PEFINDO’s Parent Support Methodology

PEFINDO views that the final credit rating of a company should reflect the company’s standalone credit strength as well as potential support given by the party controlling the company (Parent Company or “Parent” or “Group”), particularly during financial distress situation.

Level of support will be determined by the Parent’s credit strength as well as degree of importance of the Subsidiary in the Parent’s perspective. Therefore, after assessing the Subsidiary’s standalone rating, PEFINDO then will analyze the Parent’s financial capability whenever the information suffice. In the case that PEFINDO decides the Parent of having stronger credit profile than the Subsidiary, then PEFINDO will assess the Subsidiary’s degree of importance to the Parent. PEFINDO will categorize whether the Subsidiary is considered as a core subsidiary, a strategically important subsidiary, or a non-strategic subsidiary, which will determine the likelihood of the Parent’s support.

This parent support methodology mostly applies to private-owned companies, while for entities owned by central or regional governments; there is another specific methodology to assess support likelihood from the government. Attached is the list of companies affected by the implementation of the methodology. Ratings of some of them are unchanged because the supports are already reflected in the rating. There are some companies whose ratings are upgraded because PEFINDO views the stronger likelihood of the support.

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