

PT Sinar Mas Multifinance

Company rating *irA+/Stable*

Rated Issues

*Obligasi Berkelanjutan II
Sinar Mas Multifinance*

irA+

"Debt Securities with an *irA* rating has a high level of certainty to honor its obligations, but it can be affected by adverse changes in business and economic conditions, relative to debt securities with a higher rating"

The plus sign (+) indicates that the rating given is closer to the rating scale above it

Rating Period

May 11, 2022 – May 1, 2023

Rating History

June 2021

irA+/Stable

April 2020

irA+/Stable

Kredit Rating Indonesia affirms '*irA+*' rating to Obligasi Berkelanjutan II Sinar Mas Multifinance totaling IDR2.0 trillion

Kredit Rating Indonesia (KRI) affirms a Company Rating of '*irA+*' for PT Sinar Mas Multifinance (SMMF or the Company) with a 'Stable' outlook. At the same time, KRI affirms *irA+* rating to Obligasi Berkelanjutan II Sinar Mas Multifinance totaling IDR2.0 trillion. The ratings reflect the continuing support from PT Sinar Mas Multiartha Tbk (SMMA) as a parent company. The company's relatively small franchise among the industry, adequate capitalization and thin profitability are also considered in ratings assigned.

SMMF was founded in 1985 as part of SMMA, parent company of Sinar Mas Group financial companies, which has assets of IDR117.5 trillion in 2021. As to date, in addition to SMMF, SMMA owns other subsidiaries which are PT Asuransi Sinar Mas and PT Bank Sinarmas Tbk.

SMMF has long been established as a used car financing, although the company has a small franchise in the industry. With total financing receivables of IDR3.8 trillion at end 2021 (2020: IDR5.3 trillion; 2019: IDR6.2 trillion), SMMF only represented around 1.0% market share.

At end 2021, SMMF operated its business through 110 branch offices. The company has a plan to open 14 shariah business in existing branch offices in 2022. The company's consumer financing portfolio in 2021 comprised of used car (99%) and used motorcycle (1%). In terms of consumer financing, SMMF has stopped its exposure to used motorcycle focused on financing used cars with younger vehicle ages.

SMMF's capitalization is considered adequate. Equity to total assets stood at 21.9% at end 2021 inclined from 17.9% in 2020. Debt to Equity (DER) ratio stood at the level of 3.4x at end 2021 (2020: 4.4x; 2019: 3.4x), higher than industry average of 2.0x in same period. Nevertheless, the gearing level is much lower than OJK's regulation of maximum 10x.

In contrast with its peers, SMMF's profitability is considered low. The company's net interest margin stood at 6.5% in 2021 dropped from 11.8% in 2020 and 12.9% in 2019 due to declining distribution of financing receivables which affected by the sluggish financing industry since 2020. Meanwhile, ROA is considerably below than the industry's average, stood at 1.7%, -6.1%, and 1.4% during the same period.

In the midst of covid-19 pandemic, similar with the industry, the company's rating is sensitive to further weakening of asset quality. The credit insurance policies and selective credit management in financing distribution are expected to mitigate the risk.

SMMF Financial Results Highlights (Consolidated)

As of/For the year ended	Dec 2021 (Audited)	Dec 2020 (Audited)	Dec 2019 (Audited)	Dec 2018 (Audited)
Total Assets (IDR, Bn)	7,122.9	7,997.9	9,107.1	7,169.2
Total Equity (IDR, Bn)	1,562.7	1,431.1	2,033.9	1,923.8
Total Revenue (IDR, Bn)	2,285.6	1,347.0	1,581.4	1,428.2
Total Expense (IDR, Bn)	2,201.4	2,023.9	1,555.0	1,290.6
Net Income (IDR, Bn)	128.7	-524.4	110.5	140.3
Debt to Equity (x)	3.4	4.4	3.4	2.6
Equity/Assets (x)	21.9	17.9	22.3	26.8
Net Interest Margin (%)	6.5	11.8	12.9	10.8
Cost/Income (%)	28.7	174.5	65.7	62.0
Return On Asset (%)	1.7	-6.1	1.4	2.1
Return On Equity (%)	8.6	-30.3	5.6	7.8
NPF (%)	1.9	2.4	2.0	2.6

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