

## PT Hasjrat Multifinance

Corporate rating *ir*BBB/Stable

## Rated Issues

Medium Term Notes III Tahun 2019 *ir*BBB

"Debt securities 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."

## Rating Period

August 20, 2019 – September 1, 2020

Kredit Rating Indonesia assigns '*ir*BBB' rating to Medium Term Notes III Tahun 2019 PT Hasjrat Multifinance

Kredit Rating Indonesia (KRI) assigns the rating of '*ir*BBB' to Hasjrat Multifinance (HMF) with a 'Stable' outlook. We also assign '*ir*BBB' rating to Medium Term Notes III Tahun 2019 PT Hasjrat Multifinance of IDR1.0 trillion that will be used for financing working capital.

KRI considers that with the national market share of around 0.5% for financing receivables, HMF has a fairly weak franchise. Although HMF's market share is weak nationally, HMF benefits as part of Hasjrat Abadi Group, a founding dealer with a dominant market share in Eastern Indonesia so that HMF has an adequate financing market share (around 35%) in the region. The asset quality of HMF is below the industry average, with the ratio of non-performing financing at 6.7% at the end of June 2019 (2018: 6.3%). Nevertheless, we see an improvement in underwriting standard and risk control of the company that can lead to asset quality improvement in the long run. HMF has a good level of capitalization and leverage, shown by the Debt/Equity ratio at the level of 1.0x at the end of June 2019 (2018: 1.5x), far below the industry average of 2.8x in the same period. It is likely that the HMF Debt/Equity ratio will be maintained at a low level in the medium term. HMF's profitability is satisfactory where the Return on Asset is at the level of 4.6% in 2018 (2017: 5.6%, industry: 4.7%).

HMF can experience a rating upgrade in the future, especially if the company succeeds in significantly increasing market share and/or reducing the ratio of non-performing financing receivables in the future. Conversely, the deterioration in credit quality marked by a significant increase in the ratio of non-performing financing receivables can be a major cause of future downgrades.

## HMF Financial Results Highlights (in Rp)

	Jun-19	Dec-2018	Dec-2017	Dec-2016
Asset (billion)	2,563	2,360	2,048	1,599
Equity (billion)	998	872	805	703
Financing receivables (net) (billion)	2,327	2,308	1,964	1,502
Net managed receivables (billion)	2,423	2,414	2,056	1,574
Non-performing financing (%)	6.7	6.3	5.8	6.4
Efficiency ratio (%)	69.7	56.6	54.0	60.5
Net interest margin (%)	13.6	11.4	13.2	17.0
Return on asset (%)	7.7	4.6	5.6	5.9
Equity/Financing Receivables (%)	41.2	36.1	39.1	44.7
Debt/Equity (x)	1.0	1.5	1.3	1.0

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