Press Release
October 17, 2018

PT Batavia Prosperindo Finance Tbk

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CREDIT PROFILE

Corporate Rating *$_{id}$BBB/Negative*

Rated Issues

Shelf Reg. Bond I Phase II/2017	*$_{id}$BBB*
Shelf Reg. Bond II/2018	*$_{id}$BBB*

Rating Period
October 15, 2018 – March 1, 2019

Rating History

MAR 2018	*$_{id}$BBB/Stable*
MAR 2017	*$_{id}$BBB/Stable*
MAR 2016	*$_{id}$BBB/Stable*
APR 2015	*$_{id}$BBB/Stable*
APR 2014	*$_{id}$BBB/Stable*
APR 2013	*$_{id}$BBB/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	Jun-2018 (Unaudited)	Dec-2017 (Audited)	Dec-2016 (Audited)	Dec-2015 (Audited)
Total assets [IDR bn]	1,956.2	1,571.3	1,037.6	981.9
Net receivables [IDR bn]	1,488.1	1,267.8	832.4	812.9
Net service assets [IDR bn]	1,702.4	1,472.5	1,180.5	1,018.8
Total equity [IDR Bn]	759.8	621.7	503.8	499.4
Net interest revenue [IDR bn]	90.4	141.5	105.4	113.9
Net income [IDR bn]	39.0	48.9	33.9	41.4
Cost to income [%]	56.8	64.8	61.2	54.9
Operating profit margin [%]	22.8	16.8	17.4	22.4
ROAA [%]	*4.0	3.1	2.6	3.2
NPR-balance/NSA [%]	7.3	5.7	5.7	5.3
Reserves/NSA [%]	1.6	1.2	0.7	0.5
Equity/NSA [%]	44.6	42.2	42.7	49.0
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 **"$_{id}$BBB"**.

An obligor rated $_{id}$BBB 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.

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