

MIRA INFORM REPORT

| | |
|---------------|------------|
| Report No. : | 528899 |
| Report Date : | 11.09.2018 |

IDENTIFICATION DETAILS

| | |
|-------------------------|---|
| Name : | P.T. KAHATEX |
| Registered Office : | Jalan Raya Cijerah - Cigondewah, Girang No. 16, Melong – Cimahi 40534, Bandung, West Java |
| Country : | Indonesia |
| Date of Incorporation : | 23.09.1980 |
| Com. Reg. No.: | AHU-AH.01.03-0142561 |
| Legal Form : | P.T. (Perseroan Terbatas) or Limited Liability Company |
| Line of Business : | Integrated Textile Industry |
| No. of Employees : | 4,582 |

RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23rd January 2017)

| | |
|-----------------|---|
| MIRA's Rating : | A |
|-----------------|---|

| Credit Rating | Explanation | Rating Comments |
|---------------|-----------------|---|
| A | Acceptable Risk | Business dealings permissible with moderate risk of default |

| | |
|---------------------|---------------|
| Status : | Satisfactory |
| Payment Behaviour : | No Complaints |
| Litigation : | Clear |

NOTES :

Any query related to this report can be made on e-mail : infodept@mirainform.com while quoting report number, name and date.

ECGC Country Risk Classification List

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| Country Name | Previous Rating (31.12.2017) | Current Rating (01.04.2018) |
|--------------|---------------------------------|--------------------------------|
| Indonesia | A2 | A2 |

| Risk Category | ECGC Classification |
|----------------------|---------------------|
| Insignificant | A1 |
| Low Risk | A2 |
| Moderately Low Risk | B1 |
| Moderate Risk | B2 |
| Moderately High Risk | C1 |
| High Risk | C2 |
| Very High Risk | D |

INDONESIA - ECONOMIC OVERVIEW

Indonesia, the largest economy in Southeast Asia, has seen a slowdown in growth since 2012, mostly due to the end of the commodities export boom. During the global financial crisis, Indonesia outperformed its regional neighbors and joined China and India as the only G20 members posting growth. Indonesia's annual budget deficit is capped at 3% of GDP, and the Government of Indonesia lowered its debt-to-GDP ratio from a peak of 100% shortly after the Asian financial crisis in 1999 to 34% today. In May 2017 Standard & Poor's became the last major ratings agency to upgrade Indonesia's sovereign credit rating to investment grade.

Indonesia still struggles with poverty and unemployment, inadequate infrastructure, corruption, a complex regulatory environment, and unequal resource distribution among its regions. President Joko WIDODO - elected in July 2014 – seeks to develop Indonesia's maritime resources and pursue other infrastructure development, including significantly increasing its electrical power generation capacity. Fuel subsidies were significantly reduced in early 2015, a move which has helped the government redirect its spending to development priorities. Indonesia, with the nine other ASEAN members, will continue to move towards participation in the ASEAN Economic Community, though full implementation of economic integration has not yet materialized.

Source : CIA

COMPANY NAME AND ADDRESS

Name of Company:
P.T. KAHATEX

Address:

Head Office & Factory I

Jalan Raya Cijerah - Cigondewah, Girang No. 16
Melong – Cimahi 40534
Bandung
West Java

Phones - (62-22) 6031030 (7 lines), 6031566 (7 lines)
Fax - (62-22) 6032166, 6031488
E-mail - rc@kaha.com
Website - www.kaha.com
Land Area - 82,000 sq. meters
Building Space - 36,800 sq. meters
Region - Industrial Zone
Status - Owned

Factory II

Jalan Raya Rancaekek Km. 23
Sumedang, 45363
West Java

Phones - (62-22) 7798060, 7798051
Fax - (62-22) 7798063, 7793111
Land Area - 80,000 sq. meters
Building Space - 42,500 sq. meters
Region - Industrial Zone
Status - Owned

