

PT Jaminan Kredit Indonesia (Jamkrindo)

Analysts: Hasnalia Hanifah / Danan Dito

Phone/Fax/E-mail: (62-21) 7278 2380 / 7278 2371 / hasnalia.hanifah@pefindo.co.id / danan.dito@pefindo.co.id

CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
Corporate Rating	<i>idAA+/Stable</i>	As of/for the year ended	Sep-2020 (Unaudited)	Dec-2019 (Audited)	Dec-2018 (Audited)	Dec-2017 (Audited)
Rated Issues	N/A	Total assets [IDR bn]	17,558.1	17,543.7	16,241.0	14,678.1
Rating Period	December 21, 2020 – December 1, 2021	Total equity [IDR bn]	10,242.1	11,953.9	11,295.7	11,123.9
Rating History		Total investment [IDR bn]	10,654.9	10,709.0	10,079.0	9,144.7
SEP 2019	<i>idAA+/Stable</i>	Net guarantee fee [IDR bn]	1,962.7	2,168.3	1,309.8	1,785.3
AUG 2018	<i>idAA+/Stable</i>	Net claims [IDR bn]	1,424.8	1,814.3	1,195.0	993.8
JUL 2017	<i>idAA+/Stable</i>	Underwriting result [IDR bn]	154.6	290.4	103.8	801.1
APR 2016	<i>idAA+/Stable</i>	Net income after tax [IDR bn]	300.8	625.8	397.5	801.8
OCT 2014	<i>idAA+/Stable</i>	Total comprehensive income [IDR bn]	233.4	685.6	261.6	859.7
APR 2013	<i>idAA+/Stable</i>	ROAA [%]	*2.3	3.7	2.6	5.7
		Loss ratio [%]	72.6	83.7	91.2	55.7
		Net guarantee fee/equity [x]	*0.3	0.2	0.1	0.2
		Retention ratio [%]	89.3	85.7	79.8	87.7
		Equity/total assets [%]	58.3	68.1	69.6	75.8
		Gearing ratio [x]	21.2	18.4	17.2	15.3
		Exchange rate [USD/IDR]	14,918	13,901	14,481	13,473

* Annualized

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 Jaminan Kredit Indonesia (Jamkrindo) rated "idAA+" with stable outlook

PEFINDO has assigned its "idAA+" financial strength rating to PT Jaminan Kredit Indonesia (Jamkrindo). The outlook for the rating is "stable".

A guarantee company rated idAA has very strong financial security characteristics relative to other companies in Indonesia, differing only slightly from those rated higher. The Plus (+) sign indicates that the rating is relatively strong within the respective rating category.

The rating reflects Jamkrindo's important role to the Indonesian government, its very strong business position in the credit guarantee business, and its very strong capitalization profile. However, these strengths are partly offset by its moderate operating performance.

The rating may be raised if there is further evidence of stronger support from the government, accompanied by improvement on its profitability indicators on a sustainable basis. Conversely, the rating could be under pressure if there is a substantial decline in its business position, or if PEFINDO is of the view that there is a material decline in government support. Major disruption in the government's credit program may affect its business position as well as its importance to the government.

We are of the view that social distancing initiatives amid the COVID-19 pandemic has moderately impacted the credit guarantee industry's generation of new business, as a result of declining new loan disbursement by banks and finance companies. In addition, claim activities may increase following the weaker macro-economic condition that is affecting debtors' repayment capabilities, although this is partly mitigated by the relaxation scheme for eligible debtors affected by COVID-19. We expect the credit guarantee industry to further top up its reserve provision and to likely register underwriting losses. Low interest rate conditions and heightening investment market volatility will also weigh on industry players' profitability and slow capital accumulation over the near term. However, credit guarantee companies typically have a key position in their niche market, and have evidently been able to manage modest growth in their guarantee volumes. We expect the industry to maintain a sufficient buffer over its regulatory solvency requirements, supported by a re-guarantee scheme. We view the industry's liquidity as adequate with sufficient holdings of liquid assets, which remain supportive of its short-term repayment needs.

We are of the view that the impact of COVID-19 on Jamkrindo's overall credit profile will remain manageable given its very strong capitalization and liquidity, as well as its important role to the government. However, we also observe Jamkrindo's concentration risk to the government guarantee program for micro and small enterprises (Kredit Usaha Rakyat or KUR) which accounted for more than 60% out of its gross guarantee fee. This product is considered to have a high-risk profile given the targeted segment is prone to repayment capability deterioration particularly during the pandemic, reflected by its high claim ratio. We will closely monitor the industry and the Company's performance during this pandemic, particularly in regard to its business risk profile as well as its liquidity position to cover its financial liabilities.

Jamkrindo was established in 1970 as Lembaga Jaminan Kredit Koperasi (LJKK). Jamkrindo owned by PT Bahana Pembinaan Usaha Indonesia at 99.99998%, while the remainder own by the Government of Indonesia through its Series A *Dwiwarna* shares. It provides credit guarantee services to cooperatives, and micro, small and medium-sized enterprises (MSMEs) through various guarantee products. It has been a guarantor of the KUR, a government loan program since 2007. In addition to its head office in Jakarta, it had 56 branch offices and 16 unit offices in major cities in Indonesia, with 935 permanent employees as of September 30, 2020.

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.