

PT Sarana Multi Infrastruktur (Persero)

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Dec-2021	Dec-2020	Dec-2019	Dec-2018	
		<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	
Corporate Rating	<i>idAAA/Stable</i>	Total assets [IDR Billion]	114,502.1	100,740.2	75,818.6	62,493.2
Rated Issues		Gross receivables [IDR Billion]	76,268.4	66,749.8	58,429.0	46,455.7
<i>Shelf Registered Bonds I/2016</i>	<i>idAAA</i>	Total earning assets [IDR Billion]	102,415.0	88,060.2	74,689.0	61,225.4
<i>Shelf Registered Green Bonds I/2018</i>	<i>idAAA</i>	Total equity [IDR Billion]	38,900.3	37,523.4	36,854.2	35,575.9
<i>Shelf Registered Sukuk I/2018</i>	<i>idAAA_(sy)</i>	Net interest revenue [IDR Billion]	2,143.8	2,777.4	2,918.8	2,410.2
<i>Shelf Registered Bonds II/2019</i>	<i>idAAA</i>	Net income [IDR Billion]	1,830.1	1,906.7	1,703.6	1,531.1
<i>Shelf Registered Bonds II/2029 Phase I Series B</i>	<i>idAAA</i>	Cost to income [%]	20.9	14.9	15.3	16.1
Rating Period		Operating profit margin [%]	44.3	44.1	43.0	50.6
<i>April 4, 2022 – April 1, 2023</i>		ROAA (including off-balance) [%]	1.7	2.2	2.5	2.6
<i>April 4, 2022 – June 25, 2022 for Shelf Registered Bonds II/2029 Phase I Series B</i>		NPR-Balance / gross receivables [%]	1.2	0.6	1.2	1.5
Rating History		Reserves / gross receivables [%]	2.0	2.7	2.1	1.8
<i>APR 2021</i>	<i>idAAA/Stable</i>	Equity / gross receivables [%]	51.0	56.2	63.1	76.6
<i>APR 2020</i>	<i>idAAA/Stable</i>	Total debt / equity [x]	1.9	1.7	1.0	0.7
<i>APR 2019</i>	<i>idAAA/Stable</i>	Exchange Rate [IDR/USD]	14,269	14,105	13,901	14,481
<i>APR 2018</i>	<i>idAAA/Stable</i>					

ROAA = return on average assets (including off-balance sheet); NPR = non-performing receivables (overdue > 30 days)
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.

PT Sarana Multi Infrastruktur (Persero) rated "idAAA", outlook stable

PEFINDO has affirmed its "idAAA" ratings for PT Sarana Multi Infrastruktur (Persero) (SMI) and its outstanding bonds. PEFINDO has also affirmed its "idAAA_(sy)" rating for SMI's outstanding Shelf Registered Sukuk I. The outlook for the corporate rating is "stable". The Company's readiness to repay its maturing Shelf Registered Bonds II/2019 Phase I of IDR1.2 trillion maturing on June 25, 2022 is supported by its cash and cash equivalents of IDR15.5 trillion as of the end of December 2021, and financing receivable collections of IDR1.2 trillion per month.

An obligor rated idAAA has the highest rating assigned by PEFINDO. Its capacity to meet its long-term financial commitments, relative to those of other Indonesian obligors, is superior.

A syariah based financing instrument rated idAAA_(sy) has the highest rating assigned by PEFINDO. The issuer's capacity to meet its long-term financial commitments under the syariah financing contract, relative to other Indonesian issuers, is superior. The suffix (sy) means the rating indicates Islamic principles compliant.

The rating for the green bonds only reflects SMI's capacity to meet its long-term financial commitments on the debt security, and does not reflect the green certification of the debt security. If the green certification is downgraded, which may trigger the acceleration of the principal payment and/or a step up on the coupon rate of the debt security, PEFINDO will conduct a special review of the rating assigned to SMI and its outstanding debt security.

The corporate rating reflects SMI's status as a critical government-related entity, the high potential demand for infrastructure financing, a very strong capitalization profile, and strong liquidity and financial flexibility indicators. The rating is constrained by its concentrated financing profile and limited number of viable infrastructure projects.

The rating may be lowered if there is a material weakening in support from the government, which may result from a significant deterioration in SMI's business and asset quality profiles.

