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Moody's Rating For Palm Oil Plantation Companies In Papua, Indonesia

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ABSTRACT

Papua is one of the regions that currently receives a lot of investment in plantations and palm oil commodity processing, which previously only focused on Sumatra and Kalimantan. One of the reasons for investment in agribusiness to attract investors and the government is the contribution of the agricultural sector to Gross Domestic Product (GDP), which is around 13.96% in the third quarter of 2017, so that the agricultural sector is one of the second largest contributors to GDP after the manufacturing industry. The agricultural sector is dominated by the plantation sub-sector, where the largest plantation production in Indonesia is palm oil, and Indonesia is the world's largest exporter of palm oil. The objectives of this research are to find out whether investment in oil palm plantation and processing in Papua falls into the "investment" category in Moody's rating and to find out how to make investment in plantations and oil palm processing in Papua fall into the "investment grade" and / or category. can increase the rating through Moody's. This study uses a quantitative research approach. Participants in this study used a purposive sampling technique, where the data collected was obtained from primary data and secondary data. Analysis of the data used in this study is Moody's rating analysis. Data processing is carried out by conducting a spreading assessment of the company's financial statements for the last 3 years to obtain values for historical ratio assessment variables and balance sheet factors, as well as by conducting an assessment of industry / market, company and management variables. After all the input and analysis is carried out, the output is obtained in the form of an investment feasibility rating

"B2" with the risk category "Medium Risk". Thus, the company is classified as "investment grade" or feasible for investment, but the B2 score is included in the lowest investment grade category, so improvements are needed so that grading increases and attracts investors. For future researchers, it is advisable to conduct research on a wider sample coverage and emphasize corporate actions that must be carried out.

Keywords: Investment Grade; Moody's Rating; Palm Oil Plantation; Sustainable Finance.

INTRODUCTION

According to the news quoted from Sawitwatch.or.id (2018), the Eastern Indonesia Region is one of the areas that currently receives a lot of investment in plantations and processing of palm oil commodities. Papua is one of the regions where until now the expansion of oil palm plantations has continued to grow. The vast forests of Papua and the high value of biodiversity make this area the Main Tropical Forest. According to beritasatu.com (2015), forest areas in Papua are one of the target areas for conservation and accelerating development and increasing the added value of oil palm in the global market.

Secondary data compilation collected by WWF Indonesia shows that as of 2014, as many as 30 companies in seven districts in Papua Province have obtained principle permits from the Ministry of Forestry and around 24 companies have obtained plantation business permits (IUP) from the Ministry of Agriculture to immediately realize their business stages. He said that investment in oil palm plantations in Papua is expected to boost the regional economy, without forgetting environmental preservation and the wisdom values of the indigenous Papuan people. According to Saratian and Arief (2018), environmental and social issues are an equally important concern in business activities as the triple bottom line concept.

According to the news quoted from sawitwatch (2018), at the policy level, the government provides opportunities for massive expansion such as; Ministerial Regulation No. 26 of 2007 concerning guidelines for plantation business permits (expanding the area of permits from 20,000 Ha to 100,000 Ha per company in one province for plantation palm oil) and the Minister of Agriculture Regulation No. 14 of 2009 on guidelines for the use of peatlands for oil palm cultivation) which allows conversion of all peatlands of up to 3 meters for oil palm plantations. Not only that, the Indonesian Parliament has initiated the Palm Oil Bill which will provide fresh air through various incentives, both fiscal and non-fiscal, for the industry to continue to expand its investment. In the financial sector, several financial institutions and banks are ready to provide credit for this oil palm plantation sector, both for the upstream and downstream sectors of processed palm oil products.

Based on data from the Ministry of Environment and Forestry (2018), Indonesia's forest cover in April 2018 was 125.9 million hectares or 63.7% of Indonesia's land area. One of the agricultural sub-sectors with a large enough potential is the plantation sub-sector. Based on data from the Ministry of Industry (2018), the contribution of the agricultural sector to Gross Domestic Product (GDP) is around 13.96% in the third quarter of 2017, so that the agricultural sector is one of the second largest contributors to GDP after the processing industry. The largest contributor to the

agricultural sector is dominated by the plantation sub-sector. The largest plantation production in Indonesia is palm oil, and Indonesia is the world's largest exporter of palm oil. Based on GAPKI data (2018), production of Crude Palm Oil (CPO) in 2017 reached 38.17 million tons and Palm Kernel Oil (PKO) 3.05 million tons, so that the total total of Indonesian palm oil in 2017 was 41.98 million tons. This figure shows an increase in production of 18% when compared to the 2016 production of 35.57 million tonnes, consisting of CPO of 32.52 million tonnes and PKO of 3.05 million tonnes. According to tuk.or.id (2017), palm oil derivatives provide a sizeable export contribution and become one of the largest contributors to the country's income.

