

PT Sarana Multi Infrastruktur (Persero)

Analysts: Hendro Utomo / Hotma Parulian Manalu

Phone/Fax/E-mail: (62-21) 72782380 / 72782370 / hendro.utomo@pefindo.co.id / hotma.manalu@pefindo.co.id

CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Dec-2013	Dec-2012	Dec-2011	Dec-2010	
		(audited)	(audited)	(audited)	(audited)	
Corporate Rating	<i>idAA+/Stable</i>	Total Assets [IDR Bn]	7,088.9	5,132.4	2,213.3	2,120.9
Rated Issues		Total Equity [IDR Bn]	4,545.9	4,310.3	2,195.5	2,098.4
Bonds I/2014 (NEW)	<i>idAA+</i>	Total Gross Loans [IDR Bn]	5,108.1	1,967.0	518.7	172.0
Rating Period		Total Gross Earning Assets [IDR Bn]	6,806.1	4,882.3	1,987.7	1,532.8
24 March 2014 – 1 March 2015		Net Interest Revenue [IDR Bn]	358.7	166.7	153.3	70.2
Rating History		Net Income/(Loss) [IDR Bn]	207.2	106.6	97.4	41.1
-		Cost to Income [%]	28.3	42.0	29.5	38.7
		ROAA [%]	3.4	2.9	4.5	2.6
		NPL/Gross Loans [%]	0.1	0.1	0.0	0.0
		Loan Loss Reserves/Gross Loan [%]	0.9	0.8	2.0	0.0
		Equity/Total Assets [%]	64.1	84.0	99.2	98.9
		Total Debt/(S. Fund + MI) [x]	0.5	0.2	0.0	0.0
		USD Exchange Rate [IDR/USD]	12,189	9,670	9,068	8,991

S.Fund=shareholders funds MI=Minority Interests

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 has assigned its “**idAA+**” ratings for PT Sarana Multi Infrastruktur (Persero) (SMI) and its proposed Bonds I/2014 with a maximum amount of IDR1 trillion. The outlook for the corporate rating is “**stable**”. The ratings reflect SMI’s critical role to the Government of Indonesia, high potential demand for infrastructure financing, and very strong capitalization profile. Nevertheless, the ratings are constrained by the lack of commercially viable infrastructure projects and SMI’s concentrated financing profile.

SMI is a state-owned entity established to serve as a catalyst in the acceleration of infrastructure development in Indonesia by providing an alternative source of fund to project financing and promoting public-private partnerships (PPP). SMI is wholly owned by the government, and as of December 31, 2013 (FY2013) it had 82 permanent employees. The Company has a 34.3% stake in PT Indonesia Infrastructure Finance (IIF), which is also engaged in infrastructure financing.

Supporting factors for the above ratings are:

- **Critical role to the Government of Indonesia.** We believe that there is a very strong likelihood of support from the government to the Company, as it is considered as serving a critical function. SMI has a strong and durable link with the government given its specific role to support infrastructure development in Indonesia. Besides co-financing with other lenders, the Company has the flexibility to provide long-term financing to infrastructure projects, including through mezzanine or subordinated loans, as well as by acting as an equity investor in infrastructure projects. The government’s support is proven through capital injections totaling IDR4 trillion during its five years of existence, with the most recent one being IDR2 trillion in FY2012. The Company is also expected to receive an additional IDR2 trillion in capital in 2015. Although there is no explicit support from the government to ensure the Company’s continued existence, PEFINDO believes that support from government will remain very strong in the medium term given the critical importance of infrastructure development in boosting national economic growth.
- **High potential demand for infrastructure financing.** PEFINDO believes there is a very strong potential demand for infrastructure financing, given the lack of infrastructure development in Indonesia. From 2015–2019, the country will require approximately IDR4,000 trillion of investments in infrastructure development. However, the government’s budget can only cover around 25% of this amount, and the remaining will have to be financed by the private sector. Besides financing, SMI will also help facilitate the preparation of infrastructure projects to make them commercially viable for potential investors. The Company has received a mandate from the government to facilitate the preparation of the Soekarno-Hatta International Airport railway and Umbulan water supply projects. To support its future business growth, there are 25 potential projects in the Company’s pipeline with a total project value of up to IDR73.4 trillion.
- **Very strong capitalization profile.** PEFINDO views SMI’s capitalization profile as very strong to support its future business growth. With the IDR2 trillion capital injection in 2012 and accumulated profits, SMI had a large total equity of IDR4.5 trillion as of FY2013. The Company’s debt-to-equity ratio (DER, including channeling) was very conservative at 0.5x in FY2013, up from 0.2x in FY2012. Despite its robust financing growth, PEFINDO believes SMI’s capitalization indicators will remain very strong while leverage remains conservative, given the continuous capital support from the government and the Company’s profit accumulation.

