

PT Sinar Mas Multifinance

Corporate rating *irA+*/Stable

Rated Issues

Obligasi Berkelanjutan II Sinar Mas Multifinance *irA+*

Rating Period

June 11, 2021 – June 1, 2022

“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 History

April 22, 2020 – May 1, 2021

Kredit Rating Indonesia affirms '*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 affirms '*irA+*' to the company's 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 23.1% at end 2020 declined from 22.0% in 2019 and 26.8% in 2018 respectively. Debt to Equity (DER) ratio stood at the level of 3.2x at end 2020 (2019: 3.4x; 2018: 2.6x), higher than industry average of 2.2x 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 11.4% in 2020 dropped from 12.9% in 2019 and 13.1% in 2018 due to declining distribution of financing receivables which affected by the sluggish financing industry in 2020. Meanwhile, ROA is considerably below than the industry's average, stood at 0.2%, 0.5%, and 1.9% 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 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 2020 (Audited)	Dec 2019 (Audited)	Dec 2018 (Audited)	Dec 2017 (Audited)
Total Assets (IDR, bn)	8,541.0	9,107.1	7,169.2	6,096.2
Total Equity (IDR, bn)	1,974.2	2,033.9	1,923.8	1,681.0
Total Revenue (IDR, bn)	1,347.0	2,203.5	1,428.0	1,293.8
Net Income (IDR, bn)	18.8	110.5	140.3	193.1
Debt to Equity (x)	3.2	3.4	2.6	2.5
Equity/Assets (%)	23.1	22.3	26.8	27.6
Net Interest Margin (%)	11.4	12.9	10.8	12.3
Cost/Income (%)	77.1	65.7	62.0	59.4
Return On Asset (%)	0.2	1.4	2.1	3.7
Return On Equity (%)	0.9	5.6	7.8	12.4
NPF (%)	2.4	2.0	2.6	0.7

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