According to sawitwatch (2018), this big push was mainly triggered by the increase in world vegetable oil demand, where palm oil is one of the most economical sources of vegetable oil, both in terms of production and processing. In addition, more than 100 derivative products can be produced which are not only for food needs, but for cosmetics, cleaning, and even biofuels. So, it is not surprising that the position of palm oil is very difficult to replace by the agro sector of other vegetable oil producing commodities. Papua Provincial Government data states that the current area of oil palm plantations in Papua is 958,094.2 ha (excluding West Papua). And the largest area is in Merauke Regency and Boven Digoel Regency. The area of this oil palm plantation will continue to increase considering there are limited land in other areas such as Sumatra and Kalimantan, besides that there is a policy that will expand oil palm plantations in Papua to reach 5 million hectares.

Quoted from infosawit (2017), Head of the Sawit Watch Campaign Division, Maryo Saputra stated that the current area of oil palm plantations in Papua province will continue to grow, considering that the forest area in Papua is also quite large. This situation creates a big dilemma, where on the one hand Papua really needs a development plan and investment which is expected to be able to raise the livelihoods of Papuan people so that they can be more prosperous and increase by working in oil palm plantations, both as laborers and as plasma farmers. Oil palm production is seen as a means to promote economic improvement, poverty reduction and livelihood improvement through related jobs and wages, but without good planning and integrated with policies, the biggest beneficiaries will still be obtained by the key players in this industry. According to Saratian and Arief (2018), oil palm plantation expansion cannot be separated from oil palm investment financed by banks and investors.

Even though there is a large investment potential in the palm oil industry in Papua, investors still need an initial assessment to ensure that the business is included in the investment grade through a rating assessment. According to Afrizawati (2011), by including Indonesia as part of the investment grade, it is hoped that it can contribute to the progress of overall economic growth, both domestic and foreign investment. Companies and investors must remain cautious about rating changes so that decisions can be made appropriately (Darmesti, 2014).

Rating is a standardized assessment of the ability of a country or company to pay its debts. The rating of a company can be compared with other companies so that it can be distinguished who has the better ability. According to Azanil et, al. (2015), the higher the rating, the company is considered capable of fulfilling its obligations on time. Conversely, the lower the rating of a company, the higher the risk of default and/or investment returns. In investment, rating is one of the most important things because it determines whether a company can get funding from the issuance of

bonds or credit from banks. A change in rating can be one of the factors affecting the direction of investment. A high rating turns out to be influential for many things. For example, it can encourage an increase in direct investment from abroad (Foreign Direct Investment) and indirect investment. In general, investors will seek information before making investment decisions in certain countries and specifically on certain investment instruments. This is done to find out how high the risk to be borne and how high the investment return is expected to compensate them for the risks they have to bear. Mardaconsista and Soelton, 2018; Amran, 2016; said that the profitability ratio will affect the rating level of a company. Christine and Elizabeth, 2017; Ramli and Soelton, 2018; Mardaconsista and Soelton, 2018; added that the current ratio, return on assets, debt to equity ratio and total asset turnover also affect the company's rating.

Overall, the top rating indicates the most prime credit rating where the borrower has good, decent and stable investment and credit worthiness and a very strong ability to repay its debts. Meanwhile, the lowest rating shows the credit rating default (in default). According to the three largest rating agencies (Moody's, S&P and Fitch Rating), they provide investment-worthy recommendations only for countries or companies that have a minimum rating of Baa3 (Moody's), BBB- (S&P) and BBB- (Fitch Ratings). However, in previous research, there has been no scientific journal containing Moody's Rating research on the oil palm plantation industry, particularly in Papua, Indonesia.

THEORETICAL FRAMEWORK

Ratio

According to Warren et. al. (2017), an element of financial statements is useful in interpreting the results of company operations. Then by making comparisons with the same items from the previous period, we can get even greater benefits, namely by means of horizontal analysis. The magnitude of the increase or decrease of the various accounts in the financial statements and their causes should be investigated further to see whether the company's operations can improve its efficiency. According to Fahmi (2014), the ratio is the ratio of the number, from one number to another, then the comparison is seen in the hope that later answers will be obtained and used as study material for analysis and decisions. Short-term and medium-term investors are generally more interested in short-term financial conditions and the ability to pay adequate dividends. Arief et. al. (2020), explains that financial ratios provide an indication of the financial strength of a company.

Balance Sheet

Financial statements are several pieces of paper with numbers written on them, but it is no less important to think about the real assets that underlie the numbers (Brigham and Houston, 2018). In addition, financial reports can also be used as a basis for helping companies project their finances in the future. The main financial statements for companies are balance sheets, income statements, cash flow statements and owner's equity statements. According to Fahmi (2014), the purpose of financial reports is to provide information to parties who need to see the condition of the company from the point of view of the numbers in monetary units. According to Warren et. al. (2017), the balance sheet is a list of assets, liabilities and owner's equity as of a certain date. Assets are arranged in order of their liquidity, or the amount of time it takes to convert them into cash (Brigham and Houston, 2018). All financial statements must be identified by the name of the company, the type of report, and the reporting period. The data contained in the income statement,

cash flow statement and owner's equity statement are used for a specific period, while the balance sheet is for a certain date.

