

## PT Sinar Mas Multifinance

Corporate rating *irA+*/Stable

## Rated Issues

Proposed Bond Obligasi  
Berkelanjutan II Sinar Mas  
Multifinance

*irA+*

"Debt Securities with *irA* rating has a high level of certainty to honor its financial 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

April 22, 2020 – May 1, 2021

### Kredit Rating Indonesia assigns '*irA+*' rating to Proposed Bond Obligasi Berkelanjutan II Sinar Mas Multifinance totaling IDR2.0 Trillion

Kredit Rating Indonesia (KRI) assigns a Corporate Rating of '*irA+*' for PT Sinar Mas Multifinance (SMMF or the Company) with a 'Stable' outlook. At the same time, KRI assigns '*irA+*' to the Company's proposed Bonds 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's capitalization is considered adequate. Equity to total assets stood at 22% at end 2019 declined from 26.8% in 2018 and 27.6% in 2017 respectively. Debt to Equity (DER) ratio stood at the level of 3.4x at end 2019 (2018 : 2.6x; 2017 : 2.8x), higher than industry average of 2.8x in the same period. Nevertheless, the gearing level is much lower than OJK's regulation of maximum 10x. With the proposed bonds maximum of IDR2.0 trillion which partly to refinance the mature bank loan, we expect the ratio will not exceed 5x in the next few years.

In contrast with its peers, SMMF's profitability is considered low. The Company's Net interest margin stood at 9.9% in 2019 significantly dropped from 13.1% in 2018 and 16.2% in 2017 due to high cost of funding and low sharing profit proportion on joint-financing. Meanwhile, ROA is considerably below than the industry's average, stood at 0.5%, 1.9%, and 2.1% during the same period.

In the midst of COVID-19 outbreak, similar with the industry, the Company's rating is sensitive to further weakening of asset quality. The relaxation program, credit insurance, and the management's policy to only focus on repeat order from existing customer are expected to mitigate the risk.

## SMMF Financial Results Highlights

As of/For the year ended	Dec 2019 (Audited)	Dec 2018 (Audited)	Dec 2017 (Audited)	Dec 2016 (Audited)
Total Assets (IDR, bn)	9,107.7	7,169.2	6,096.2	4,449.3
Total Equity (IDR, bn)	2,033.9	1,923.8	1,681.0	1,430.3
Total Revenue (IDR, bn)	2,058.6	1,505.3	1,341.0	878.0
Net Income (IDR, bn)	110.0	140.3	195.5	94.5
Debt to Equity (x)	3.4	2.6	2.5	2.0
Equity/Assets (%)	22.3	26.8	27.6	32.1
Net Interest Margin (%)	9.9	13.1	16.2	15.4
Cost/Income (%)	97.4	88.4	81.7	86.2
Return On Asset (%)	0.5	2.4	3.0	2.5
Return On Equity (%)	2.6	7.2	11.1	6.2
NPF (%)	2.0	2.6	0.7	3.2

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