Factory III

Jalan Raya Rancaekek Majalaya No. 389
Desa Solokan Jeruk, Majalaya
Bandung, 40382
West Java

Phones - (62-22) 7798060, 7792222
Fax - (62-22) 7798063, 7793111
Land Area - 80,000 sq. meters
Building Space - 42,500 sq. meters
Region - Industrial Zone
Status - Owned

Representative Office

Jalan Tanah Abang IV No. 31, RT. 009 RW. 04
Petojo Selatan, Gambir
Jakarta Pusat, 10160

Indonesia
Phones - (62-21) 351 8848, 351 8381
Fax - (62-21) 352 4687, 344 7128
Building Area - 2 storey
Office Space - 100 sq. meters
Region - Commercial
Status - Rent

COMPANY SUMMARY

Date of Incorporation :

23 September 1980

Legal Form :

P.T. (Perseroan Terbatas) or Limited Liability Company

Company Reg. No. :

The Ministry of Law and Human Rights

- No. Y.A.5/434/22
Dated 30 July 1981
- No. AHU-34711.AH.01.02.TH.2009
Dated 23 July 2009
- No. AHU-AH.01.10-34739
Dated 28 October 2011
- No. AHU-AH.01.10-52853
Dated 6 December 2013
- No. AHU-0001452.AH.01.02.TH.2016
Dated 16 May 2016
- No. AHU-AH.01.03-0142561
Dated 5 June 2017

Company Status :

National Private and Domestic Investment (PMDN) Company

Permit by the Government Department :

The Department of Finance

NPWP No. 01.104.586.1-092.000

The Capital Investment Coordinating Board

- No. 25/II/PMDN/1985
Dated 1 May 1985
- No. 146/II/PMDN/1992
Dated 25 November 1992
- No. 160/II/PMDN/94
Dated 03 June 1994
- No. 18/II/PMDN/97
Dated 28 January 1997

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- No. 28/II/PMDN/1998
Dated 6 April 1998
- No. 286/III/PMDN/1998
Dated 2 September 1998
- No. 72/II/PMDN/2001
Dated 4 December 2001
- No. 40/II/PMDN/2002
Dated 24 September 2002

The Department of Industry and Trade

- No. 633/T/Industri/2000
Dated 19 September 2000
- TDP. No. 102411700092
Dated 28 December 2001

Related Companies :

- a. P.T. KAHAFEDERAL GARMENTS (Garment Manufacturing)
- b. P.T. KAHAFORTUNE GARMENT (Garment Manufacturing)
- c. P.T. KAHA SWEETER (Sweeter Manufacturing)
- d. P.T. SIN CHEAU INDONESIA GARMENT (Garment Manufacturing)

CAPITAL AND OWNERSHIP

Capital Structure :

- Authorized Capital - Rp. 1,024,571,000,000.-
- Issued Capital - Rp. 1,024,571,000,000.-
- Paid up Capital - Rp. 1,024,571,000,000.-

Shareholders/Owners :

- a. Mr. Wijaya Trisna** - Rp. 307,371,500,000.- (30%)
Address : Jl. Cigondewah Girang No. 16
Kel. Melong, Kec. Cimahi Selatan
West Java, Indonesia
- b. Mr. Song Wen Shyang** - Rp. 307,371,500,000.- (30%)
Address : Jl. Cigondewah Girang No. 16
Kel. Melong, Kec. Cimahi Selatan
West Java, Indonesia
- c. Mr. Song Liang Hua** - Rp. 256,142,000,000.- (25%)
Address : Jl. Cigondewah Girang No. 16
Kel. Melong, Kec. Cimahi Selatan
West Java, Indonesia
- d. Mr. Huang Kuen Jeng** - Rp. 153,686,000,000.- (15%)
Address : Jl. Cigondewah Girang No. 16
Kel. Melong, Kec. Cimahi Selatan
West Java, Indonesia

BUSINESS ACTIVITIES

Lines of Business :

Integrated Textile Industry

Production Capacity :