Industry/Market

According to (Ramli and Soelton, 2018; Madura (2011), the success of a business generally depends on the business environment. Likewise, for an existing business, stakeholders must always monitor the environment so that they can anticipate how demand for their products or production costs change. The industrial environment reflects the changing conditions within the industry to which the company is exposed. Conditions in each industry vary according to business models, demand and competition. According to Zaharuddin (2006), market analysis describes the size of market opportunities in the product-market segment by considering the strength of competitors, both in the trading business, downstream and upstream industries. The company gets business benefits because it is in an industry that experiences high customer demand for its products. Corporate customers, namely individuals or other companies who buy goods or services in exchange for money or other goods of value (Warren et. Al., 2017). According to Zaharuddin (2006), the structural aspect of industrial competition really needs to be analyzed, considering that there are so many companies that already exist and have opened the market suddenly new competitors enter and take part or all of the market that has been created with the strengths they have.

Company

According to Warren et. al. (2017), a company is an organization in which basic resources, namely raw materials and labor, are processed and managed to produce goods or services (output) for customers. The goal of the majority of companies is to maximize profits. Profit is the difference between the amount received from customers for goods and services produced, compared with the amount spent on purchasing resources to produce these goods and services. There are three types of companies that operate to generate profits from a business process point of view, namely manufacturing companies, trading companies and service companies. In terms of ownership, the company organization is divided into individual companies, partnerships and companies. Each company has its own characteristics. According to Zaharuddin (2006), determining the form of an organization depends on the form of business to be run. The ideal organizational structure is designed according to the goals of the organization and the level of technology that will be used.

Management

According to Hasibuan (2013), management is the science and art of regulating the process of utilizing human resources and other sources effectively and efficiently to achieve certain goals. Company management is closely related to human resources. According to Madura (2011), human resources are people who are capable of doing work for a business. Management can contribute to production by using their physical abilities, such as working in a factory to produce a product. As an alternative, management should ideally be able to make contributions, such as suggesting changes in the production process or motivating other workers. According to (Mardaconsista and Soelton, 2018; Soelton et. al., 2018; Soelton et. al., 2020; Soelton et. al., 2019; Zaharuddin, 2006), basically there are several types of management, but in the context of exploring a business, there are only two types of management, namely small business scale management or large business scale management.

Moody's Rating

This research is supported by previous studies on Moody's Rating from different industries to support and strengthen the study and results of this research. The following table describes the results of a study of several previous studies that have been conducted regarding Moody's Rating. Genc and Basar (2019) said that the comparison of the results obtained by rating countries on various macroeconomic variables uses the credit score given by the three main credit rating agencies and uses the MOORA method. The second is the determination of how optimistic or pessimistic the three main CRA outcomes are according to their estimates by macroeconomic variables. The results of Fererhofer (2017) research show that family companies achieve better scores in profitability, leverage structure and liquidity development based on credit rating scores. Only company size represents no significant difference between family and NFF.

According to Krichene and Khoufi (2016), companies with small boards and large blockholders tend to target lower rankings. We also find that firms tend to make choices that compensate for deviations from their target rating levels. In the experiments of Tang, et. al (2018), found that the participant's credit rating is significantly influenced by the client's position, and this effect does not depend on the sophistication of the investor base of the company being rated or on the risk profile of the company being rated. We also found that the client's position influenced the participants' briefing goals, and these briefings were a significant predictor of the credit rating.

White (2010) says those involved in this public policy debate on credit rating agencies should ask themselves the following question: Is the regulatory system that delegates important safety assessments of bonds to a third regulatory system that delegates important safety assessments of bonds to third parties in the best interests of regulated financial institutions and financial parties in the best interests of regulated financial institutions and financial markets more generally? To what extent will the broader regulation of rating agencies succeed in pressuring rating agencies to make better judgments in order to make better judgments in the future? To what extent do these regulations limit flexibility, innovation, and entry into the bond information market? Can financial institutions instead be trusted to seek their own sources of information on the creditworthiness of bonds, as long as financial regulators oversee the security of the bond portfolio?

According to Hirk, et. al. (2018), an empirical application consisting of an analysis of the credit ratings of companies from three major credit rating agencies (Standard & Poor, Moody's and Fitch). Company-level and share price data for publicly traded US companies as well as an unbalanced issuer's credit rating panel are collected and analyzed to illustrate the proposed framework. Joffe, et. al (2012) stated that the credit crisis in relatively high-income countries was a disaster. The rating development stage and future reform requirements of China's credit rating industry (Bian, 2015).

