



PRESS RELEASE

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ICRA Indonesia: mining sector has long way to recovery

PT ICRA Indonesia (ICRA Indonesia) has today released a commentary on the performance and outlook of mining sector for year 2015. The salient points in the commentary are:

- Mining sector has clocked in a lackluster performance in 2014, by recording an average de-growth of about 2%. Several companies have accordingly posted a decline in top lines during the year. The ban on raw mineral export implemented in January 2014 has also contributed to the weakening revenues. Further, average EBITDA and net margins have reduced by 3.5% and 1.5%, respectively comparing to 2013. However, given the fact that the industry is largely fragmented, the changes in revenue and profitability are within a substantially wide range.
- Subdued outlook for global commodity market will continue at least for the first half of year 2015 since the demand from major consumer nations remains weak. A revival may be expected in second half towards end of 2015. However, the recovery will only be gradually.
- Oversupply in key commodities such as coal, aluminum, copper and iron has impacted the near-term prospects adversely. However, bearish market may lead to crowding out and thus support prices by the time demand picks up towards end of 2015.
- ICRA Indonesia expects mining sector to record marginal growth of less than 5% in 2015, provided that the demand and prices gradually revive in the second half, based on the expected recovery in the consumer economies. However, as the prices will only recover gradually, a downward pressure on profitability will continue to exist.
- High cost of debt will continue to depress the net profit margins and cash flows and put constraints on the liquidity of the companies. Due to adverse sentiment on mining sector, the companies will continue to face difficulties in raising additional debts despite moderate leverage levels presently.
- Exception to this will be nickel and tin, which are expected to record a stable or slight improvement based on expectation that the demand will outstrip supply by the second half of the year.

The full commentary is available at www.icraindonesia.com.

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