PT SELAMAT SEMPURNA Tbk

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CREDIT PROFILE

Corporate Rating *$_{id}$AA-/Stable*

Rated Issues
Bond II/2010/series B&C *$_{id}$AA-*

Rating Period
April 9, 2012 – April 1, 2013

Rating History

APR 2011	*$_{id}$AA-/Stable*
APR 2010	*$_{id}$AA-/Stable*
APR 2005	*$_{id}$A+/Stable*
JUL 2004	*$_{id}$A/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	Dec-2011 (Audited)	Dec-2010 (Audited)	Dec-2009 (Audited)	Dec-2008 (Audited)
Total Adjusted Assets [IDR Bn]	1,136.86	1,067.10	941.65	929.75
Total Adjusted Debt [IDR Bn]	262.49	279.30	163.72	194.65
Total Adjusted Equity [IDR Bn]	670.61	567.68	543.40	587.54
Total Sales [IDR Bn]	1,807.89	1,561.79	1,374.65	1,353.59
Net Income after MI [IDR Bn]	200.87	150.42	132.85	91.47
EBIT Margin [%]	16.40	14.59	13.81	15.73
Return on Permanent Capital [%]	33.31	29.32	25.49	28.83
Adjusted Debt/Adj. Equity [X]	0.39	0.49	0.30	0.33
EBITDA/Total Adjusted Debt [X]	1.47	1.09	1.63	1.45
EBITDA/IFCCI [X]	13.61	12.80	28.90	17.24
(Net Operating CF+IP)/IFCCI [X]	8.94	7.14	30.09	11.61
USD Exchange Rate [IDR/USD]	9,068	8,991	9,400	10,950

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
CF = Cash Flow *IP = Interest Payment* *MI = Minority Interest*
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 affirmed its '**$_{id}$AA-**' ratings of PT Selamat Sempurna Tbk (SMSM or the Company) and its outstanding Bond II/2010 series B and C. The ratings reflect SMSM's favorable revenue growth from both filter and radiator productions, very conservative capital structure, and very strong cash flow protection. The ratings, however, are still constrained by SMSM's 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. 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 almost 2 million units per year.

Supporting factors for the above ratings are:

- ***Favorable revenue growth from both filter and radiator productions***. The Company has consistently maintained the growth of sales value of both filter and radiator products with respective 5-year compound annual growth rate (CAGR) of 14.2% and 13.2%. Along with the favorable growth of Indonesia's automotive industry, in 2011 SMSM favorably increased its filter and radiator sales by 18.0% and 9.0%, respectively. Going forward, as global and domestic automotive markets have continued to grow, the Company's revenue is predicted to continue growing with favorable growth of above 10%. In the domestic market, SMSM has a leading market share in auto filter industry supported by a strategic relationship with a number of global auto component players. With no close competitors focusing on filter products in domestic market, we believe SMSM could maintain its leading position in the industry through this year. The Government policy which urges the manufacturing companies to use some portion of local content for their production process will also be in favor of SMSM revenue growth.
- ***Very conservative capital structure***. Despite a debt increase which was used to finance its increased inventory to anticipate the volatility of raw material price, the Company's capital structure remained very conservative with debt to equity ratio (DER) figure of 0.4x at end of 2011 and Debt to EBITDA ratio of 0.7x. Going forward, SMSM's financial leverage will remain conservative as the Company has no plan to have major expansion this year. The Company's debt to equity ratio is projected to remain below 1x.
- ***Very strong cash flow protection***. The Company's cash flow protection remain very strong as reflected by EBITDA/total debt and EBITDA/IFCCI ratios of 1.5x and 13.6x respectively, in 2011. 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 around 1x and more than 7x respectively.

Mitigating factor for the above ratings is:

- ***Exposure to volatility of raw material price.*** The Company's imported raw materials accounted for around 72% of total raw material cost or more than 50% of its total production cost. The Company's imported raw materials include steel plates, paper, aluminum and copper, all of which are commodity with prices fluctuating 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 the increases to its customers.

OUTLOOK

A **"stable"** outlook is assigned to the Company's rating. The rating may be raised if SMSM could further increase its market position globally, while maintaining its very strong financial profile. However, the rating may be lowered if the Company finances its capital expenditure and business expansions with amount of debt significantly larger than projected.