The country's credit rating drew substantial and justifiable criticism after the 2008 financial crisis (Ozturk, 2015). Gaillard (2009) finds that three variables (history of defaults of sovereign issuers, GDP per capita and ratio of net direct debt to local government operating income) explain 80% of the sub-government rankings.

From the previous research above, it is known that there are no journals that specifically discuss Moody's rating on the oil palm plantation industry, so it is hoped that the results of this study can

add to the scientific knowledge in the financial sector, especially regarding moody's ratings and investment grade. This of course can be done with good cooperation between researchers, academics, practitioners, plantation and oil palm processing institutions, as well as the role of the community as stakeholders of the industry itself.

RESEARCH METHODOLOGY

This study uses a quantitative research approach. According to Sugiyono (2018), quantitative research is a research method that is based on the philosophy of positivism, used to research a specific population or sample, data collection using research instruments, quantitative or statistical data analysis. Abdurrahman and Muhidin (2011), quantitative research is a research that reflects that the data to be analyzed comes from numerical data. In this case the researcher wants to find out whether investment in oil palm plantation and processing in Papua categorized into the investment grade or non-investment grade category at Moody's rating and knows how to make investment in oil palm plantation and processing in Papua fall into the investment grade category and/or increase. rating through Moody's rating analysis.

Population is a combination of all elements in the form of events, things or people who have similar characteristics that become the center of attention of a researcher because it is seen as a research universe (Mardaconsista and Soelton, 2018; Soelton et al, 2018; Soelton et al, 2020; Soelton et al, 2019; Ferdinand, 2014). The population in this study were 20 oil palm plantation and processing companies in the Merauke area, Papua. The sample is a subset of the population, consisting of several members of the population, by studying the sample the researcher will be able to draw a conclusion that will be generalized to the population. The sample was carried out because of the limitations of researchers in conducting research both in terms of funds, time, energy, and a very large population. Therefore, the sample taken must really be representative (Ferdinand, 2014).

This researcher uses a non-probability sampling technique which is a technique that does not provide equal opportunities for each member of the population to be selected as a sample (Sugiyono, 2018). In non-probability sampling, purposive sampling technique is used in selecting samples, where the sample selection is based on the researchers' subjective considerations because it is considered appropriate in providing the desired information (Ferdinand, 2014). The sample in this study is 1 oil palm plantation and processing company in Merauke, Papua. The reasons for choosing the object of research were that the company had complete legality and permits, was operating, and had a large plantation land bank of +35,000 hectares and was equipped with processing facilities with a capacity of 120 tons/hour.

The data collected in this study were obtained from primary data and secondary data. Primary data refers to data that has been collected directly from data collectors (Hardani, 2020). Primary data were obtained from observations at the Jakarta Head Office. Observation activities are intended to hunt down the "life table" that lies in the daily reality of the community. Furthermore, secondary data is obtained from business legality, financial reports, production reports and other third parties from internal and external. According to Sugiyono (2018), data analysis is the process of searching and systematically arranging data obtained from observations, interviews, field notes, and documentation by organizing data into categories, describing them into units, arranging them into patterns, choosing which ones important things and what will be studied, and draw conclusions so that they can be understood by oneself and others. Analysis of the data used in this

study is the Moody's rating. According to (Ramli and Soelton, 2018; Mardaconsista and Soelton, 2018; Soelton et al, 2018; Soelton et al, 2020; Soelton et al, 2019; Haningsih et. al., 2014) requires strategic information, financial information and non-financial information for investors to make decisions.

The stages begin with data processing through the assessment of the company's financial statements for the last 3 years on moody's rating analysis (MRA) to obtain values for historical ratio assessment variables and balance sheet factors, as well as by conducting an assessment of industry/market, company and management variables. These variables will have their respective scores which in the end produce a moody's rating.

The historical ratio assessment and balance sheet factors variables will be carried out spreading the financial statements for the last 3 years on the research object. After that, market checking will be carried out on the industry/market variable by determining; industry type, market condition, customer power, diversification of products and competitive position. For company variables, an assessment will be carried out by determining; years in relationship (company with creditors/ investors), business stage, quality management, supplier power, credit history and conduct of account. Then the management variable is carried out an assessment by determining; experience in industry, financial reporting and formal planning, risk management, openness, risk appetite, and management style and structure. So that the following research framework is obtained:

