

PT Batavia Prosperindo Finance Tbk

Analysts: Handhayu Kusumowinahyu / Kreshna Dwinanta Armand

Phone/Fax/E-mail: (62-21) 72782380 / 72782371 / handhayu.kusumowinahyu@pefindo.co.id / kreshna.armand@pefindo.co.id

CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Jun-2018 (Unaudited)	Dec-2017 (Audited)	Dec-2016 (Audited)	Dec-2015 (Audited)
Corporate Rating	<i>idBBB/Negative</i>	Total assets [IDR bn]	1,956.2	1,571.3	1,037.6	981.9
Rated Issues		Net receivables [IDR bn]	1,488.1	1,267.8	832.4	812.9
Shelf Reg. Bond I Phase II/2017	<i>idBBB</i>	Net service assets [IDR bn]	1,702.4	1,472.5	1,180.5	1,018.8
Shelf Reg. Bond II/2018	<i>idBBB</i>	Total equity [IDR bn]	759.8	621.7	503.8	499.4
Rating Period		Net interest revenue [IDR bn]	90.4	141.5	105.4	113.9
October 15, 2018 – March 1, 2019		Net income [IDR bn]	39.0	48.9	33.9	41.4
Rating History		Cost to income [%]	56.8	64.8	61.2	54.9
MAR 2018	<i>idBBB/Stable</i>	Operating profit margin [%]	22.8	16.8	17.4	22.4
MAR 2017	<i>idBBB/Stable</i>	ROAA [%]	*4.0	3.1	2.6	3.2
MAR 2016	<i>idBBB/Stable</i>	NPR-balance/NSA [%]	7.3	5.7	5.7	5.3
APR 2015	<i>idBBB/Stable</i>	Reserves/NSA [%]	1.6	1.2	0.7	0.5
APR 2014	<i>idBBB/Stable</i>	Equity/NSA [%]	44.6	42.2	42.7	49.0
APR 2013	<i>idBBB/Stable</i>	Total debt/equity [x]	1.5	1.5	1.0	0.9
		Short-term liquidity ratio [%]	551.6	208.9	308.6	157.4
		USD exchange rate [IDR/USD]	14,404	13,548	13,436	13,795

*annualized

ROAA=return on average assets. NPR=non-performing receivables >30 days. NSA=net service assets.

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.

PT Batavia Prosperindo Finance Tbk's rating outlook revised to "negative"

PEFINDO has revised the corporate rating outlook of PT Batavia Prosperindo Finance Tbk (BPFI) to **"negative"** from **"stable"**. The outlook revision reflects PEFINDO's concern over the increasing liquidity risk in multifinance industry, particularly those without strong affiliation with banks as sustainable funding source or reputable brand principals as potential source of captive market. Due to increasing non-performing loans and default cases from multifinance under that category during the past few years, banks and investors are becoming very selective in providing funding. Although the Company may still have bank loan facilities available, most of them are uncommitted ones. Banks providing uncommitted credit facilities have the discretion not to disburse the loan when requested, and this is beyond the debtors' control. Lack of funding may lower the Company's new booking activities to support its revenue generation. Without substantial amount of new booking, source of incoming cash flow will come mostly from collection of its outstanding receivables which are vulnerable to asset quality deterioration. We do not project such risk to diminish in the near to medium term as we anticipate the unfavorable macroeconomic condition to continue due to the weakening IDR exchange rate and increasing interest rate. BPFI's corporate rating and the ratings of its outstanding Shelf Registration Bond I Phase II/2017 and Shelf Registration Bond II/2018 are affirmed at **"idBBB"**.

An obligor rated *idBBB* has an adequate capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, adverse economic conditions or changing circumstances are more likely to weaken its capacity to meet its financial commitments.

The rating reflects BPFI's established presence in the used car segment and its strong capitalization. However, the rating is constrained by its below average asset quality, low operating efficiency, and tight competition within the industry.

The rating may be lowered if the Company's new booking deteriorate significantly due to the tightening funding sources, as this could lower its market presence in the industry and lead to a weaker assessment of its business risk profile. Material decrease in its asset quality or profitability performance could also drive the rating downward. PEFINDO may revise the outlook to **"stable"** if the Company could show evidence of sustainable funding sources despite current situation and manage to boost its new financing growth and financial performance in line with its business projection.

BPFI is a multi-finance company focusing mainly on used car financing. As of June 30, 2018, it operated through one head office and 71 branches, supported by 1,277 employees. It is 71.8% owned by Malacca Trust Limited directly and indirectly through subsidiaries, 5.6% by UOB Kay Hian Pte Ltd, while the remaining 22.6% is publicly traded. Malacca Trust Limited is a financial services group operating in consumer financing, asset management, securities brokerage, and insurance.

DISCLAIMER

PT Pemeringkat Efek Indonesia (PEFINDO) does not guarantee the accuracy, completeness, timeliness or availability of the contents of this report or publication. PEFINDO cannot be held liable for its use, its partial use, or its lack of use, in combination with other products or used solely, nor can it be held responsible for the result of its use or lack of its use in any investment or other kind of financial decision making on which this report or publication is based. In no event shall PEFINDO be held liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses including but not limited to lost profits and opportunity costs in connection with any use of the contents of this report or publication. Credit analyses, including ratings, and statements in this report or publication are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. The contents cannot be a substitute for the skill, judgment and experience of its users, its management employees and/or clients in making investment or other business decisions. PEFINDO also assumes no obligation to update the content following publication in any form. PEFINDO does not act as fiduciary or an investment advisor. While PEFINDO has obtained information from sources it believes to be reliable, PEFINDO does not perform an audit and does not undertake due diligence or independent verification of any information used as the basis of and presented in this report or publication. PEFINDO keeps the activities of its analytical units separate from its business units to preserve independence and objectivity of its analytical processes and products. As a result, certain units of PEFINDO may have information that is not available to other units. PEFINDO has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. PEFINDO may receive compensation for its ratings and other analytical work, normally from issuers of securities. PEFINDO reserves the right to disseminate its opinions and analyses. PEFINDO's public ratings and analyses are made available on its website, <http://www.pefindo.com> (free of charge) and through other subscription-based services, and may be distributed through other means, including via PEFINDO publications and third party redistributors. Information in PEFINDO's website and its use fall under the restrictions and disclaimer stated above. Reproduction of the content of this report, in full or in part, is subject to written approval from PEFINDO.