PT SELAMAT SEMPURNA Tbk

Analysts: Doni Kuswantoro / Vonny Widjaja
Phone/Fax/E-mail: (62-21) 72782380 / 72782370 / doni.kuswantoro@pefindo.co.id

CREDIT PROFILE

Corporate Rating *idAA-/Stable*

Rated Issues
Bond II/2010/series A *idAA-*
Bond II/2010/series B&C *idAA-*

Rating Period
Bond II/2010/series A:
April 11, 2011 – July 13, 2011
Corporate and Bond II/2010/series B & C:
April 11, 2011 – April 1, 2012

Rating History

APR 2010	*idAA-/Stable*
APR 2005	*idA+/Stable*
JUL 2004	*idA/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	Dec-2010 (audited)	Dec-2009 (audited)	Dec-2008 (audited)	Dec-2007 (audited)
Total Adjusted Assets [IDR Bn]	1,067.10	941.65	929.75	830.05
Total Adjusted Debt [IDR Bn]	279.30	163.72	194.65	181.32
Total Adjusted Equity [IDR Bn]	519.37	497.82	546.22	482.20
Total Sales [IDR Bn]	1,561.79	1,374.65	1,353.59	1,064.06
Net Income [IDR Bn]	150.42	132.85	91.47	80.32
EBIT Margin [%]	14.59	13.81	15.73	14.10
Return on Permanent Capital [%]	29.32	25.49	28.83	23.29
Adjusted Debt/Adj. Equity [X]	0.54	0.33	0.36	0.38
EBITDA/Total Adjusted Debt [X]	1.09	1.63	1.45	1.13
EBITDA/IFCCI [X]	12.80	28.90	17.24	18.85
(Net Operating CF+IP)/IFCCI [X]	7.14	30.09	11.61	11.00
USD Exchange Rate [IDR/USD]	8,991	9,400	10,950	9,419

Return on Permanent Capital = (Annualized EBIT) / Average (Total Adjusted Debt + Total Adjusted Equity + Minority Interest)
EBITDA = (Operating Profit + Depreciation Exp + Amortization Exp)
IFCCI = (Gross Interest Expense + Other Financial Charges + Capitalized Interest); FX Loss not included
** Annualized IP= Interest Payment*
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.

RATIONALE

PEFINDO affirmed its '**idAA-**' ratings of PT Selamat Sempurna Tbk (SMSM or the Company) and its outstanding Bond II/2010 series B and C. The ratings reflect SMSM's favorable revenue growth from both filter and radiator productions, very conservative capital structure, and very strong cash flow protection. The ratings, however, are still constrained by SMSM's exposure to commodity price volatility.

At the same time PEFINDO also affirmed its '**idAA-**' rating of the Company's Bond II/2010 series A amounting to a maximum of IDR80 billion which will mature on July 13, 2011. The Company will use internal fund to repay the maturing bond. SMSM has generated EBITDA of IDR304.9 billion in 2010, which we believe will grow moderately this year. As at December 31, 2010, SMSM's cash balance was amounted to IDR14.3 billion. In addition, as of February 28, 2011, SMSM has unused working capital loan facilities amounted to equivalent of IDR184.1 billion.

SMSM is one of the leading auto-component companies in Indonesia, producing filter, radiator, and other automotive products such as brake pipes, mufflers and fuel tanks for many types of cars, heavy equipment, and other transportation vehicles. The Company has two major production facilities, consisting of a filter factory with production capacity of 72 million units per year and a radiator factory of almost 2 million units per year.

Supporting factors for the above ratings are:

- ***Favorable revenue growth from both filter and radiator productions***. The Company has consistently maintained the growth of sales value of both filter and radiator products with respective 5-year compound annual growth rate (CAGR) of 16.1% and 11.7%. Even during global crisis in 2008 and 2009, the Company could still book a revenue growth of 1.6% year on year (y-y) in 2009, mostly supported by radiator sales growth. After automotive industry recovered in 2010, SMSM favorably increased its filter and radiator sales by 14.8% and 5.8%, respectively. Going forward, as global and domestic automotive markets have continued to grow, the Company's revenue is predicted to continue growing with favorable growth of above 10%.
- ***Very conservative capital structure***. Despite a debt increase from bond issuance last year, the Company's capital structure has been very conservative with debt to equity ratio (DER) figure of 0.5x at end of 2010 and Debt to EBITDA ratio of 0.9x. SMSM's financial leverage will remain conservative as the Company has no plan to have major expansion this year. The Company's debt to equity ratio is projected to remain below 1x.
- ***Very strong cash flow protection***. The Company's cash flow protection remain very strong as reflected by EBITDA/total debt and EBITDA/IFCCI ratios of 1.1x and 12.8x respectively, in 2010. The very strong cash flow protection resulted from stable profitability and conservative capital structure. Going forward, SMSM's debt and interest coverage are predicted to stay at around 1x and more than 7x respectively.

Mitigating factor for the above ratings is:

- ***Exposure to commodity price volatility.*** The Company's imported raw materials accounted for around 70% of total raw material cost or more than 50% of its total production cost. The Company's imported raw materials include steel plates, paper, aluminum and copper, all of which are commodity whose prices fluctuate depending on the global supply and demand dynamics. SMSM's profitability margins have been affected by the escalation of these commodity prices as the Company could not immediately pass on the increases to its customers.

OUTLOOK

A **"stable"** outlook is assigned to the Company's rating. The rating may be raised if SMSM could further increase its market position globally, while maintaining its very strong financial profile. However, the rating may be lowered if the Company finances its capital expenditure and business expansions with amount of debt significantly larger than projected.