PEFINDO CREDIT RATING INDONESIA

Selamat Sempurna Tbk. dan Anak Perusahaan

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Corporate Rating ***idA***

Rated Issues:
Bond I/2000 ***id A***

Rating Period:
July 8, 2002–June 1, 2003

Rating History:
July, 2001 ***idA***
May, 2000 ***idA***

FINANCIAL HIGHLIGHTS

as of/for the year ended	**31-Mar-02**	**31-Dec-01**	**31-Dec-00**	**31-Dec-99**
Total Asset (IDR billion)	613.13	567.04	529.84	301.69
Total Sales (IDR billion)	158.14	565.09	502.85	359.36
Total Equity (IDR billion)	406.50	389.36	342.21	231.36
Gross Margin (%)	28.17	28.48	27.60	32.22
OPBDIT/Operating Income (%)	27.91	28.47	26.71	30.70
Return on Permanent Capital (%)	22.35	21.82	20.44	31.72
Total Debt/(S. Funds + MI) (x)	0.34	0.27	0.30	0.10
Total Debt/Total Assets	0.22	0.19	0.19	0.07
OPBDIT/Gross Interest (x)	8.42	7.97	10.02	6.20
FFO/Total Debt (x)	0.90	1.12	1.05	3.33
(FFO + Interest)/ Gross Interest) (x)	6.89	6.82	9.04	5.15

FFO=funds from operation
OPBDIT=operating profit before depreciation interest and tax

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.

RATING RATIONALE

PEFINDO affirmed its rating of ***idA*** for PT Selamat Sempurna Tbk. (SMSM)'s IDR100 bn bonds. SMSM is one of leading auto component manufacturers in Indonesia, specializing in filter and radiator products. The Company has two subsidiaries namely PT Andhi Chandra Automotive Products Tbk, another filter producer with 64.9% ownership and PT Panata Jaya Mandiri, a 70%- owned joint venture company with Donaldson of the USA that produces heavy-duty filters for the local market. SMSM is a member of ADR Group, a group of auto-related companies.

Supporting factors for the rating are:

- **Strong presence in filter market.** Domestically, SMSM is the market leader in filter products, especially in after market segment. The Company's capability to maintain and strengthen its export sale has allowed it to have more stable business compared to those that focus on domestic market. The Company's business position should further strengthen if its new factory can operate at optimum production by the end of this year.
- **Highly favorable capital structure.** Although the Company partially financed its expansion with additional debt, its capital structure remained favorable with DER of only 0.27x as of March 31, 2002. SMSM's total outstanding debt amounted to IDR139.8 billion as of March 31, 2002, consisting of IDR100 billion bond issued in 2000 and IDR39.8 billion overdraft facility loan from Bank Mandiri. As the Company had a significant amount of liquidity surplus, it has reduced the loan amount from Bank Mandiri to only IDR8.3 billion as of May 31, 2002.
- **Very-strong cash flow protection.** The Company's cash flow protection has been very strong with total debt coverage of more than 1.0x and interest coverage of more than 6.0x. The repayment of the overdraft facility should further lighten its cash flow burden.

Mitigating factors for the rating are:

- **Insignificant presence in global market.** Despite its growing export revenue and capacity expansion, SMSM's presence in the global market is still very small. Additionally, global market is now increasingly competitive with major threats coming from China, Korea and Thailand. The tightening competition could in turn weaken the Company's margins.
- **Operating margin is sensitive to currency exchange rate.** As about 67% of revenues come from the export sale while most of production costs and financial costs are in Rupiah, SMSM's margin mostly weakens when Rupiah exchange rate against US Dollar strengthens.

OUTLOOK

A Stable outlook is assigned with the above rating. Due to the tightening competition in global market and unstable condition in domestic market, the Company's margin could further weaken. However, the operation of the new factory and the favorable financial profile would lighten the impact of the weakening margin.