

PT Mandala Multifinance Tbk

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Dec-2019	Dec-2018	Dec-2017	Dec-2016	
		(Audited)	(Audited)	(Audited)	(Audited)	
Corporate Rating	<i>idA/Negative</i>					
Rated Issues						
<i>Shelf Reg. Bond III/2018</i>	<i>idA</i>					
Rating Period						
<i>April 1, 2020 – April 1, 2021</i>						
<i>April 1, 2020 – July 9, 2020 for Shelf Reg. Bond III Phase II Year 2019 Series A</i>						
Rating History						
<i>APR 2019</i>	<i>idA/Stable</i>					
<i>OCT 2018</i>	<i>idA/Negative</i>					
<i>APR 2018</i>	<i>idA/Stable</i>					
<i>FEB 2018</i>	<i>idA/Stable</i>					
<i>FEB 2017</i>	<i>idA/Negative</i>					
<i>FEB 2016</i>	<i>idA/Stable</i>					
<i>FEB 2015</i>	<i>idA/Stable</i>					
<i>APR 2014</i>	<i>idA/Stable</i>					
<i>APR 2013</i>	<i>idA/Stable</i>					
<i>APR 2012</i>	<i>idA/Stable</i>					
<i>DEC 2011</i>	<i>idA/Stable</i>					
		Total assets [IDR bn]	4,726.2	3,621.7	3,215.2	3,562.2
		Net receivables [IDR bn]	4,402.5	3,282.1	2,910.4	3,263.0
		Net service assets [IDR bn]	4,504.4	3,363.0	2,947.0	3,311.0
		Total equity [IDR bn]	2,277.9	2,060.7	1,934.0	1,813.4
		Net interest revenue [IDR bn]	1,539.6	1,317.0	1,248.2	1,183.2
		Net income [IDR bn]	377.1	333.3	332.9	255.3
		Cost to income [%]	54.8	58.2	57.7	64.7
		Operating profit margin [%]	30.6	31.0	31.8	23.8
		ROAA [%]	9.0	9.7	9.8	6.1
		NPR-balance/NSA [%]	3.2	4.3	2.7	3.4
		Reserves/NSA [%]	1.9	1.2	0.8	1.0
		Equity/NSA [%]	50.6	61.3	65.6	54.8
		Total debt/equity [x]	0.9	0.7	0.6	0.9
		Short-term liquidity ratio [%]	278.9	371.6	351.5	271.3
		USD exchange rate [USD/IDR]	13,901	14,481	13,548	13,436

ROAA=return on average assets (including off balance sheet). NPR=non-performing receivables. 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.

Mandala Finance's rating outlook revised to "negative"

PEFINDO has revised the corporate rating outlook of PT Mandala Multifinance Tbk (Mandala Finance) to "negative" from "stable". Mandala Finance's corporate rating and the rating of its outstanding Shelf Registration Bond III are affirmed at "idA". The outlook revision reflects PEFINDO's concern over the fallout of the COVID-19 outbreak that may significantly impact on the financing industry in terms of growth, asset quality, and profitability. Without substantial amount of new booking, source of incoming cash flow will come mostly from collection of its outstanding receivables which are also vulnerable to asset quality deterioration under this soft economic condition. This may, also in turn, increasing their exposure to refinancing risk for maturing debts, thus, they are challenged in meeting their funding needs amid liquidity risks. Independent finance companies have more exposure to such risks compared to those with shareholding links to banks that have a competitive edge and more stable funding access, in our view. Although the newly released POJK 11/POJK.03/2020 allows finance companies to restructure the accounts impacted by COVID-19 outbreak to maintain manageable asset quality ratios, the implementation also carries a moral hazard risk, in a sense that non-affected debtors may be tempted to stop paying their installments.