The above ratings are constrained by:

- **Lack of commercially viable infrastructure projects.** PEFINDO is of the view that despite the high potential for infrastructure financing, the number of infrastructure projects that are commercially viable and ready for financing is limited. Most infrastructure projects are not prepared properly and therefore may not be able to attract participation from potential investors or lenders, including SMI. To solve the issue, SMI has been actively involved in helping facilitate project preparation. However, as this process may take a long time to finalize, PEFINDO still views that in the medium term, the Company’s plan to expand its infrastructure financing business may still be constrained.
- **Concentrated financing profile.** PEFINDO views SMI’s financing profile as exposed to concentration risk. With IDR3.1 trillion disbursed to 23 debtors and the high-risk profile of the infrastructure sector, delinquencies by just a few of its debtors may substantially affect the Company’s asset quality profile. PEFINDO believes that in the medium term, the Company’s financing profile will remain concentrated given its focus on large infrastructure projects.

A “stable” outlook is assigned to the corporate rating. The rating could be raised if there is stronger evidence of greater commitment from the government to provide extraordinary support to SMI, including a more favorable regulatory framework to support the infrastructure financing business. On the other hand, the rating could be lowered if there is a material reduction in support from the government, which may result from a significant deterioration in capitalization and asset quality indicators.

DISCLAIMER

PT Pemeringkat Efek Indonesia (PEFINDO) does not guarantee the accuracy, completeness, timeliness or availability of the contents in this report or publication. PEFINDO cannot be held liable for its use, its partial use, lack of use, in combination with other products or used solely, nor can it be held responsible for the result from its use or lack of its use in any investment or other kinds of financial decision making on which this report or publication is based. In no event shall PEFINDO be held liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses including but not limited to lost profits and opportunity costs in connection with any use of the contents of this report or publication. Credit analyses, including ratings, and statements in this report or publication are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. The contents cannot be a substitute for the skill, judgment and experience of its users, its management employees and/or clients in making investment or other business decisions. PEFINDO also assumes no obligation to update the content following publication in any form. PEFINDO does not act as fiduciary or an investment advisor. While PEFINDO has obtained information from sources it believes to be reliable, PEFINDO does not perform an audit and does not undertake due diligence or independent verification of any information used as the base of and presented in this report or publication. PEFINDO keeps the activities of its analytical units separate from its business units to preserve independence and objectivity of its analytical processes and products. As a result, certain units of PEFINDO may have information that is not available to other units. PEFINDO has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. PEFINDO may receive compensation for its ratings and other analytical work, normally from issuers of securities. PEFINDO reserves the right to disseminate its opinions and analyses. PEFINDO public ratings and analyses are made available on its Website, <http://www.pefindo.com> (free of charge) and through other subscription-based services, and may be distributed through other means, including via PEFINDO publications and third party redistributors. Information in PEFINDO’s website and its use fall under the restrictions and disclaimer stated above. Reproduction of the content of this report, in full or in part, is subject to written approval from PEFINDO.