PEFINDO CREDIT RATING INDONESIA

PT Selamat Sempurna and Subsidiaries

Contact Analyst:
Salyadi Saputra
Ronald Hertanto
Phone: (62-21) 252-5523
E-mail: salyadi.saputra@pefindo.co.id

Corporate Rating *idA*

Rated Issues:
Bond I/2000 *idA*

Rating Period:
July 16, 2004-June 1, 2005

Rating History:
July, 2003 *idA*
July, 2002 *idA*
July, 2001 *idA*
May, 2000 *idA*

FINANCIAL HIGHLIGHTS

as of/for the year ended	31-Mar-04	31-Dec-03	31-Dec-02	31-Dec-01
Total Asset (IDR billion)	637.49	632.61	576.52	567.04
Total Sales (IDR billion)	153.34	637.59	603.35	565.09
Total Equity (IDR billion)	369.49	357.33	408.74	389.36
Gross Margin (%)	26.76	24.13	23.51	28.48
OPBDIT/Operating Income (%)	23.00	21.91	22.94	28.47
Return on Permanent Capital (%)	17.87	16.74	16.23	21.82
Total Debt/(S. Funds + MI) (x)	0.25	0.27	0.27	0.27
Total Debt/Total Assets	0.20	0.21	0.19	0.19
OPBDIT/Gross Interest (x)	8.11	7.91	7.26	7.97
FFO/Total Debt (x)	0.96	0.94	0.94	1.12
(FFO + Interest)/ Gross Interest (x)	6.96	7.12	6.43	6.82

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 "***idA***" rating for PT Selamat Sempurna Tbk. (SMSM or the Company) and its bond of IDR100 bn. The ratings reflect SMSM's steady business growth, conservative capital structure and very strong cash flow protection. SMSM is one of leading auto component manufacturers in Indonesia, producing filters, radiators, condenser brake pipes, mufflers, fuel tanks, and air conditioning parts for many types of cars, heavy duty filters, and other transportation tools. The Company has two subsidiaries, namely PT Andhi Chandra Automotive Products Tbk, which also produces filter with and ownership of 64.9% and PT Panata Jaya Mandiri, a joint venture company with Donaldson of the USA that produces heavy-duty filters for the local market with an ownership of 70%. SMSM is also a member of ADR Group, a group of auto-related companies.

Supporting factors for the ratings are:

- **Steady growth of filter sale in export market**. Since the completion of its expansion in 2001, the company's filter export sales has significantly improved and become a major contributor to its revenue growth. In 2003, filter export in volume grew by 28.9% y-y, while in term of value grew by 19.8% y-y. The success in penetrating the export market has been supported by the Company's strong commitment on product quality and reliability as reflected by its achievements to get ISO-9002, QS-9000 and ISO/TS 16949 certificates. The certificates are strongly required by top world automotive manufactures such as General Motor, Daimler Chrysler, and Ford. In addition, SMSM is the first company in Indonesia who gets the ISO/TS16949 certification.
- **Very-conservative capital structure**. Despite expanding, the Company has managed to maintain its capital structure at a conservative level with debt to equity ratio of only 0.25x at end of 1Q04. The Company's total outstanding debt only amounted to IDR107.8 billion, consisting of IDR100 billion bond issued in 2000 and USD1.9 million L/C facility from Bank Mandiri.
- **Very-strong cash flow protection**. With steady profitability and conservative capital structure, the Company's cash flow protection has been very strong as reflected by high debt coverage – measured by FFO/total debt – in 2003 of 0.96x and interest coverage – measured by FFO+interest/interest – of 7.12x. The Company is expected not to have difficulties to repay bond principal mature in June 2005, as its cash and cash equivalent at the end of 1Q04 has reached IDR84.8 billion and its cash flow from operating activities for a year is estimated to reach at least IDR120 billion. Despite the substantial increase in global price of steel, the major raw material for producing company's products, the Company's margins and profitability have remained strong due to its good strategy in inventory management. The Company always closely monitors the global price trend of its raw materials, so that it can determine the most efficient purchases at the right timing.

Mitigating factor for the ratings is:

- **Stagnant revenue from domestic market**. SMSM's revenues from domestic market in the past two years have been stagnant, although domestic automotive market has positively grown. This indicates that the Company cannot fully capitalize the domestic opportunity into sales. In 2003, SMSM's revenue from domestic market was IDR175.5 billion, down from IDR178.3 billion in 2002. In 1Q04, its domestic sales also slightly declined to IDR43 billion from 1Q03's sales of IDR43.5 billion. This is mainly because the automotive producer that enjoys the highest production growth is Toyota, which is not the user of SMSM's products.

OUTLOOK

A '**stable**' outlook is assigned with the above ratings. As the Company currently operates at more than 90% of capacity, a significant business growth can only be achieved by expansion. Given the size of the Group, the expansion is likely to be financed by borrowing, which could, in turn, make the Company's financial leverage become less conservative.