PEFINDO CREDIT RATING INDONESIA

Selamat Sempurna Tbk.

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Corporate Rating idA

Rated Issues:
Bond I/2000 idA

Rating Period:
July 17, 2001–June 1, 2002

Rating History:
May, 2000 idA

FINANCIAL HIGHLIGHTS

as of/for the year ended	31-Mar-01	31-Dec-00	31-Dec-99	
Total Asset (IDR billion)	560.3	529.8	301.7	199.52
Total Sales (IDR billion)	135.7	502.9	359.4	160.57
Total Equity (IDR billion)	360.2	342.2	231.4	134.63
Gross Margin (%)	27.9	27.6	32.2	33.61
OPBDIT/Operating Income (%)	27.5	26.7	30.7	26.50
Return on Permanent Capital (%)	22.6	20.4	31.7	19.18
Total Debt/(S. Funds + MI) (x)	0.3	0.3	0.1	0.23
Total Debt/Total Assets	0.2	0.2	0.1	0.15
OPBDIT/Gross Interest (x)	7.8	10.0	6.2	9.96
FFO/Total Debt (x)	1.0	1.1	3.3	1.18
(FFO + Interest)/ Gross Interest) (x)	6.9	9.0	5.2	9.49

FFO=funds from operation
OPBDIT=operating profit before depreciation interest and tax

The above ratios have been computed based on information from The Company and published accounts. Where applicable, some items have been reclassified according to PEFINDO's definitions.

RATING RATIONALE

PEFINDO affirmed the idA rating for PT Selamat Sempurna Tbk. (SMSM)'s IDR100 bn bonds. SMSM is one of the leading auto component manufacturers in Indonesia, particularly in filter and radiator products. The Company has two subsidiaries: PT Andhi Chandra Automotive Products (ACAP, 64.9% ownership) that produces a wide range of filters for export market and PT Panata Jaya Mandiri (PJM, 70.0%), a joint venture company with Donaldson of the USA that produces heavy-duty filters for local market. SMSM is a member of ADR Group, a group of auto-related companies, and is listed at the JSX with a public ownership of 30.1%.

Supporting factors of the rating are:

- *Strong presence in filter products*. Domestically, SMSM is a market leader in filter products, as it commands around 50% of market share. SMSM customers include several leading automakers such as Daihatsu, Daewoo, Hino, Honda, Hyundai, Mercedes Benz, Isuzu, Mitsubishi, KIA and Mazda. This strong presence is also supported by the certifications of ISO-9002 and QS-9000, which have helped the Company maintain sizable export revenue.
- *Highly favorable capital structure.* SMSM is undertaking an expansion in its filter production capacity to reach 30,000,000 filters p.a. from 20,000,000 in 2000. Despite the expansion, SMSM's capital structure remained favorable with Debt-to-Equity Ratio of 0.3x in 1Q01. In addition, SMSM's debts are all in IDR currency.
- *Very-strong cash flow protection.* Strong and stable profitability combined with favorable capital structure have resulted in a very-strong cash flow protection reflected by (FFO+Interest)/Interest and FFO/Debt ratios which reached 9.0x and 1.1x respectively in 2000. The refinancing of its IDR34 bn short-term loans by the 5-year bond issued in 2000 has also lightened the pressure on the Company's cash flow.
- *Significant export revenue contribution*. SMSM has been able to maintain its export sales contribution to offset the impact of unstable domestic market as well as to get higher margins. In 2000, export value increased by 28.8% to USD41.1 mn from USD31.9 mn in 1999, as it succeeded to penetrate market for its products in over 50 countries worldwide.

Mitigating factors of the rating are:

- *Insignificant presence in global market.* Despite the growing export revenue, SMSM's presence in the global market is still very small, which leads the Company to expand its capacities to serve a bigger global market. However, global market is very competitive with major threats coming from China, Korea and Thailand.
- *Somewhat-limited product range.* SMSM's sales are still dominated by two main products, i.e. filter (52.5% of SMSM's total sales in 2000) and radiator (38.8%). Meantime, other products such as brake pipe, muffler, fuel tank and compressor still contributed a small sales portion to the Company's total revenue.
- *Receivable-payable mismatch.* SMSM's days of receivables is substantially longer than days of payables (78 vs. 47 in 2000), that might be due to its aggressive penetration in the export market. This mismatch could increase the Company's working capital requirement in the future.

OUTLOOK

A Stable outlook is assigned to the above rating. PEFINDO expects the Company's expansion to start commercial operations in 3Q01 that should strengthen SMSM's global market position and boost its export revenue in the future.