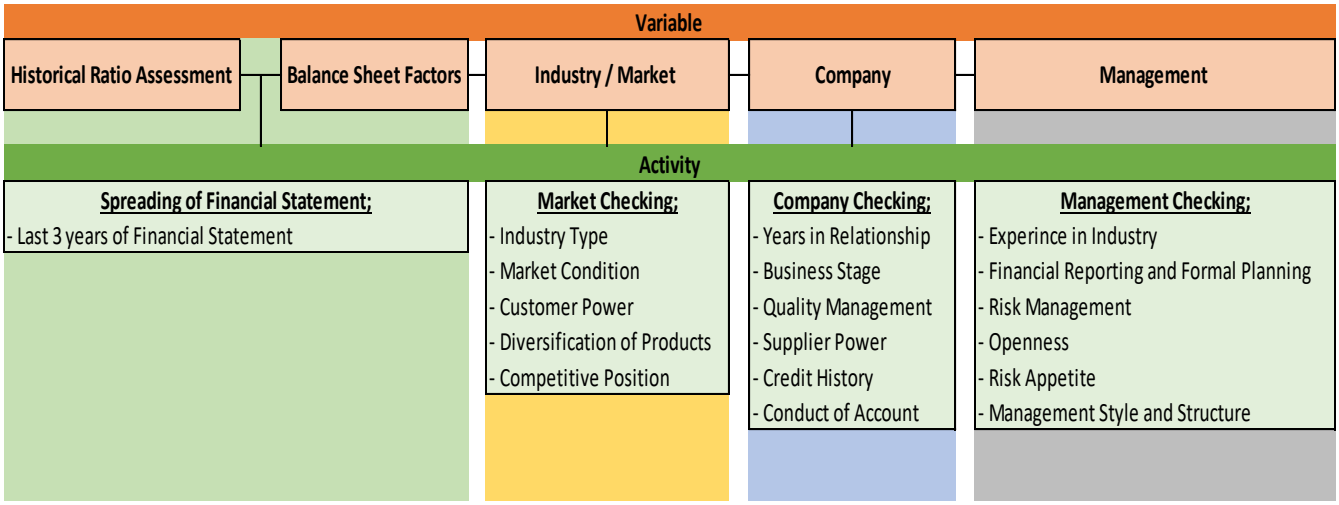


Figure 1. Research Framework

Source: Processed Data, 2020

After the overall analysis is carried out, the output that will be produced is an investment feasibility rating. The investment feasibility breakdown is as follows:

Table 1. Moody's Rating Grade

Moody's *Rating Grade*		*Score Minimum*	*Average PD (%) in Master Scale*	Kategori *Risk Area*
1	Aa1	--	0,01%	*Low Risk Area*
2	Aa2	--	0,03%	
3	Aa3	--	0,04%	
4	A1	--	0,06%	
5	A2	77,646	0,10%	
6	A3	76,581	0,14%	
7	Baa1	73,952	0,18%	
8	Baa2	70,233	0,21%	
9	Baa3	67,446	0,30%	
10	Ba1	64,193	0,41%	*Medium Risk Area*
11	Ba2	61,866	0,62%	
12	Ba3	58,545	1,00%	
13	B1	55,293	1,47%	
14	B2	51,137	2,62%	
15	B3	48,036	4,70%	*High Risk Area*
16	Caa1	41,399	7,90%	
17	Caa2	38,278	14,51%	
18	Caa3	37,557	24,66%	
19	Ca1	35,850	46,60%	
20	Ca2	0,000	81,49%	
Default	C	N.A	100.00%	

Source: Moody's Simple Guide, 2016

An investment that is considered feasible or is included in the investment grade category is a rating of Aa1 to B2. The green indicator is investment grade with low risk, while the yellow one is investment grade with moderate risk. The B3 to C ratings are classified as non-investment grade and have high risk. The output of this research is grade after data processing through Moody's Rating Analysis (MRA), so that it is known that oil palm plantation and processing companies in Merauke, Papua are included in the investment grade or non-investment grade category.

RESULTS AND DISCUSSION

The stages begin with data processing through the assessment of the company's financial statements for the last 3 years on Moody's rating analysis (MRA) to obtain values for historical ratio assessment variables and balance sheet factors, as well as by conducting an assessment of industry / market, company and management variables. These variables will have their respective scores which in the end produce a Moody's rating. The historical ratio assessment and balance sheet factors variables will be carried out spreading the financial statements for the last 3 years on the research object.

Table 2. Variable of Historical Ratio Assessment, Dimensions, Indicators, Options and Analysis

Variable	Dimension	Indicator	Option and Analysis
Historical Ratio Assessment	Operations	PBT / Total Assets	Data is processed from the spreading of financial statement
		PBT / Net Sales	Data is processed from the spreading of financial statement
		PBT / Tangible Net Worth	Data is processed from the spreading of financial statement
		Sales growth	Data is processed from the spreading of financial statement
		GPM	Data is processed from the spreading of financial statement
		NOP Margin	Data is processed from the spreading of financial statement
		Breakeven Sales Realization	Data is processed from the spreading of financial statement
	Debt Service	Earning Coverage	Data is processed from the spreading of financial statement
		Cash Flow Coverage	Data is processed from the spreading of financial statement
	Liquidity	Trade Payable Days	Data is processed from the spreading of financial statement
		Account Receivable Days	Data is processed from the spreading of financial statement
		Quick Ratio	Data is processed from the spreading of financial statement
		Inventory Days	Data is processed from the spreading of financial statement
	Capital Structure	Debt / Tangible Net Worth	Data is processed from the spreading of financial statement
		Borrowed Funds / EBITDA	Data is processed from the spreading of financial statement
		Borrowed Funds / Effective TNW	Data is processed from the spreading of financial statement

