

# PT SELAMAT SEMPURNA Tbk

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## CREDIT PROFILE

Corporate Rating *idAA-/Stable*

### Rated Issues

Bond II/2010/series B&C *idAA-*

### Rating Period

April 4, 2013 – April 1, 2014

### Rating History

APR 2012 *idAA-/Stable*

APR 2011 *idAA-/Stable*

APR 2010 *idAA-/Stable*

APR 2005 *idA+/Stable*

JUL 2004 *idA/Stable*

## FINANCIAL HIGHLIGHTS

### As of/for the year ended

	Dec-2012 (Audited)	Dec-2011 (Audited)	Dec-2010 (Audited)	Dec-2009 (Audited)
Total Adjusted Assets [IDR Bn]	1,441.2	1,327.8	1,218.7	941.7
Total Adjusted Debt [IDR Bn]	364.9	304.9	306.7	163.7
Total Adjusted Equity [IDR Bn]	820.3	782.9	672.6	543.4
Total Sales [IDR Bn]	2,163.8	2,072.4	1,561.8	1,374.7
Net Income after MI [IDR Bn]	233.2	212.2	150.4	132.9
EBIT Margin [%]	16.8	15.9	14.6	13.8
Return on Permanent Capital [%]	31.9	31.8	27.0	25.5
Adjusted Debt/Adj. Equity [X]	0.4	0.4	0.5	0.3
EBITDA/Total Adjusted Debt [X]	1.3	1.4	1.0	1.6
EBITDA/IFCCI [X]	16.0	13.6	12.8	28.9
(Net Operating CF+IP)/IFCCI [X]	12.9	8.8	7.2	30.1
USD Exchange Rate [IDR/USD]	9,670	9,068	8,991	9,400

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 NR = Not Relevant \* Annualized

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 "*idAA-*" ratings of PT Selamat Sempurna Tbk (SMSM or the Company) and its outstanding Bond II/2010 series C amounting to IDR80 billion. PEFINDO also affirmed its "*idAA-*" rating for SMSM's Bond II/2010 series B amounting to IDR80 billion, which will mature on July 8, 2013. The Company will use its internal cash to repay its maturing bond. The ratings reflect SMSM's relatively strong presence in the replacement market of automotive filter, very conservative capital structure, and very strong cash flow protection figures. 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, dump hoists, and other automotive products such as brake pipes, mufflers and fuel tanks for many types of cars, heavy equipment, and other transportation vehicles. In 2012, SMSM acquired 51% stake in sister company PT Hydraxle Perkasa (HP) for IDR122.5 billion. HP produces dump hoist for trucks, of which 80% are sold to the mining industry and the rest to the plantation and construction sectors. SMSM has three major production facilities, which include a filter factory with production capacity of 96 million units per year, a radiator factory of almost 2 million units per year, and a factory for its Carrosserie products which produces dump hoists of almost 10 thousand units per year. As of Dec. 31, 2012, SMSM's shareholders consisted of PT Adrindo Intiperkasa (58.1%) and public (41.9%).

### Supporting factors for the above ratings are:

- **Relatively strong presence in the replacement market.** With the Company's self-owned brand namely "Sakura" for its filter products and "ADR" for its radiators, we view that SMSM has a relatively strong presence in the replacement market. 90% of SMSM's products are sold to the replacement market, which in our view, is more resilient than the Original Equipment Manufacturer (OEM) market. Despite the slowing global economy which has affected new automotive sales, SMSM's revenue from filters and radiators (82.9% of total revenue in 2012) has grown by a five-year compound annual growth rate (CAGR) of 8.1% to IDR1.8 trillion in 2012 from IDR1.3 trillion in 2008. Despite a decrease in sales volume for both its filter and radiator products in 2012, we expect that sales volume will pick up in the near term as we believe that distributors, will stock up its inventory level to compensate the lesser level in prior year. With no close competitors focusing on filter and radiator products in the domestic market, we believe SMSM could maintain its leading position in the industry going forward.
- **Very conservative capital structure.** Despite higher debt level, which was used to finance its increased inventory in order to anticipate the volatility of raw material price, SMSM's capital structure remained very conservative with debt to equity ratio (DER) of 0.4x as of Dec. 31, 2012 and Debt to Earnings Before Interest, Tax, Depreciation and Amortization expense (EBITDA) ratio of 0.8x. In the near to medium term, we expect SMSM's financial leverage to remain at a conservative level as SMSM has no plan to have major expansion in the medium term. Considering the Company's ample production capacity, its future capital expenditure is expected to be around IDR100 billion per year, of which, will be funded using its internal operating cash flow. SMSM's debt to equity ratio is expected to remain below 1.0x.
- **Very strong cash flow protection.** The Company's cash flow protection remains very strong as reflected by its debt coverage measured by EBITDA to total debt at 1.3x in 2012, and its interest coverage measured by EBITDA to interest expense, financial charges, and capitalized interest (IFCCI) ratios at 16.0x. The very strong cash flow protection is attributable to the Company's stable profitability and conservative capital structure. Following the favorable outlook of the automotive industry, we expect SMSM's debt and interest coverage to stay at a strong level at around 1.5x and 16.0x, respectively.

### Mitigating factor for the above ratings is:

- **Exposure to volatility of raw material price.** Most of the Company's raw materials are imported, which represents 61.3% of total raw material purchase and 45.4% of its total production cost in 2012. The Company's imported raw materials include steel plates, filter paper, aluminum, and brass-copper strip, all of which are commodity with prices fluctuating depending on the global supply and demand dynamics. An unexpected increase in raw material prices, in our view, may squeeze SMSM's margins as the Company could not immediately pass on the increases to its customers.

## OUTLOOK

A "stable" outlook is assigned to the Company's corporate 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 significant amount of debt above our expectation following the lower than expected business growth.

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