PT Jaminan Kredit Indonesia (Jamkrindo) rated "AA+" with stable outlook

PEFINDO has assigned its "AA+" financial strength rating to PT Jaminan Kredit Indonesia (Jamkrindo). The outlook for the rating is "stable".

A guarantee company rated AA has very strong financial security characteristics relative to other companies in Indonesia, differing only slightly from those rated higher. The Plus (+) sign indicates that the rating is relatively strong within the respective rating category.

The rating reflects Jamkrindo’s important role to the Indonesian government, its very strong business position in the credit guarantee business, and its very strong capitalization profile. However, these strengths are partly offset by its moderate operating performance.

The rating may be raised if there is further evidence of stronger support from the government, accompanied by improvement on its profitability indicators on a sustainable basis. Conversely, the rating could be under pressure if there is a substantial decline in its business position, or if PEFINDO is of the view that there is a material decline in government support. Major disruption in the government’s credit program may affect its business position as well as its importance to the government.

We are of the view that social distancing initiatives amid the COVID-19 pandemic has moderately impacted the credit guarantee industry's generation of new business, as a result of declining new loan disbursement by banks and finance companies. In addition, claim activities may increase following the weaker macro-economic condition that is affecting debtors’ repayment capabilities, although this is partly mitigated by the relaxation scheme for eligible debtors affected by COVID-19. We expect the credit guarantee industry to further top up its reserve provision and to likely register underwriting losses. Low interest rate conditions and heightening investment market volatility will also weigh on industry players' profitability and slow capital accumulation over the near term. However, credit guarantee companies typically have a key position in their niche market, and have evidently been able to manage modest growth in their guarantee volumes. We expect the industry to maintain a sufficient buffer over its regulatory solvency requirements, supported by a re-guarantee scheme. We view the industry’s liquidity as adequate with sufficient holdings of liquid assets, which remain supportive of its short-term repayment needs.

We are of the view that the impact of COVID-19 on Jamkrindo’s overall credit profile will remain manageable given its very strong capitalization and liquidity, as well as its important role to the government. However, we also observe Jamkrindo’s concentration risk to the government guarantee program for micro and small enterprises (Kredit Usaha Rakyat or KUR) which accounted for more than 60% of its gross guarantee fee. This product is considered to have a high-risk profile given the targeted segment is prone to repayment capability deterioration particularly during the pandemic, reflected by its high claim ratio. We will closely monitor the industry and the Company's performance during this pandemic, particularly in regard to its business risk profile as well as its liquidity position to cover its financial liabilities.

Jamkrindo was established in 1970 as Lembaga Jaminan Kredit Koperasi (LJKK). Jamkrindo owned by PT Bahana Pembinaan Usaha Indonesia at 99.99998%, while the remainder own by the Government of Indonesia through its Series A Dwivartha shares. It provides credit guarantee services to cooperatives, and micro, small and medium-sized enterprises (MSMEs) through various guarantee products. It has been a guarantor of the KUR, a government loan program since 2007. In addition to its head office in Jakarta, it had 56 branch offices and 16 unit offices in major cities in Indonesia, with 935 permanent employees as of September 30, 2020.
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