

PT Sinar Mas Multifinance

Company rating

*ir*A+/Stable

Rated Issues

*Obligasi Berkelanjutan II Sinar Mas Multifinance**ir*A+*Obligasi Berkelanjutan III Sinar Mas Multifinance**ir*A+

Rating Period

November 7, 2022 – May 1, 2023

Rating History

May, 2022

*ir*A+/Stable

June, 2021

*ir*A+/Stable

April, 2020

*ir*A+/Stable

"Debt Securities with *ir*A 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.

Kredit Rating Indonesia assigns '*ir*A+' rating to Obligasi Berkelanjutan III Sinar Mas Multifinance totaling IDR2.0 trillion

Kredit Rating Indonesia (KRI) affirms a Company Rating of '*ir*A+' for PT Sinar Mas Multifinance (SMMF or the Company) with a 'Stable' outlook. At the same time, KRI affirms *ir*A+' rating to Proposed Obligasi Berkelanjutan III Sinar Mas Multifinance amounting IDR2.0 trillion. KRI has also affirmed a rating of '*ir*A+' for the Company's Obligasi Berkelanjutan II Sinar Mas Multifinance amounting to maximum 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.

The Company focused on consumer financing (used car), factoring, haji financing, and leasing with total assets amounting to IDR7.2 trillion at end June 2022 (slightly increased from IDR7.1 trillion in 2021), only 5.9% compared to total consolidated assets of SMMA. However, the support from its parent has been proven during its operation showing not only increase issued and paid-up capital stock from IDR 1 trillion to IDR 1.15 in 2017 and IDR1.15 trillion to IDR1.19 trillion in 2018 respectively, but also provides corporate guarantees.

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 IDR4.2 trillion at end June 2022 (2021: IDR3.8 trillion; 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 18.3% at end June 2022 slightly declined from 21.9% in 2021 (2020: 7.9%). Debt to Equity (DER) ratio stood at the level of 4.4x at the end June 2022 (2021: 3.4x; 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 profit margin was recorded at 13.1% in June 2022, an increase from 6.5% in 2021 (2020: 11.8%; 2019: 12.9%). Meanwhile, ROA is considerably below than industry average, stood at -6.7% in the period June 2022 (2021: 1.7%; 2020: -6.1%) due to a decrease in the fair value of the company's investment.

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	Jun 2022 (Audited)	Dec 2021 (Audited)	Dec 2020 (Audited)	Dec 2019 (Audited)
Total Assets (IDR, Bn)	7,231.5	7,122.9	7,997.9	9,107.1
Total Equity (IDR, Bn)	1,320.5	1,562.7	1,431.1	2,033.9
Total Revenue (IDR, Bn)	572.3	2,285.6	1,347.0	1,581.4
Total Expense (IDR, Bn)	581.7	2,201.4	2,023.9	1,555.0
Net Income (IDR, Bn)	-240.1	128.7	-524.4	110.5
Debt to Equity (x)	4.4	3.4	4.4	3.4
Equity/Assets (x)	18.3	21.9	17.9	22.3
Net Interest Margin (%)	13.1	6.5	11.8	12.9
Cost/Income (%)	75.6	28.7	174.5	65.7
Return On Asset (%)	-6.7	1.7	-6.1	1.4
Return On Equity (%)	-33.3	8.6	-30.3	5.6
NPF (%)	2.8	1.9	2.4	2.0

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