percent in 2025 as it divests some coal assets. Indika announced on Oct. 8 last year that it had divested a 51 percent stake in shipping subsidiary PT Mitrabahtera Segara Sejati, which specializes in shipping coal.

Between 2022 and 2024, the coal giant is planning to invest roughly \$150 million in new projects a year, with a potential to increase further depending on available opportunities, according to Fitch Ratings. While the current outlook is negative, Fitch Ratings has reported that consistently high coal prices could increase the financial buffer for Indika Energy's planned investments and thus, lead to upward revision in the outlook to stable.

"The proceeds from selling Petrosea will be used to strengthen company finances and diversify business with an emphasis on sustainability to maximize value for shareholders," said Indika Energy deputy president director Azis Armand in a statement on March 1. Indika Energy is involved in a partnership with Taiwanese companies Foxconn and Gogoro to develop the country's electric vehicle (EV) industry.

Source:

The Jakarta Post, 8 March 2022.