Source: Processed Data, 2020

In the “balance sheet factor” section, there are fields that must be filled in related to the spreading of financial statements for the last three years, including: in the “inventory valuation” indicator, the researcher chooses “auditor present”, which means that the company's inventory data is taken from the company's audited financial statements. presented by auditors classified as the Big Four. Furthermore, on the “Accounts Receivable Risk” indicator, the researcher chooses “Good Spread, Good Quality” on the grounds that the company's receivables consist of at least fifteen separate entities, spread over at least three separate industries or geographies, while a bad spread will consist of up to five separate entities if in similar industries or geographies, then if classified as average, then the spread will be between good and bad. When determining the quality of the debtor, consider the opportunities for litigation (for example, disagreements about the agreement) and the reliability of the debtor.

In the “Debt Repayment” indicator, the researcher chooses “Wide Spread” with the consideration that debt payments refer to payments that are well-spread in the future and a concentration of contractual debt payments that can suppress the obligor's future cash flows that are also spread out. In the "Owner Support" section, "> 30%" is selected because owner support refers to the level of additional financial support that can be provided by the owner to the business, in this case it can be seen from the net worth when compared to the company's total assets. This support can provide protection against bankruptcy when the company is experiencing difficulties, therefore it can reduce the possibility of default. In the indicator "Instrinsic Full Value of Intangibles", the researcher chooses "Negligible" with the consideration that this indicator refers to the value of intangible assets owned by the company, in this context the company does not have intangible assets. In addition, it is known that in calculating the company's leverage, the system removes intangibles from its capital calculations. So that you get a summary in the table as follows:

Table 3. Variable of Balance Sheet Factor, Dimension, Indicator, Option and Analysis

Variable	Dimension	Indicator	Option and Analysis
Balance Sheet Factors	Liquidity	Inventory Valuation	Auditor Present
			Taken from Inventory Records
			Owner's Estimates
			Not Applicable
		Accounts Receivable Risk	Good Spread, Good Quality
			Average Spread, Good Quality
			Little Spread, Good Quality
			Good Spread, Poor Quality
			Average Spread, Poor Quality
			Little Spread, Poor Quality
	Capital Structure	Debt Repayment	Off-Balance Sheet Facilities Only
			Mainly Revolving Credit
			Wide Spread
			Tight Spread
			Very Concentrated
		Owner Support (% of Existing Facilities)	> 30%
			20%-29%
			10%-19%
			<10%
		Instrinsic Full Value of Intangibles	>100% of Net Worth
			75-100% of Net Worth
			50-75% of Net Worth
			25-50% of Net Worth
			5-25% of Net worth
			Negligible

Source: Processed Data, 2020

After that, market checking will be carried out on the industry / market variable by determining; industry type, market condition, customer power, diversification of products and competitive position. In the indicator "Industry Type", it is filled with the plantation and palm oil processing industries. In the "Market Condition" section, "Neutral" is chosen because Market Condition refers to the impact of local market conditions that affect the obligor's performance. In this case, local market conditions are largely similar to the industry as a whole. In the "Customer Power" indicator, the researcher chooses "Some" with the consideration that customer strength refers to the influence the customer can have on the company. When answering this question, the researcher considers the number of customers, the size of the company, and the typical size of each transaction. The more customers and the smaller their purchases, the less leverage they have. In this case the relationship between each customer and the obligor tends to be quite equal. This can occur in situations where there are few customers and few suppliers.

Each has an interest in maintaining good relationships and working to resolve any difficulties. In the indicator "Diversification of Products", the researcher chooses "Few Products, Broad Market" with the consideration that product diversification refers to the variety of products produced by the obligor and the market in which the product is sold. In this case, the company sells products in the form of Crude Palm Oil (CPO) and Palm Kernel (PK), so it can be said that the types of products that are sold are few, but have a wide market because of the many palm derivative products. In the "Competitive Position" indicator, the researcher chose "Among the Top Few" with the

consideration that a business that is among the big names, will be considered an industry leader, but will have several partners who are targeted to be famous, and the company has a fairly large garden in the area and the number of Palm Oil Mill with a capacity of 120 tons / hour. So that you get a summary in the table as follows:

