



**PEFINDO** CREDIT RATING INDONESIA

**Selamat Sempurna Tbk.  
dan Anak Perusahaan**

Contact Analyst:  
**A. Rifky Zarkoni**  
**Salyadi Saputra**  
Phone: (62-21) 252-5523  
E-mail:  
aminzar.rifky@pefindo.co.id

Corporate Rating <i>id A</i>	FINANCIAL HIGHLIGHTS				
	as of/for the year ended	31-Mar-03	31-Dec-02	31-Dec-01	31-Dec-00
<b>Rated Issues:</b> <i>Bond I/2000</i> <i>id A</i>	Total Asset (IDR billion)	598.32	576.52	567.04	529.84
	Total Sales (IDR billion)	164.18	603.35	565.09	502.85
<b>Rating Period:</b> <i>July 18, 2003-June 1, 2004</i>	Total Equity (IDR billion)	409.17	408.74	389.36	342.21
	Gross Margin (%)	25.15	23.51	28.48	27.60
<b>Rating History:</b> <i>July, 2002</i> <i>idA</i> <i>July, 2001</i> <i>idA</i> <i>May, 2000</i> <i>idA</i>	OPBDIT/Operating Income (%)	15.58	22.94	28.47	26.71
	Return on Permanent Capital (%)	19.22	16.23	21.82	20.44
	Total Debt/(S. Funds + MI) (x)	0.25	0.27	0.27	0.30
	Total Debt/Total Assets	0.18	0.19	0.19	0.19
	OPBDIT/Gross Interest (x)	5.80	7.26	7.97	10.02
	FFO/Total Debt (x)	0.68	0.94	1.12	1.05
	(FFO + Interest)/ Gross Interest (x)	5.13	6.43	6.82	9.04
	<i>FFO=funds from operation</i>				
	<i>OPBDIT=operating profit before depreciation interest and tax</i>				
	<i>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.</i>				

**RATING RATIONALE**

**P**EFINDO affirmed "*idA*" rating for PT Selamat Sempurna Tbk. (SMSM or the Company) and its IDR100 bn bonds. SMSM is one of leading auto component manufacturers in Indonesia. The products include filter, radiator, condenser brake pipe, muffler, fuel tank, and air conditioning parts for many types of cars, heavy duty, and other transportation tools. The Company has two subsidiaries namely PT Andhi Chandra Automotive Products Tbk, another filter producer with 64.9% ownership and PT Panata Jaya Mandiri, a 70%- owned joint venture company with Donaldson of the USA that produces heavy-duty filters for the local market. SMSM is a member of ADR Group, a group of auto-related companies.

**Supporting factors for the rating are:**

- **Strong presence in filter market.** SMSM still consider as market leader in local market for filter products, especially in after market segment. The Company's capability to maintain and strengthen its export sale has allowed it to have more stable business compared to those that focus on domestic market. In addition, the new factory facility should further strengthen the Company's business position.
- **Export continued to grow.** About 68% of SMSM's product was exported to over 50 countries destination in 5 regions. The Company's export volume continued to grow over the years. In 2002, export increased significantly by 38.0% from the previous year, especially for filter, which grew by 38.6% from the same period. The success of penetrating the export market resulted from the Company's strong commitment on the product quality and reliability as reflected by its achievement to get ISO-9002, QS-9000 and ISO/TS 16949 certificates. The certificates are strongly required by top world automotive manufacture namely General Motor, Daimler Chrysler, and Ford. In addition, SMSM is the first company in Indonesia who has achievement for ISO/TS16949 certificates.
- **Highly favorable capital structure.** SMSM's capital structure remained favorable with DER of only 0.25x as of March 31, 2003. The Company's total outstanding debt amounted to IDR106.5 billion as of March 31, 2002, consisting of IDR98.6 billion bond issued in 2000 and IDR7.9 billion L/C facility from Bank Mandiri.
- **Very-strong cash flow protection.** Despite the Company's cash flow protection has been lowering over the years, the debt coverage and interest coverage are still considered very strong. In 2002, the Company recorded debt coverage of more than 0.9x and interest coverage of 6.0x. SMSM also has a good liquidity as reflected by its cash balance of IDR94.0 billion in 2002 and 71.8 billion in 1Q03.

**Mitigating factors for the rating are:**

- **Insignificant presence in global market.** Despite its growing export revenue and capacity expansion, SMSM's presence in the global market is still very small. Additionally, global market is now increasingly competitive with major threats coming from China, Korea and Thailand. The tightening competition could in turn weaken the Company's margins.
- **Operating margin is sensitive to currency exchange rate.** About 70.4% of revenues come from the export sale while most of production costs and financial costs are in Rupiah, SMSM's margin mostly weakens when Rupiah exchange rate against US Dollar strengthens.

**OUTLOOK**

**A** Stable outlook is assigned with the above rating. Due to strengthening Rupiah currency against US Dollar and tightening competition in global market, the Company's margin could further weaken. However, gradual economic improvement both in local and export market should increase the Company's sales which would lighten the impact of the weakening margin.