

PT Sinar Mas Multifinance

Company rating

***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"

Rated Issues

Obligasi Berkelanjutan II Sinar Mas Multifinance
Obligasi Berkelanjutan III Sinar Mas Multifinance

***ir*A+**

***ir*A+**

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

Rating Period

April 27, 2023 – May 1, 2024

Rating History

November, 2022

***ir*A+/Stable**

May, 2022

***ir*A+/Stable**

June, 2021

***ir*A+/Stable**

April, 2020

***ir*A+/Stable**

Kredit Rating Indonesia affirms a Company Rating of ‘*ir*A+’ for PT Sinar Mas Multifinance with ‘Stable’ Outlook

Kredit Rating Indonesia (KRI) affirms a Company Rating of ‘*ir*A+’ for PT Sinar Mas Multifinance (SMMF or the Company) with ‘Stable’ outlook. At the same time, KRI affirms *ir*A+’ rating to Obligasi Berkelanjutan II Sinar Mas Multifinance amounting IDR2.0 trillion. KRI has also affirmed a rating of ‘*ir*A+’ for the Company’s Obligasi Berkelanjutan III 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 IDR114.4 trillion in 2022. 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 IDR6.7 trillion at end December 2022 (decreased from IDR7.1 trillion in 2021), only 5.8% 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 IDR1.00 trillion to IDR1.15 trillion in 2017 and IDR1.15 trillion to IDR1.19 trillion in 2018 respectively, but also provides corporate guarantees.

Although the company has a small franchise in the industry, SMMF has long been established as a used car financing company. With total financing receivables of IDR3.8 trillion at the end of December 2022 (2021: IDR3.8 trillion; 2020: IDR5.3 trillion; 2019: IDR6.3 trillion), SMMF held only about 0.9% of the market share. In addition, the company's exposure in join financing increased to IDR3.0 trillion in FY22 from only IDR1.9 trillion in FY21. The company is willing to improve its financing through join financing.

By the end of 2022, SMMF had 110 branch offices in operation. In 2023, the company intends to open 39 shariah businesses in existing branch offices. In 2022, the company's consumer financing portfolio included used cars (99.93%), new cars (0.03%), and used motorcycles (0.04%). In terms of consumer financing, SMMF has shifted its focus away from used motorcycles and toward financing used cars with younger vehicle ages.

The capitalization of SMMF is considered adequate. The equity to total assets ratio was 19.9% at the end of December 2022, down from 21.9% in 2021 (2020: 17.9%). The debt to equity (DER) ratio was 3.9x at the end of December 2022 (2021: 3.4x; 2020: 4.4x; 2019: 3.4x), higher than the industry average of 2.1x during the same period. Nonetheless, the gearing level is significantly lower than the OJK regulation of a maximum of 10x.

In contrast with its peers, SMMF’s profitability is considered low. The company's net profit margin was recorded at 3.8% in December 2022, an increase from 1.5% in 2021 (2020: 5.6%; 2019: 7.1%). Meanwhile, ROA is considerably below the industry average, stood at -3.5% in the period December 2022 (2021: 1.7%; 2020: -6.1%) due to a decrease in the fair value of the company's investment.

SMMF Financial Results Highlights (Consolidated)

As of/For the year ended	Dec 2022 (Audited)	Dec 2021 (Audited)	Dec 2020 (Audited)	Dec 2019 (Audited)
Total Assets (IDR, Bn)	6,652.6	7,122.9	7,997.9	9,107.1
Total Equity (IDR, Bn)	1,325.9	1,562.7	1,431.1	2,033.9
Total Revenue (IDR, Bn)	1,195.5	2,285.6	1,347.0	1,581.4
Total Expense (IDR, Bn)	1,444.2	2,201.4	2,023.9	1,555.0
Net Income (IDR, Bn)	-238.6	128.7	-524.4	110.5
Debt to Equity (x)	3.9	3.4	4.4	3.4
Equity/Assets (x)	19.9	21.9	17.9	22.3
Net Interest Margin (%)	3.8	1.5	5.6	7.1
Cost/Income (%)	67.4	28.7	174.5	65.7
Return On Asset (%)	-3.5	1.7	-6.1	1.4
Return On Equity (%)	-16.5	8.6	-30.3	5.6
NPF (%)	3.6	1.9	2.4	2.0

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