A. Initial Plant

Cimahi Factory

| | | |
|----------------------------|---|------------------------|
| a. Acrylic Yarns | - | 15,500 tons p.a. |
| b. Woven Fabrics | - | 36,000,000 meters p.a. |
| c. Knitted Fabrics | - | 15,600 tons p.a. |
| d. Jackets & Training-pack | - | 1,180,000 dozens p.a. |
| e. T-Shirts | - | 180,000 dozens p.a. |
| f. Sweaters | - | 50,000 dozens p.a. |
| g. Socks | - | 8,000,000 dozens p.a. |
| h. Denim (jeans) | - | 3,000,000 meters p.a. |
| i. Cotton Fabrics | - | 2,000,000 meters p.a. |
| j. T/C & T/R Yarns | - | 31,000 tons p.a. |
| l. Knitted Yarns | - | 12,000 tons p.a. |

Sumedang Factory

| | | |
|--------------------|---|------------------------|
| a. Yarns | - | 58,140 tons p.a. |
| b. Woven Fabrics | - | 29,000,000 meters p.a. |
| c. Knitted Fabrics | - | 24,600 tons p.a. |
| d. Acrylic Fibres | - | 50,000 tons p.a. |
| e. Socks | - | 5,140,000 dozen p.a. |
| f. Garments | - | 1,120,000 dozens p.a. |

B. Expansion Plant

Cimahi Factory

| | | |
|--------------------|---|-----------------------|
| a. Knitted Fabrics | - | 9,000 tons p.a. |
| b. Woven Fabrics | - | 6,000,000 meters p.a. |

Sumedang Factory

| | | |
|-------------------|---|------------------|
| a. Acrylic Fibres | - | 30 tons p.a. |
| b. Yarns | - | 20,000 tons p.a. |

Total Investment :

A. Initial Plant

| | |
|------------------------|-----------------------|
| a. Owned Capital | - Rp. 400.0 billion |
| b. <u>Loan Capital</u> | - Rp. 565.8 billion |
| c. Total Investment | - Rp. 1,265.8 billion |

B. Expansion Plant

| | |
|------------------------|---------------------|
| a. Owned Capital | - Rp. 300.0 billion |
| b. <u>Loan Capital</u> | - Rp. 364.1 billion |
| c. Total Investment | - Rp. 664.1 billion |

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Started Operation :
1982

Brand Name :
KAHATEX

Technical Assistance :
None

Number of Employee :
4,582 persons

Marketing Area :
Domestic (Local) - 65%
Overseas (Export) - 35%

Main Customers :

- a. P.T. KAHA FEDERAL GARMENT
- b. P.T. KAHA FORTUNE GARMENT
- c. P.T. SIN CHEAU INDONESIA GARMENT
- d. P.T. KAHA SEATER INDUSTRY
- e. Textile Importer of Singapore, Taiwan, Canada, Middle East and European countries

Market Situation :
Very Competitive

Main Competitors :

- a. P.T. ARGO PANTES Tbk
- b. P.T. CANDRATEX SEJATI
- c. P.T. ERATEX JAYA Tbk
- d. P.T. NATATEX PRIMA
- e. P.T. SIPATEX PUTRI LESTARI

Business Trend :
Growing

BANKER, AUDITOR & LITIGATION

Bankers :

- a. P.T. Bank CENTRAL ASIA Tbk
Bandung Branch
Jalan Asia Afrika No. 122-124
Bandung, West Java, Indonesia
- b. P.T. Bank INTERNATIONAL INDONESIA Tbk
Jalan M.H. Thamrin No. 51
Jakarta Pusat
Indonesia

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- c. P.T. Bank RAKYAT INDONESIA Tbk
Jalan Jend. Sudirman No. 44-46
Jakarta Pusat
Indonesia

Auditor :
Internal Auditor

Litigation :
No litigation record in our database

FINANCIAL FIGURE

Annual Sales (estimated) :

2015 – Rp. 752.0 billion
2016 – Rp. 818.0 billion
2017 – Rp. 875.2 billion

Net Profit (estimated) :

