PT Hasjrat Multifinance (HMF)

Corporate rating **$_{ir}$BBB/Stable**

Rated Issues
Medium Term Notes Hasjrat Multifinance Tahun 2019 **$_{ir}$BBB**

Rating Period
September 1, 2021 – September 1, 2022

Rating History
August 2020 **$_{ir}$BBB**
August 2019 **$_{ir}$BBB**

"Debt securities with an **$_{ir}$BBB** have an adequate level of certainty to honor the financial obligations. However, this certainty is more likely to diminish in the future than with the higher rating categories."

Kredit Rating Indonesia assigns the rating of '$_{ir}$BBB' to Hasjrat Multifinance (HMF) with a 'Stable' outlook and affirms '$_{ir}$BBB' rating for medium Term Notes Hasjrat Multifinance Tahun 2019 amounting to IDR1.0 trillion.

PT Kredit Rating Indonesia considers that with the national market share of around 0.7% for financing receivables, HMF has a fairly weak franchise. Although HMF's market share is weak nationally, HMF benefits as part of Hasjrat Abadi Group which has a dealership business unit with a dominant market share in Eastern Indonesia so that HMF has an adequate financing market share (car market share: 26%; motorcycle market share: 48%) in the region.

HMF recorded total financing receivables of Rp 2.5 trillion at the end of June 2021, dominated by vehicle financing, where the proportion of car financing was around 42% and motorcycles around 34%. The rest of the financing portfolio is dominated by working capital and investment financing.

The asset quality of HMF is below the industry average, with the ratio of non-performing financing at 7.2% at the end of June 2020 (2020: 6.9%), where industry's non-performing financing also decreased during pandemic period to 4.0% in June 2021 from 4.0% in 2020. We expect HMF's asset quality to remain below the industry average in the medium term. The company has relatively low buffer for its non performing financing where loan loss coverage only stood at 50.0% at end-June 2021, slightly increased from 45.7% in 2020.

The growth of HMF's financing receivables has slowed down, especially during Covid-19 pandemic (2020: -0.02%; 2019: 11.6%; 2018: 17.6%), so there is a risk of lagging effect on non-performing financing ratio.

HMF has a good level of capitalization and leverage, shown by the Debt / Equity ratio at the level of 1.7x at the end of June 2021 (2020: 2.0x), far below the industry average of 2.5x in the same period. With financing receivables growth tends to stagnate and there is no plan from the parent company to take dividends in the near future, it is likely that the HMF Debt / Equity ratio will be maintained at a low level in the medium term.

HMF's profitability is decreasing where the Return on Asset is at the level of 1.9% in June 2021 (2020: 3.0%, industry: 3.0%). The high net profit margin that reached 12.5% in June 2021 was the main supporter of HMF profitability, but the elevated efficiency ratio which reached 88.1% in the same period was the main limitation of profitability.

HMF can experience a rating upgrade in the future, especially if the company succeeds in significantly increasing market share and / or reducing the ratio of non-performing financing receivables in the future. Conversely, the deterioration in credit quality marked by a significant increase in the ratio of non-performing financing receivables can be a major cause of future downgrades.

HMF Financial Results Highlights

For the year ended	Jun 2021 (Unaudited)	Dec 2020 (Audited)	Dec 2019 (Audited)	Dec 2018 (Audited)
Total Adjusted Assets (Rp, bn)	2,519.1	2,873.7	2,633.3	2,359.9
Total Adjusted Equity (Rp, bn)	945.1	969.2	961.7	871.9
Financing Receivables-net (Rp, bn)	2,519.1	2,583.7	2,584.3	2,316.3
Total Operating Income (Rp, bn)	170.8	345.4	319.73	311.4
Net Income (Rp, bn)	25.8	82.7	110.5	101.7
Net Interest Margin (%)	12.5	10.0	9.7	10.9
Return on Asset (%)	1,9	3.0	4.4	4.6
Cost to Income (%)	88.1	77.2	66.5	69.2
Debt/Equity (x)	1.7	2.0	1.5	1.5
Non-Performing Financing (%)	7.2	6.9	5.9	6.3

Analyst : Gromy Purba (Gromy.Purba@kreditratingindonesia.com)
Furqon Samara (Furqon.Samara@kreditratingindonesia.com