Should the COVID-19 outbreak prolong beyond expectation, this may have a significant impact on Mandala Finance's credit profile, considering around 74% of its debtors are non-fixed income earners from the low-to-middle-income segments. PEFINDO is of the view that these segments have high risk of uncertainty over collection performance, particularly in the face of an economic downturn. Although it has generated more than 80% of its financing portfolio from areas outside Java that less significantly impacted by the COVID-19 spread compared to Java areas, we anticipate the impact will eventually grow higher in the near term. The risk, however, is partially mitigated by Mandala Finance's strong underwriting policy and tight control over account collection. Its high margin business combined with conservative leverage may also provide Mandala Finance with additional cushion in fulfilling its maturing financial liabilities. PEFINDO will continue to closely monitor how significant the impact of COVID-19 to the Company's performance.

Mandala Finance's Shelf-Registration Bond III Phase II Year 2019 Series A amounting to IDR271 billion is maturing on July 9, 2020. The Company's readiness to pay for the maturing bond is supported by its monthly receivables collection of around IDR415 billion, as well as cash and cash equivalents of IDR54.7 billion as of December 31, 2019 (FY2019).

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 corporate rating reflects the Company's very strong capitalization, strong profitability performance, and established presence in the motorcycle financing business outside Java. However, the rating is constrained by challenges to grow new financing and tight competition in the industry.

The rating may be lowered if the Company's new booking deteriorate significantly due to the COVID-19 outbreak, 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 manage to grow its new financing and maintain its financial performance.

Mandala Finance focuses on new and used motorcycle financing. Its ultimate major shareholder, PT Jayamandiri Gemasejati, and its affiliate, PT Lautan Teduh Interniaga, hold the Yamaha dealerships in West Java and Lampung, respectively. However, the Company's business is not solely focused on Yamaha motorcycles, as it also provides financing for other brands, such as Honda and Suzuki. As of FY2019, its shareholders were PT Jayamandiri Gemasejati (70.42%), Alex Hendrawan (5.06%), and the public (24.52%).

DISCLAIMER

The rating contained in this report or publication is the opinion of PT Pemeringkat Efek Indonesia (PEFINDO) given based on the rating result on the date the rating was made. The rating is a forward-looking opinion regarding the rated party's capability to meet its financial obligations fully and on time, based on assumptions made at the time of rating. The rating is not a recommendation for investors to make investment decisions (whether the decision is to buy, sell, or hold any debt securities based on or related to the rating or other investment decisions) and/or an opinion on the fairness value of debt securities and/or the value of the entity assigned a rating by PEFINDO. All the data and information needed in the rating process are obtained from the party requesting the rating, which are considered reliable in conveying the accuracy and correctness of the data and information, as well as from other sources deemed reliable. PEFINDO does not conduct audits, due diligence, or independent verifications of every information and data received and used as basis in the rating process. PEFINDO does not take any responsibility for the truth, completeness, timeliness, and accuracy of the information and data referred to. The accuracy and correctness of the information and data are fully the responsibility of the parties providing them. PEFINDO and every of its member of the Board of Directors, Commissioners, Shareholders and Employees are not responsible to any party for losses, costs and expenses suffered or that arise as a result of the use of the contents and/or information in this rating report or publication, either directly or indirectly. PEFINDO generally receives fees for its rating services from parties who request the ratings, and PEFINDO discloses its rating fees prior to the rating assignment. PEFINDO has a commitment in the form of policies and procedures to maintain objectivity, integrity, and independence in the rating process. PEFINDO also has a “Code of Conduct” to avoid conflicts of interest in the rating process. Ratings may change in the future due to events that were not anticipated at the time they were first assigned. PEFINDO has the right to withdraw ratings if the data and information received are determined to be inadequate and/or the rated company does not fulfill its obligations to PEFINDO. For ratings that received approval for publication from the rated party, PEFINDO has the right to publish the ratings and analysis in its reports or publication, and publish the results of the review of the published ratings, both periodically and specifically in case there are material facts or important events that could affect the previous ratings. Reproduction of the contents of this publication, in full or in part, requires written approval from PEFINDO. PEFINDO is not responsible for publications by other parties of contents related to the ratings given by PEFINDO.