Table 4. Variable of Industry/Market, Dimension, Indicator, Option and Analysis

Variable	Dimension	Indicator	Option and Analysis
Industry / Market	Industry	Industry Type	Filled with Type of Industry
	Market	Market Condition	Enhancing Performance
			Neutral
			Constraining Performance
		Customer Power	Weak
			Limited
			Some
			Significant
			Strangehold
		Diversification of Products	Many Products, Broad Market
			Few Products, Broad Market
			Many Products, Narrow Market
			Few Products, Narrow Market
		Competitive Position	Dominant
			Among the Top Few
			Neutral
			Laggard

Source: Processed Data, 2020

For company variables, an assessment will be carried out by determining; years in relationship (company with creditors / investors), business stage, quality management, supplier power, credit history and conduct of account. In the indicator "Years in Relationship", the researcher chooses "New Customer" with the consideration that this point describes the length of time the organization has a relationship with customers, in this case the company is still in a growth stage in its business. A new customer will often be at a much greater risk than a known customer over the years. This is due to the increased availability of information available and its reliability. In the “Business Stage” indicator, the researcher chooses “Growth - Early” considering that the business has left the entrepreneurial stage and is starting to grow at a significant rate.

Similar to the entrepreneurial stage, management and business structures will remain ad hoc and oriented to respond to pressing market needs. In addition, there will usually be significant investment in new products and marketing, in which case the company continues to expand its plantations and also builds palm oil mills in stages. In the "Quality Management" indicator, the researcher chooses "Meets Industry Standards" with a consideration of how quality is handled throughout the business whether in production or sales. Consider all aspects of the business whether it is order processing, production errors, or customer feedback. In this case, the company has ISPO certification in its business process.

In the "Supplier Power" indicator, the researcher chooses "Limited" with the consideration that the strength of the supplier refers to the influence the supplier can have on the company. When answering this question consider the choice of supplier, the relative size of the supplier, the typical

size of each transaction and how expensive it will be to change suppliers. A “Limited” option is when the individual supplier has very little influence over the company. This situation often occurs when individual ticket prices are very high and there are relatively few suppliers and customers. In this case, the company needs only a small supply of Fresh Fruit Bunches (FFB) from plasma farmers to increase the FFB processed at the company's Palm Oil Mill, the majority of which can be fulfilled by the company from their own plantations. In the "Credit History" indicator, the researcher selects "Clear" considering a credit record is available, and no problems are noted on any external source to check the smoothness of the company's credit payments. In the “Conduct of Account” indicator, the researcher chooses “No Experience” with the consideration that the company does not violate the credit requirements. So that you get a summary in the table as follows:

Table 5. Variable of Company, Dimension, Indicator, Option and Analysis

Variable	Dimension	Indicator	Option and Analysis
Company		Years in Relationship	> 2 Years
			1 - 2 Years
			New Customer
		Business Stage	Entrepreneurial - Market
			Unproven
			Entrepreneurial - Market
			Established
			Growth - Early
			Growth - Mature
			Stable - Mature
			Declining Transition
		Quality Management	Exceeds Industry Standards
			Good
			Meets Industry Standards
			Falls below Industry Standards
		Supplier Power	Weak
			Limited
			Some
			Significant
			Strangehold
		Credit History	Clear
			No Experience
			Minor Problems
			Bankrupt > 5 Years Ago
			Major Problems
			Bankrupt < 5 Years Ago
		Conduct of Account	Good
			Minor Breaches
			Major Breaches
			No Experience

Source: Processed Data, 2020

Then the management variable is carried out an assessment by determining; experience in industry, financial reporting and formal planning, risk management, openness, risk appetite, and management style and structure. In the indicator "Experience in Industry", the researcher chooses "3 - 10 Years" considering the length of time the company has operated in this range. In the "Financial Reporting and Formal Planning" indicator, the researcher chooses "Appropriate Planning and Reporting" with the consideration that this question refers to the amount and quality

of financial planning and reporting carried out by the obligor. Planning refers to creating a strategic and business plan with a budget that accompanies the business plan. Financial reporting refers to gathering financial information to determine whether (and how) the obligor is performing against previous plans and budgets. In this case, the company has a good level of planning and reporting according to balance and standards. In the indicator "Risk Management", the researcher chooses "Proactive", where Risk Management refers to the way of managing risk in business. In this sense, management takes a comprehensive and strategic view of risk, actively looks for potential sources and implements effective management controls and mitigations. In the indicator "Openness", the researcher chose "Meets Expectations" with the explanation that openness refers to the willingness of management to provide accurate and timely information.

In this case, management provides all requested information in a timely manner and also provides warnings about changing circumstances, such as in account or financial downturns, before these become apparent. In the “Risk Appetite” indicator, the researcher chooses “Balanced” with the explanation that Risk Appetite refers to the management approach to making decisions and their willingness to take business and financial risks. In general, management needs to take these risks for their business to be successful. However, this risk must be understood and only taken when the possible reward is worth the risk. In this case, management understands the risks taken, and ensures that the benefits offered outweigh the risks taken. In the "Management Style and Structure" indicator, the researcher chooses "Adequate", where this question refers to the style and structure used by management to run the business.