2015 – Rp. 52.0 billion
2016 – Rp. 55.0 billion
2017 – Rp. 61.0 billion

Payment Manner :

No complaints

Financial Comments :

Fairly strong

KEY EXECUTIVES

Board of Management :

President Director - Mr. Widjaya Trisna or William Trisna
Directors - a. Mr. Andy Widjaja Trisna
b. Mr. Huang Kuen Jeng
c. Mr. Song Julian
d. Mr. Song Kevin
e. Mrs. Song Wen Shyang

Board of Commissioners :

Commissioner - Mr. Song Liang Hua

Signatories :

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President Director (Mr. Widjaya Trisna or William Trisna) or one of the Directors (Mr. Andy Widjaja Trisna, Mr. Huang Kuen Jeng, Mr. Song Julian, Mr. Song Kevin or Mrs. Song Wen Shyang) which must be approved by Board of Commissioners.

CAPABILITIES

Management Capability :

Good

Business Morality :

Good

OVERALL PERFORMANCE

P.T. KAHATEX was established in Bandung, West Java on 23 September 1980 in Bandung, West Java, with an authorized capital of Rp. 1,000,000,000 and an issued capital of Rp. 200,000,000 of which Rp. 20,000,000 was paid up. The founders and original shareholders of the company are Mrs. Emmy Renoewidjojo and Mr. Tedjo Renoewidjojo, both Indonesians of Chinese extraction. The company notary deed had been changed a couple of times. In June 1987 the whole original shareholders pulled out and replaced by Mr. Song Wen Po, Mr. Song Wen Tying, Mr. Song Wen Shyang, his son-in-law Mr. Widjaja Trisna or William Trisna (husband of Mr. Song Chin Shu, first daughter of Mr. Song Liang Hua) and Mrs. Song Wen Shyu. They are an Indonesian business family of Chinese extraction. In November 2000 the authorized capital was increased to Rp. 330,000,000,000 entirely issued and paid up.

Later in April 2006, the authorized capital was raised again to Rp. 630,000,000,000 entirely issued and paid up and concurrently whole shares of the company were controlled by Mr. Widjaja Trisna, Mr. Song Wen Shyang, Mr. Huang Kuen Jeng and Mrs. Song Wen Shyu. Then in March 2009 the authorized capital was increased to Rp. 700,000,000,000 wholly issued and paid up. With this development the composition of its shareholders has been changed to become Mr. Widjaja Trisna (26.57%), Mr. Song Wen Shyang (26.57%), Mrs. Song Wen Shyu (13.72%), Mr. Huang Kuen Jeng (12.86%), Mr. Song Liang Hua (10.28%), Mr. Song Wen Po (5%) and Mr. Song Pei Guan (5%). Later based on notary deed Mr. Drs. Yudi Priady, SH., No. 25 dated 18 August 2011 the company board of director and the board of commissioner re-elected to lead and runs of the company's operation.

Later based on notary deed Mr. Drs. Yudi Priadi, SH., no. 01 dated 16 May 2016, Mrs. Song Wen Shyu, Mr. Song Wen Po and Mr. Song Pei Guan pulled out and the whole shares taken over by Mr. Widjaja Trisna, Mr. Song Wen Shyang and Mr. Huang Kuen Jeng. On the same occasion the company authorized capital was increased to Rp. 1,024,571,000,000 wholly issued and paid up.

With this development the composition of its shareholders has been changed to become Mr. Widjaja Trisna (26.84%), Mr. Song Wen Shyang (26.84%), Mr. Huang Kuen Jeng (26.65%) and Mr. Song Liang Hua (19.67%). The amendment was approved by the Ministry of Law and Human Rights in its decision letter No. AHU-0001452.AH.01.02.TH.2016 dated May 16, 2016. The latest according to revision notary deed Mr. Yudi Priadi, SH., no. 02 dated 2 June 2017 the composition of its shareholders has been changed to become Mr. Widjaja Trisna (30%), Mr. Song Wen Shyang (30%), Mr. Song Liang Hua (25%) and Mr. Huang Kuen Jeng (15%). The

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amendment was approved by the Ministry of Law and Human Rights in its decision letter No. AHU-AH.01.03-0142561 dated June 5, 2017.

