

Rating Methodology For Project Bond

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- Determine the eligibility of the transaction as a project bond scheme
- Assessment of stand alone credit rating
 - Construction Risk
 - Operational Risk
 - Financial Risk
- Assessment of transaction structure risk
- Assessment of credit enhancement



Minimum Requirement for Project Bond

- ❑ The structure must be:
 - The project is structured as a special-purposed company
 - The Project provides a senior lenders a senior secured ranking to the project
 - There are covenants that clearly provides a clear limitation of the project's permitted or non-permitted activities
 - There are cash management covenants that prioritize to the project bond
- ❑ Limited or non-recourse to the sponsors or to the shareholders, but full recourse to the project's cash flow and assets



Assessment of Stand Alone Credit Rating

- ❑ Construction Risk:
 - Technology and Design
 - Difficulty of Construction
 - Experiences and track record of construction
 - Experiences and quality of project management
 - Source of funding for construction
- ❑ Operational Risk:
 - Performance stability
 - Price/tariff volatility
 - Availability and price volatility of raw material
 - Degree of complexity of maintenance -> operating efficiency
 - Counterparty party risk
- ❑ Financial Risk
 - Debt Service Coverage Ratio



Assessment of Transaction Structure Risk

- ❑ The Parent Linkage Analysis
- ❑ Strength of the project's structural protection
- ❑ The existence of cross default provision with the third party
 - Debt Service Coverage Ratio

Assessment of Credit Enhancement



- Full Guarantee from stronger credit quality guarantor
- Partial Guarantee



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THANK YOU