PT Selamat Sempurna Tbk.

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CREDIT PROFILE

Corporate Rating	*$_{id}$AA-/Stable*
Rated Issues	
Bond II/ 2010	*$_{id}$AA-/Stable*
Rating Period	
April 23, 2010 – April 1, 2011	
Rating History	
April, 2005	*$_{id}$A+/Stable*
July, 2004	*$_{id}$A/Stable*
July, 2003	*$_{id}$A/Stable*
July, 2002	*$_{Id}$A/Stable*
July, 2001	*$_{id}$A/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	**Dec-2009 (audited)**	**Dec-2008 (audited)**	**Dec-2007 (audited)**	**Dec-2006 (audited)**
Total Adjusted Assets [IDR Bn]	941.65	929.75	830.05	716.69
Total Adjusted Debt [IDR Bn]	163.72	194.65	181.32	116.22
Total Adjusted Equity [IDR Bn]	497.82	546.22	482.20	451.06
Total Sales [IDR Bn]	1,374.65	1,353.59	1,064.06	881.12
Net Income [IDR Bn]	132.85	91.47	80.32	66.17
EBIT Margin [%]	13.81	15.73	14.10	13.10
Return on Permanent Capital [%]	25.49	28.83	23.29	20.25
Adjusted Debt/Adj. Equity [X]	0.33	0.36	0.38	0.26
EBITDA/Total Adjusted Debt [X]	1.63	1.45	1.13	1.46
EBITDA/IFCCI [X]	28.90	17.24	18.85	15.04
(Net Operating CF+IP)/IFCCI [X]	30.09	11.61	11.00	7.46
USD Exchange Rate [IDR/USD]	9,400	10,950	9,419	9,020

Return on Permanent Capital = (Annualized EBIT) / Average (Total Adjusted Debt + Total Adjusted Equity + Minority Interest)
EBITDA = (Operating Profit + Depreciation Exp + Amortization Exp)
IFCCI = (Gross Interest Expense + Other Financial Charges + Capitalized Interest); FX Loss not included
** Annualized IP= Interest Payment*
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.

RATIONALE

PEFINDO assigned **$_{id}$AA-** ratings for PT Selamat Sempurna Tbk. (SMSM or the Company) and its proposed bond II/2010 amounting to a maximum of IDR300 billion with a **"stable"** outlook. The ratings reflect SMSM's favorable revenue growth from both filter and radiator productions, relatively conservative capital structure and very strong cash flow protection. The ratings, however, are still constrained by SMSM's high dividend payout ratio and its exposure to commodity price volatility. SMSM is one of the leading auto-component companies in Indonesia, producing filter, radiator and other automotive products such as brake pipes, mufflers and fuel tanks for many types of cars, heavy equipment, and other transportation vehicles. SMSM is a member of ADR Group, a group of auto-related companies. The Company's only subsidiary is PT Panata Jaya Mandiri (PJM), a joint venture company between the Company (70% of ownership) and Donaldson USA (30%), a global player in filter industry. The Company has two major production facilities, consisting of a filter factory with production capacity of 72 million units per year and a radiator factory of 1.2 million units per year. The Company has exported its products to 104 countries and will focus more on global market, currently contributing 76% to total revenue, and after market products.

Supporting factors for the above ratings are:

- ***Favorable revenue growth from both filter and radiator productions***. The Company has consistently maintained its sales value of both filter and radiator products, both of which have recorded CAGR of above 12% during the past 5 years. The favorable growth of filter product has been supported by higher sales volume in export market with 5Y-CAGR of 3.0% and increasing sales price in both domestic and export markets. These two factors have resulted in a significant growth of revenue from filter production to almost IDR1.0 trillion in 2009 from IDR623 billion in 2005. Also in 2009, despite the global crisis since 4Q08, domestic sales of filter grew by 7.4% y-y to IDR275 billion following a 19.7% of price increase, compensating a 5.7% decline in export market value. As for radiator, along with continuously rising price in the domestic market during the years under review, sales value of this product has favorably increased from IDR216 billion in 2005 to IDR346 billion in 2009. Radiator sales value in 2009 also grew by 19.3% y-y from IDR290 billion in 2008, mainly resulting from higher sales volume in both local and export markets. In the past 5 years, radiator sales volume has also grown with CAGR of 12.2% in export market and 9.4% in domestic market. Going forward, as global automotive markets have started to recover, the Company's revenue and sales volume are predicted to continue growing at a moderate rate. The Company's strong commitment on quality as proven by its quality certifications, including those from ISO-9002, QS-9000, ISO/TS 16949 and ISO/IEC 17025:2005 should enable the Company to continue expand its export market and maintain its market position amidst tightening competition.
- ***Relatively conservative capital structure***. The Company's capital structure has been conservative with 5Y-Average Debt to Equity Ratio (DER) figure of 0.32x. As of March 31, 2010, the Company's total outstanding debt in USD and IDR amounted to equivalent of around IDR211 billion, consisting of working capital loan of equivalent to IDR182 billion and L/C facilities of equivalent to IDR29 billion. Despite the proposed bond issuance, SMSM's financial leverage will remain conservative as the proceeds of the proposed bond will be partly used to refinance existing bank loans. The Company's debt to equity ratio is projected to remain below 1x.
- ***Very Strong cash flow protection***. The Company's cash flow protection has been very strong for the past few years as reflected by 5Y-average EBITDA/Total Debt and EBITDA/IFCCI of 1.4x and 18.1x respectively. The very strong cash flow protection resulted from stable profitability and conservative capital structure. Going forward, SMSM's debt and interest coverage are predicted to stay at more than 0.7x and 7x respectively.

Mitigating factors for the above ratings are:

- ***High dividend pay out ratio***. The Company's dividend pay out ratio during the years under review has been high, averaging at almost 79%. In fact, in 2009, SMSM distributed cash dividend of almost IDR180 billion, consisting of final dividend of IDR86.4 billion or 94.4% of 2008 net income and interim dividend of IDR93.6 billion or 70.4% of 2009 net income. As a result, the Company's cash and cash equivalents balance decreased to IDR8.7 billion in 2009 from IDR13.6 billion in 2008. The lowest dividend pay out ratio was in year 2006 at 29.6% of 2005 net income. In the near to medium term, the Company will remain aggressive in dividend policy with pay out ratio of more than 70%.

- ***Exposure to commodity price volatility.*** The Company's imported raw materials accounted for around 90% of total raw material cost or 40-50% of its total production cost. The Company's imported raw materials include steel plates, paper, aluminum and copper, all of which are commodity whose prices fluctuate depending on the global supply and demand dynamics. SMSM's profitability margins have been affected by the escalation of these commodity prices as the Company could not immediately pass on cost increases to its customers.

OUTLOOK

A **"stable"** outlook is assigned to the above ratings. Despite increasing trend of steel-based raw material price and the tendency of IDR/USD appreciation in the near term, the Company's financial profile should remain favorable, mainly supported by demand recovery in international market and the Company's more efficient operation.