P.T. KAHATEX is engaged in integrated textile industry with its plant located at Jalan Cijerah, Kampung Cigondewa, Cimahi, West Java. The company has grown to a large textile complex sprawling over two manufacturing sites at Cijerah, Bandung and Rancaekek near Bandung city, with an area of about 150 hectares. This places the company in the heart of the Indonesia textile industry. The plant had been operating since 1982 and frequently been expanded.

In 1992 the company has been operating new plant at Jalan Raya Rancaekek Km.25, Sumedang, West Java. Mrs. Sri, a staff of the company, said that the plant of the company at Jalan Rancaekek produces various kinds of textile products including polyester, spinning, knitting and weaving products. In the end of 1993, P.T. KAHATEX took over and operated garment factory owned its sister company P.T. KAHINTEX near-by its plant in Cimahi, Bandung, West Java. Both plants have frequently been expanded. In January 1997 P.T. KAHATEX got an expansion permit for both plants, but no realization as yet due to a financial problem and tight banking liquidity. In mid-1998 it got a license to expand its plant in Sumedang, West Java, to produce sport-shoes and component, but no realization as yet.

The company is fully integrated from fiber, spinning mill to fabric, also manufacturing fabrication garment, sweeter garments, sock, blankets supply to multi-national consumers. Employ with high technical technician to develop the company modern machinery, to ensure high quality and up to date product. The company has long history of continuous expansion with an ever broadening the product range. Currently the company is a major supplier to Indonesia textile sector and contributes significantly to the export market by exporting more than 35% of its production directly to about a lot of countries world-wide, 45% was indirect export with consumers company, about 20% supply to domestic market. Some 35% of the products is directly and indirectly exported to various countries such as Singapore, Taiwan and European countries, Canada and Middle East and the rest of 65% is locally marketed.

However on April 10, 2014 P.T. KAHATEX's factory and warehouse located in Citanggulun, Cintamulya village, Jatinangor district, Sumedang, West Java night engulfed in flames. According to the management and Police Chief Superintendent Yully Kurniawan in Sumedang explained the flames devouring one of the company's cotton warehouses. The factory had been renovation and completed in 2015. We observe P.T. KAHATEX operation has been growing and developing well in the last three years.

The global economic slowdown since October 2008 has brought negative impact to the company on account of the increasing production cost and basic material prices. Meanwhile, the local TPT (Textile and Textile Products) industries and other factors causing the declining competitive ability of the national TPT products are the increasing production costs, high interest rates, expensive customs office costs, illegal retributions, textile and garment machinery restructuring costs and the rising prices of production components (oil fuel prices and electric base tariffs).

We observed that P.T. KAHATEX is classified as a large sized company of its kind in the country of which the operation has been fluctuating the last three years.

The textile and apparel product (TTP) industry is one of the industries that has contrived to with stand the protracted global economic crisis. The world economic conditions in 2017 grew by 3% after the global crisis and this year according to the International Monetary Fund (IMF) is predicted to grow 3.6% or 3.9% in the next 2 years. These rise in projection is in line with US tax-cutting policies expectations impact. Indonesia has not been able to take full advantage of this momentum. According to IMF, the potential for strengthening economic growth

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will be seen in major exporting countries. While Indonesia export contribution to PDB only 25%. The Bank of Indonesia projects the Indonesian economy will grow between 5.1% - 5.5% in 2018. To achieve these growth targets, the steps are taken to achieve these targets by adopting monetary policy & macro prudential policy, structural reform, and rupiah payment & money management system policy that carried out to maintain macroeconomic stability and financial system.

