

PT City Retail Developments Tbk

Company rating

***ii*BBB+/Stable**

Rated Issues

MTN City Retail
Developments I Tahun 2021

***ii*BBB+**

"Debt Securities with ***ii*BBB** rating have an adequate level of certainty to honor its financial obligations. However, this certainty is more likely to diminish in the future than with the higher rating categories".

Rating Period

November 29, 2022 – December 1, 2023

The positive sign (+) indicates that the rating given is closer to the rating scale above it.

Rating History

December, 2021

***ii*BBB+/Stable**

Kredit Rating Indonesia affirms '*ii*BBB+' rating MTN City Retail Developments I Tahun 2021 totaling IDR750 billion

Kredit Rating Indonesia (KRI) affirms a Company Rating of '*ii*BBB+' for PT City Retail Developments Tbk ("NIRO" or the "Company") with a 'Stable' outlook. At the same time, KRI has affirmed '*ii*BBB+' to NIRO's MTN City Retail Developments I Tahun 2021 totaling IDR750 Bn which has been used for business expansion. The ratings reflect the Company's strategy of expanding its number of properties and moderate financial flexibility. However, the rating is constrained by the Company's weak cash flow protection and aggressive capital structure.

Established in 2003, the Company is one of the Indonesian property companies with a focus on mall type of properties, and the Company already had 28 operating malls and 5 hotels scattered throughout Indonesia. Recently, the Company has just acquired D Mall along with Hotel Santika in Depok. Meanwhile, the Company has 4 under-construction malls that are expected to be commercially opened in December 2022 and March 2023. Together with its anchor tenants, the Company chooses locations in the third-cities category that relatively have limited competitors and builds malls to match the anchor tenants' demand. Given these, NIRO's average occupancy rate stayed around 89% as of December 2021 and above 90% as of June 2022 supported by the discount of around 20% to tenants in 2022. Furthermore, NIRO recorded revenue as of IDR410 Bn (+11% YoY) in June 2022 and better EBITDA margin performance in June 2022 due to efficiency in variable costs such as outsourcing employees and also relatively stable occupancy rate and rental rate. NIRO has moderate financial flexibility as its unused credit facility as of June 30, 2022, was at IDR810 Bn, and at the same time, NIRO still has time deposits amounted to IDR550 Bn, while the Company also has lands that have not been pledged to banks.

However, the ratings are constrained by the Company's weak cash flow protection as its interest coverage ratio has been below 1.0x since 2017. The ratings are also limited by the Company's aggressive capital structure going forward as the Company plans to use debts for its malls' expansion yet it is expected that from 2023 until 2026, DER will be below 1.5x.

The ratings can be increased if NIRO manages to secure higher EBITDA along with higher retained earnings. On the other hand, the ratings could be lowered if the Company finances its expansion plan with debt that is substantially larger than projected, without being compensated by improving business performance.

The Company's shareholder ownership composition as of December 2021, was PT Orion Global Development (51%) and the Public (49%).

NIRO Financial Results Highlights (Consolidated)

As of/For the year ended	June 2022 (Unaudited)	Dec 2021 (Audited)	Dec 2020 (Audited)	Dec 2019 (Audited)
Total Adjusted Assets (IDR, Bn)	11,968.0	11,662.0	10,579.4	8,214.5
Total Adjusted Debt (IDR, Bn)	4,857.2	4,479.2	3,265.9	1,225.9
Total Adjusted Equity (IDR, Bn)	2,230.8	2,307.2	2,365.5	2,314.7
Total Sales (IDR, Bn)	410.2	732.7	529.2	512.5
Net Income (IDR, Bn)	(183.2)	(164.1)	157.8	(42.3)
EBITDA Margin (%)	22.3	20.3	16.7	16.2
EBIT Margin (%)	20.0	20.25	12.8	13.0
EBITDA/Adjusted Debt (x)	0.0	0.0	0.0	0.1
Adjusted Debt/Adjusted Equity (x)	2.2	1.9	1.4	0.5
FFO/Adjusted Debt (%)	(3.6)	(5.0)	(4.9)	(4.9)
EBITDA/IFCCI (x)	0.5	0.5	0.4	0.8
USD Exchange Rate (IDR/USD)	14,848	14,269	13,901	14,481

Analysts : Achmad Kurniawan Sudjatmiko (Achmad.Sudjatmiko@kreditratingindonesia.com)
Cut Nabila Saraziva (Cut.Nabila@kreditratingindonesia.com)

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