

PT Permodalan Nasional Madani (Persero)

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Mar-2021	Dec-2020	Dec-2019	Dec-2018	
		(Audited)	(Audited)	(Audited)	(Audited)	
Corporate Rating	<i>idA+/Positive</i>					
Rated Issues						
<i>Sukuk Mudharabah IV/2020</i>	<i>idA+(sy)</i>	Total assets [IDR bn]	35,102.7	31,664.9	24,906.5	17,552.7
<i>SR Sukuk I/2020</i>	<i>idA+(sy)</i>	Net receivables [IDR bn]	27,092.4	22,942.8	19,040.9	13,394.1
<i>Sukuk Mudharabah III/2019</i>	<i>idA+(sy)</i>	Net service assets [IDR bn]	27,930.1	23,733.1	19,327.9	13,471.5
<i>Shelf Reg. Bond III/2019</i>	<i>idA+</i>	Total equity [IDR bn]	5,783.3	5,586.9	2,864.5	1,893.6
<i>Sukuk Mudharabah II/2018</i>	<i>idA+(sy)</i>	Net interest revenue [IDR bn]	1,205.3	3,915.5	3,329.0	2,150.2
<i>MTN XIX/2018</i>	<i>idA+</i>	Net income [IDR bn]	186.4	358.6	977.3	67.8
<i>MTN XVII/2018</i>	<i>idA+</i>	Cost to income [%]	**80.9	**87.4	**83.6	94.4
<i>Shelf Reg. Bond II/2017</i>	<i>idA+</i>	Operating profit margin [%]	**10.8	**3.6	**7.1	3.0
<i>Shelf Reg. Bond I/2014</i>	<i>idA+</i>	ROAA [%]	***2.2	1.3	4.6	0.5
		Non-performing loan ratio [%]	0.8	1.0	1.3	1.4
		Reserves/net service assets [%]	3.0	3.3	1.5	0.6
		Equity/net service assets [%]	20.7	23.5	14.8	14.1
Rating Period		Total debt/equity [x]	4.3	4.0	6.9	7.5
<i>July 16, 2021 – July 1, 2022</i>		Short-term liquidity ratio [%] *	269.7	269.7	324.3	492.7
		USD exchange rate [USD/IDR]	14,572	14,105	13,901	14,481
Rating History						
<i>FEB 2020</i>	<i>idA+/Stable</i>					
<i>AUG 2020</i>	<i>idA+/Negative</i>					
<i>MAY 2020</i>	<i>idA+/Negative</i>					
<i>OCT 2019</i>	<i>idA+/Stable</i>					
<i>DEC 2018</i>	<i>idA+/Stable</i>					
<i>APR 2017</i>	<i>idA+/Stable</i>					
<i>SEP 2016</i>	<i>idA+/Stable</i>					
<i>SEP 2015</i>	<i>idA+/Stable</i>					

*Adjusted figures, excluding installment reserve fund and other minor items

**Grants are classified as other operating income

***Annualized

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.

PNM rated *idA+*, outlook revised to "positive"

PEFINDO has affirmed its "*idA+*" ratings for PT Permodalan Nasional Madani (Persero) (PNM) and its outstanding Shelf Registration Bond I/2014, Shelf Registration Bond II/2017, Shelf Registration Bond III/2019, and Medium-Term Notes (MTN) XIX/2018. PEFINDO has also affirmed its "*idA+(sy)*" ratings for PNM's Sukuk Mudharabah II/2018, Sukuk Mudharabah III/2019, Sukuk Mudharabah IV/2020 and Shelf Registration Sukuk I/2020. The rating outlook has been revised to "positive" from "stable", reflecting our view on that the ongoing process of the establishment of the holding company for ultra-micro, micro and small segments will enhance PNM credit profile. With the holding structure led by PT Bank Rakyat Indonesia Tbk (BRI, *idAAA/stable*), which also includes PT Pegadaian (Pegadaian, *idAAA/stable*), PNM will benefit from better access to funding and capital support both for expansion and particularly during the times of need. The government's control over PNM will remain through Dwiwarna shares. This structure has been approved as stipulated in PP No. 73 Year 2021 and PEFINDO is of the view that there is strong likelihood for this plan to be realized in the near term.

PNM's Sukuk Mudharabah III Year 2019 Serie A of IDR435 billion and Serie D of IDR350 billion will mature on September 24, 2021. Its readiness to pay for the maturing bond is supported by its cash and cash equivalents of IDR3.5 trillion, monthly receivables collection of IDR2.7 trillion, and unused credit facilities of IDR1.4 trillion as of March 31, 2021.

An obligor rated *idA* has a strong capacity to meet its long-term financial commitments relative to those 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 Plus (+) sign indicates that the rating is relatively strong within the respective rating category.

The suffix (sy) means the rating mandates compliance with Islamic principles.

The corporate rating reflects PNM's strong support from the Indonesian government, strong business position, and strong liquidity and financial flexibility. The rating is constrained by its moderate asset quality and high operating expense.

The rating may be raised if the holding transaction is realized as planned. The rating outlook could be revised back to stable if the holding process is cancelled or delayed without clear timetable.

PEFINDO is of the view that the pandemic has a significant adverse impact on the micro-financing industry in terms of growth, asset quality, and profitability, particularly emanating from the economic sectors directly impacted, such as trading, tourism, and transportation. Although POJK 58/POJK.05/2020 allows it to restructure its accounts impacted by the pandemic to maintain manageable asset quality ratios, the deterioration of cash flow is unavoidable. We are of the view that the household sector is one of the most significantly affected, which is compounded by the fact that a vast majority of PNM's debtors are non-fixed income earners from the low-income segment. However, PNM has strong support from the government, and given its status as a state-owned company, it enables it to maintain stable access to funding. This will counter-balance concerns of the possibility of

encountering significant challenges in maintaining new financing disbursements and collection activities in case of the resurgence of the pandemic, as the business model relies heavily on face-to-face contacts and meetings.

PNM is a financial institution that provides loans and technical assistance to MSMEs as well as cooperatives. As of 1Q2021, it had 62 branches, 626 micro capital service units (ULAMM) units, and 2,735 Mekaar offices, focusing on ultra-micro businesses across Indonesia through offering products and services to more than 8.9 million active clients. It is 100% owned by the Indonesian government.

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.