

PT Andalan Finance Indonesia

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
Corporate Rating	idA-/Negative	As of/for the year ended	Sep-2018 (Unaudited)	Dec-2017 (Audited)	Dec-2016 (Audited)	Dec-2015 (Audited)
Rated Issues		Total assets [IDR bn]	6,599.9	5,604.6	4,344.7	3,950.0
MTN I/2018 (proposed)	idA-	Net receivables [IDR bn]	6,086.3	5,208.9	4,060.3	3,485.4
		Net service assets [IDR bn]	6,521.3	6,089.6	5,061.4	4,266.8
Rating Period		Total equity [IDR bn]	765.6	671.6	595.5	517.5
October 15, 2018 – April 1, 2019		Net interest revenue [IDR bn]	325.9	389.1	258.9	189.0
		Net income [IDR bn]	64.4	91.7	79.1	60.8
Rating History		Cost to income [%]	67.9	66.4	67.7	63.4
APR 2018	idA-/Stable	Operating profit margin [%]	10.5	11.5	11.5	7.1
		ROAA (including off-balance) [%]	*1.3	1.6	1.6	1.4
		NPR-balance/NSA [%]	4.8	4.4	4.0	4.5
		Reserves/NSA [%]	1.7	1.7	1.6	2.3
		Equity/NSA [%]	11.7	11.0	11.8	12.1
		Total debt (on-balance)/equity [x]	¹⁾ 6.5	7.1	6.1	6.2
		Short-term liquidity ratio [%]	111.7	153.1	145.3	138.7
		USD exchange rate [USD/IDR]	14,929	13,548	13,436	13,795

*Annualized
¹⁾Including sub-loan as equity
 ROAA=return on average assets - calculated using profit after tax or net profit, including joint financing
 NPR-balance=non-performing receivables (overdue> 30 days)
 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.

PEFINDO revised PT Andalan Finance Indonesia's rating outlook to "negative" from "stable"

PEFINDO has revised the rating outlook of PT Andalan Finance Indonesia (Andalan Finance) to "negative" from "stable". Meanwhile, PEFINDO maintains the rating of Andalan Finance and its proposed Medium-Term Notes (MTN) I/2018 with a maximum amount of IDR2 trillion at "idA-".

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 of IDR exchange rate and increasing interest rate.

An obligor rated idA has a strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, the obligor is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors. The minus (-) sign indicates that the rating is relatively weak within the respective rating category.

The corporate rating reflects Andalan Finance's strong business integration with its affiliated dealers and strong business position. However, the rating is constrained by the Company's modest capitalization, below average profitability, and moderate asset quality.

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 maintain its new financing growth and financial performance in line with its business projection.

Andalan Finance is a financing company focused on used and new car financing. It acts as the financing arm for its affiliate Nasmoco Group, which holds the Toyota car dealerships for Central Java and Yogyakarta provinces. Andalan Finance was owned by PT Industri dan Perdagangan Bintraco Dharma Tbk (60.23%) and PT New Ratna Motor (39.77%). Its business operation is supported by 2,005 employees and 42 branches/marketing offices across Java and several major cities in Medan, Pontianak, Makassar, and Denpasar.

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