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 funds for project financing and promoting public-private partnerships (PPP). It is wholly owned by the government.

Supporting factors for the above rating are:

- **Critical government-related entity.** SMI holds a very important role as a special mission vehicle (SMV) under the Ministry of Finance with the focus on accelerating the infrastructure development, by providing long-term financing for infrastructure projects in various forms, including joint-financing with other lenders and acting as a bond and equity investor in infrastructure projects. Its close relationship with the Government is reflected during the pandemic with SMI being appointed in channeling national economic recovery program (PEN) funds to regional governments. Accordingly, we expect a very strong likelihood of support from the Government not only during business expansion, but also in the event of financial distress. Since its inception in 2009, it has obtained IDR30.5 trillion in capital support from the Government, including IDR18.4 trillion in 2015 from the transfer of Pusat Investasi Pemerintah's (PIP) assets, which in our view, reflected its critical importance to the Government and overall economy.
- **High potential demand for infrastructure financing.** PEFINDO is of the view that the demand for infrastructure financing to remain high over the near to medium term, reflected by the national medium-term development plan (RPJMN) for the period of 2020 – 2024 with the indication of infrastructure development requirement of around IDR6,455 trillion, higher than the previous five-year

Rating Rationale

period (2015-2019) of IDR4,796 trillion, while in 2022, the national state budget (APBN) has allocated IDR365.8 trillion infrastructure spending. Considering the government's limited budget, the role of state-owned enterprises and private sectors are also essential in supporting infrastructure development. In the near to medium term, SMI plans to disburse new financing of around IDR21.3 trillion annually, on top of other schemes such as equity participation. Infrastructure will remain as one of government's top priorities to stimulate economic activities and attract foreign direct investment in Indonesia.

- **Very strong capitalization profile.** PEFINDO expects SMI's capitalization profile to remain very strong over the near to medium term, underpinned by its large equity base from the past capital injections and profit accumulation. SMI recorded huge equity base of IDR38.9 trillion as of FY2021, increased from IDR37.5 trillion as of FY2020 mainly from profit accumulation. Despite no further capital injection is expected over the medium term, we project its debt-to-equity ratio (DER) to remain below 3.0x, to comply with the creditors' covenant. As of FY2021, its DER was recorded at 1.9x compared to 1.7x as of FY2020, mainly attributable to the PEN fund's disbursement from the Government and additional bank loans.
- **Strong liquidity and financial flexibility.** PEFINDO is of the view that SMI will maintain its strong liquidity profile over the medium term, given its conservative financial policy to maintain a high portion of liquid assets in low-risk instruments, such as time deposits in reputable banks, government bonds, and highly-rated debt securities. It maintained a high liquid asset to short-term funding ratio at 177.1% as of FY2021 compared to 158.5% in FY2020. Its strong financial flexibility is reflected in the unutilized credit facilities from several banks of IDR5.7 trillion as of FY2021 and its track record of accessing the debt market. SMI's status as a special purpose state-owned enterprise with healthy financial indicators should also offer additional comfort for the potential creditors and investors.

The above rating is constrained by:

- **Concentrated financing profile.** Given SMI's focus on large infrastructure projects, its financing profile is likely to remain vulnerable to concentration risk, with the contribution of its 50 largest debtors to its gross receivables to remain high above 80% over the near to medium term, comparable to the historical figures of 82.3% and 86.6% as of FY2021 and FY2020, respectively. In addition, its average financing receivables was high at IDR424.0 billion as of FY2021. With seven restructured debtors as of FY2021, we are of the view that SMI's financial performance may not be entirely spared from the potential asset quality deterioration, particularly when the relaxation period is over.
- **Limited number of viable infrastructure projects.** PEFINDO is of the view that the number of infrastructure projects commercially viable and ready for financing will remain limited over the near to medium term. Most projects are not prepared properly due to inexperienced project owners, particularly in complying with the social and environmental standards, limiting the participation from potential investors or lenders, including SMI. In addition, the pandemic impact also caused some of the projects to be rescheduled due to budget allocation from the government of other delays related to the mobility restriction measures. Despite SMI's efforts in facilitating the project preparation stage, such preparation is still quite lengthy before the projects are ready for financial closure and commercially viable for potential investors and creditors.

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