

PT Paramitra Multifinance (PRF)

Corporate rating *ir*BBB+/Stable

Rated Issues N/A

Rating Period

January 19, 2021 – February 1, 2022

“An Obligor 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.”

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

Kredit Rating Indonesia assigns ‘*ir*BBB+’ to PT Paramitra Multifinance

Kredit Rating Indonesia (KRI) assigns a Corporate Rating of ‘*ir*BBB+’ for PT Paramitra Multifinance (PRF or the Company) with a ‘Stable’ outlook. The rating reflects good asset quality and the continuing support from shareholders. The company’s relatively small franchise among the industry, weak capitalization and thin profitability are also considered in ratings assigned.

PRF was established in Jakarta in 1984 under the name PT Patria Nusa Mulia Leasing and then changed its name to PT Paramitra Multifinance in 2003. The Company focused on factoring financing (97.2%). The rest are customer financing (0.6%) and lease financing (2.3%).

The company’s shareholders are PT Premier Mitra Cemerlang (99,99%) and PT Para Utama Sedaya (0,001%). KRI views the support from the shareholders has been proven during its operation with flexible dividend payout policy and additional equity of IDR50 billion in 2020.

The company's NPF increased in September 2020 to 1.2% (2019: 0.4%, 2018: 0.3%) amid a decline in the ability to pay customers during the Covid-19 pandemic. despite the increase, the company's NPF ratio is better than the industry average of 4.9% in September 2020 (2019: 2.4%).

KRI views that PRF has a small franchise among the industry. With total financing receivables of IDR691.9 billion at 9M20 (2019 : IDR706.4 billion; 2018: IDR607.2 billion), PRF represented only around 0.16% market share. At end 2019, PRF operated its business through 2 representative offices in Jakarta.

PRF's capitalization is considered to be quite weak. Equity to total assets stood at 21.2% at end 2019 slightly decreased from 23.1% in 2018 and 24.8% in 2017. Debt to Equity (DER) ratio reached quite high level at 3.7x, higher than industry average of 2.6x in same period. The gearing level is still below OJK's regulation of maximum 10x.

Compared with its peers, PRF's profitability is considered low. The company's net interest margin stood at 4.0% in 2019 significantly decreased from 4.6% in 2018 and 5.8% in 2017 due to high cost of funding. Meanwhile, ROA is considerably below than the industry's average, stood at 1.3% at the end 2019 (2018 : 1.6%; 2017 : 1.9%).

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

PRF Financial Results Highlights

As of/For the year ended	Sep 2020 (Unaudited)	Dec 2019 (Audited)	Dec 2018 (Audited)	Dec 2017 (Audited)	Dec 2016 (Audited)
Total Assets (IDR, Bn)	761.3	766.0	661.0	600.4	520.2
Total Equity (IDR, Bn)	162.7	162.3	152.7	148.9	138.6
Total Revenue (IDR, Bn)	70.9	101.9	90.5	80.4	81.1
Total Expense (IDR, Bn)	55.3	90.3	78.1	67.4	64.9
Net Income (IDR, Bn)	1.7	9.2	10.2	10.9	15.3
Debt to Equity (x)	3.5	3.7	3.2	2.9	2.5
Equity/Assets (%)	21.4	21.2	23.1	24.8	26.6
Net Interest Margin (%)	1.9	4.0	4.6	5.8	6.5
Return On Asset (%)	0.2	1.3	1.6	1.9	2.9
Return On Equity (%)	1.0	5.8	6.7	7.6	5.6
NPF (%)	1.2	0.4	0.3	1.7	2.7

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

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