

PT Danareksa Finance

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
Corporate Rating	<i>idA-/Stable</i>	As of/for the year ended	Jun-2021	Dec-2020	Dec-2019	Dec-2018
			(Unaudited)	(Audited)	(Audited)	(Audited)
Rated Issues	-	Total assets [IDR bn]	636.2	626.5	646.4	367.8
		Net receivables [IDR bn]	472.4	549.2	585.2	340.3
		Net service assets [IDR bn]	534.4	611.3	630.7	386.9
Rating Period	<i>September 1, 2021 – September 1, 2022</i>	Total equity [IDR bn]	344.2	338.4	335.0	122.9
		Net interest revenue [IDR bn]	22.0	47.6	28.0	17.2
		Net income [IDR bn]	12.2	15.9	12.6	4.5
		Cost to income [%]	32.2	40.1	53.4	66.0
Rating History	-	Operating profit margin [%]	44.3	30.3	24.9	16.7
		ROAA (including off-balance) [%]	*3.9	2.5	2.5	1.7
		NPR-balance/net service assets [%]	12.1	11.0	10.8	17.7
		Reserves/net service assets [%]	11.6	10.1	7.2	12.1
		Equity/net service assets [%]	64.4	55.4	53.1	31.8
		Total debt (on balance)/equity [x]	0.8	0.8	0.9	2.0
		Short-term liquidity ratio [%]	60.2	50.5	66.7	60.7
		USD exchange rate [USD/IDR]	14,500	14,050	13,883	14,380
		<i>*Annualized</i>				
		ROAA=return on average assets (including off balance sheet)				
		NPR=non-performing receivables, overdue >30 days				
		<i>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.</i>				

PT Danareksa Finance rating assigned at "idA-"

PEFINDO has assigned its "idA-" corporate rating for PT Danareksa Finance (Danareksa Finance). The outlook for the corporate rating is "stable".

An obligor rated idA has a strong capacity to meet its long-term financial commitments relative to those of other Indonesian obligors. However, it 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 its category.

The rating reflects Danareksa Finance's strong likelihood of support from PT Danareksa (Persero) (Danareksa or the Parent), above average capitalization, and moderate profitability. However, the rating is constrained by its exposure to concentration risk, and below average asset quality.

The rating may be raised if PEFINDO sees a higher degree of support from Danareksa, as a result of Danareksa Finance's consistently higher contribution to the Parent due to improving business and financial profiles. The rating may be lowered if there is evidence of lower support from the Parent, which may be indicated by a material decline in ownership, or if its importance to Danareksa weakens substantially due to a deterioration in its market position, asset quality or profitability indicators.

PEFINDO is of the view that the COVID-19 pandemic has significantly impacted the financing industry in terms of growth, asset quality, and profitability, particularly from economic sectors that are directly impacted such as hotels, tourism, restaurants, and transportation. Manufacturing and commodity-based trading sectors are also affected at a lesser degree, as people's access to work sites is limited. Borrowers from these sectors are significantly affected, resulting in a lower ability to repay their financial obligations, thus affecting the financial profiles of finance companies. Although the POJK 58/POJK.05/2020 allows finance companies to restructure accounts impacted by COVID-19 to maintain manageable asset quality ratios, implementation also carries a moral hazard risk as a non-affected borrower may be tempted to stop paying their installments.

We expect the COVID-19 pandemic to have a manageable impact on Danareksa Finance's credit profile, considering its strong support from the Parent and its above average capitalization profile. However, it also had exposure to manufacturing sector of around 39.0% of its total financing as of June 2021, which we view is heavily impacted by the pandemic. A significant rise in financing delinquencies from these sectors will put additional pressure on its already below average asset quality profile.

Established in August 1992, Danareksa Finance is engaged in factoring and leasing. It operates through head office in Jakarta supported by 16 employees. As of June 30, 2021, it was 99.9997% owned by PT Danareksa (Persero) and 0.0003% owned by PT BRI Danareksa Sekuritas.

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.