To answer this question, consider the type of business, size in terms of sales and employees, complexity of products and processes, the amount of innovation required and the cost of errors. In this case, the company has a relatively flat hierarchy of organizational structure and allows for considerable adaptation. Apart from that, the company also has a management style where decision making is well distributed. So that you get a summary in the table as follows:

Table 6. Variable of Management, Dimension, Indicator, Option and Analysis

Variable	Dimension	Indicator	Option and Analysis
Management		Experince in Industry	> 20 Years
			11 - 20 Years
			3 - 10 Years
			1 -2 Years
			New to Industry - Relevant
			Experience
			New to Industry - No Experience
		Financial Reporting and Formal Planning	Exceptional Planning and Reporting
			Appropriate Planning and Reporting
			Some Planning and Reporting
			No Planning but Some Reporting
			No Planning or Reporting
		Risk Management	Proactive
			Reactive
			None
		Openness	Exceeds Expectations
			Meets Expectations
			Reluctant
			Secretive
		Risk Appetite	Overly Cautious
			Balanced
			Overly Aggressive
		Management Style and Structure	Optimal
			Adequate
			Limiting

Source: Processed Data, 2020

After all the input and analysis are carried out, the output is obtained in the form of an investment feasibility rating with the risk category "Medium Risk". Thus, oil palm plantation and processing companies in Merauke, Papua are classified as investment grade or eligible for investment. However, the B2 score is in the lowest investment grade category, so improvements are needed so that investment grade will improve and attract investors.

Scorecard Summary

Section	Weighted Score
Historical Ratio Assessments	0.00 | 12,85 | 40.00
Balance Sheet Factors	0.00 | 6,71 | 15.00
Industry / Market	0.00 | 7,10 | 10.00
Company	0.00 | 16,57 | 20.00
Management	0.00 | 9,25 | 15.00
Total	0.00 | 52,49 | 100.00

Grade	B2
Equivalent PD (%)	2.62
1 Yr EDF (%)	

Figure 2. Moody's Rating Data Processing

CONCLUSIONS AND SUGGESTIONS

After all the input and analysis are carried out, the output is obtained in the form of an investment feasibility rating with the risk category "Medium Risk". Thus, oil palm plantation and processing companies in Merauke, Papua are classified as “investment grade” or eligible for investment, but the “B2” score is in the lowest “investment grade” category, so improvements are needed so that grading is getting better and more attractive. investors. As for ways to keep the company in the investment grade category or even to increase the company's grading to a better level, companies are advised to do the following: a) The value of the Historical Ratio Assessment and Balance Sheet Factor will improve if the sales of CPO and PK optimal company by empowering the company's second Palm Oil Mill. In addition, the support of fruit supply along with the increasing age of the plant will increase the yield and quality of CPO and PK sold by the company, (b) In the industry / market variable, companies must explore the demographic advantages of plantation locations in Papua which have more fertile soil, which can be seen realization.

Productivity of the company's garden is at 130% of the standard S3 field class and Marihat seeds. In addition, companies must diversify their customers to strengthen their bargaining position in the market. (c) In the company variable, companies are advised to maintain business processes according to sustainable plantation standards and must have ISPO / RSPO certification to increase their current score. In the management variable, the company needs a longer experience to prove its business continuity within a certain period of time. In this case, the company must always carry out the principles of risk management properly and fulfill the reporting obligations, both to regulators, creditors and other related parties.

From the results of this study, this oil palm plantation and processing company in Merauke, Papua must make improvements in various ways, including: a) the historical ratio assessment weight is still small because the financial statements for the last 3 years have not been optimal. This is because the planting age of the plantation is still relatively young and the company's second Palm Oil Mill was only effective at the end of 2019. The value of the Historical Ratio Assessment and Balance Sheet Factor will improve if the company's sales of CPO and PK are optimal by empowering the company's second Palm Oil Mill. In addition, the support of fruit supply along with increasing plant age will increase the yield and quality of CPO and PK sold by the company, (b) In the industry/ market variable, it is known that the competition in the oil palm industry is quite tight. However, the company can explore the demographic advantage of the location of the plantation in Papua which has more fertile land, where it can be seen that the realization of the company's plantation productivity is at the level of 130% of the standard S3 land class and Marihat seedlings.

In addition, companies must diversify their customers to strengthen their bargaining position in the market. (c) For the company variable, it is advisable to maintain business processes according to sustainable plantation standards and must have ISPO/RSPO certification to increase the current score. In the management variable, the company needs a longer experience to prove its business continuity within a certain period of time. In this case, the company must always carry out the principles of risk management properly and fulfill reporting obligations, both to regulators, creditors and other related parties. For future researchers, it is advisable to conduct research on a wider sample coverage and emphasize corporate actions that must be carried out.

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