According to the Indonesian Textile Association (API), Indonesia's textile industry is projected to grow by 1.6% - 1.8% in 2018 or better than the previous year. Some of the factors that support this growth are Ministry of Industry policy that established Regulation of the Minister of Industry No. 1 year 2018, one of its contents is to provide incentives of corporate income tax (Income) of 30% for 6 years or 5% per year for various manufacturing industries, one of which is Textile and Textile Products (TPT). The export volume and value of the national TPT products in 2010 to 2017 are pictured on the following table.

Export Volume and Value of Textile and Apparel Indonesia, 2010 – 2017*

| Year | Spun Yarns | | Textile Products (Apparel) | |
|-------|----------------|----------------|----------------------------|----------------|
| | (Thousand Ton) | (US\$ Million) | (Thousand Ton) | (US\$ Million) |
| 2010 | 521.0 | 1,600.3 | 374.8 | 5,558.4 |
| 2011 | 475.5 | 1,775.9 | 373.4 | 6,565.2 |
| 2012 | 554.8 | 1,733.0 | 366.3 | 6,106.4 |
| 2013 | 691.4 | 1,948.6 | 363.7 | 6,216.9 |
| 2014 | 733.8 | 2,041.6 | 375.5 | 6,256.0 |
| 2015 | 776.5 | 1,927.6 | 378.6 | 6,410.9 |
| 2016 | 709.0 | 1,695.4 | 337.4 | 5,627.4 |
| 2017* | 748.0 | 1,785.2 | 354.9 | 5,920.0 |

Until this time P.T. KAHATEX has not been registered with Indonesian Stock Exchange, so that they had not obliged to announce their financial statement. The management of P.T. KAHATEX is very reclusive towards outsiders and rejected to disclose its financial condition. We observed that total sales turnover of the company in 2015 amounted to Rp. 752.0 billion increased to Rp. 818.0 billion in 2016 rose to Rp. 875.2 billion in 2017 and projected to go on rising by at least 5% in 2018. The operation in 2017 gained a net profit of at least Rp. 61.0 billion and the company has an estimated total net worth of at least Rp. 1,026.0 billion. So far, we did not heard that the company having been black listed by the Central Bank (Bank Indonesia). The company usually pays its debts punctually to suppliers.

The company's management is headed by Mr. Widjaya Trisna or William Trisna (59) with more than 26 years experience in the textile industry and trade. The management is further handled by managers who are professionals in the textile products industry and trade. The management is also handled by a number of professional staff, having maintained a wide business relation with private businessmen at home and abroad as well as with government sector. So far, we did not hear that the management of the company being filed to the district court for detrimental cases or involved in any business malpractices. The company's litigation record is clean and it has not registered with the black list of Bank of Indonesia. In view of the lustrous imported TPT product was to tighten the competition, we recommend to treat prudently in extending a loan to the company.

FOREIGN EXCHANGE RATES

| Currency | Unit | Indian Rupees |
|-----------|------|---------------|
| US Dollar | 1 | INR 72.57 |
| UK Pound | 1 | INR 93.74 |
| Euro | 1 | INR 83.81 |
| IDR | 1 | INR 0.0049 |

Note : Above are approximate rates obtained from sources believed to be correct

INFORMATION DETAILS

| | |
|----------------------|------|
| Analysis Done by : | VIVR |
| Report Prepared by : | SYL |

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RATING EXPLANATIONS

| Credit Rating | Explanation | Rating Comments |
|---------------|------------------|--|
| A++ | Minimum Risk | Business dealings permissible with minimum risk of default |
| A+ | Low Risk | Business dealings permissible with low risk of default |
| A | Acceptable Risk | Business dealings permissible with moderate risk of default |
| B | Medium Risk | Business dealings permissible on a regular monitoring basis |
| C | Medium High Risk | Business dealings permissible preferably on secured basis |
| D | High Risk | Business dealing not recommended or on secured terms only |
| NB | New Business | No recommendation can be done due to business in infancy stage |
| NT | No Trace | No recommendation can be done as the business is not traceable |

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)