20 January 2015

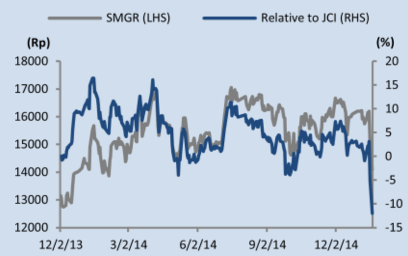
Cement Sector

An unexpected move

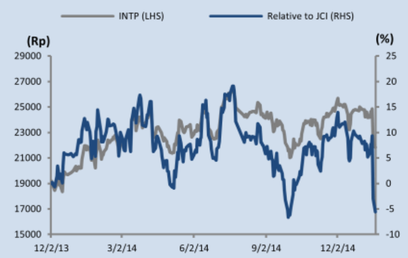
The government's unexpected move to intervene in the cement market by asking cement SOEs to lower their cement selling prices negatively affected sentiment as seen in the deep share price corrections since Friday afternoon. The impact on earnings will be less pronounced, however, as demand is expected to improve while transportation costs will fall. Nonetheless, we cut our TPs for the three cement stocks under our coverage by 2-4%. At current levels, the cement stocks look an attractive proposition given the unfolding infrastructure story and because of their deep discounts to their construction counterparts. Semen Indonesia remains our Top Pick in the sector.

OVERWEIGHT

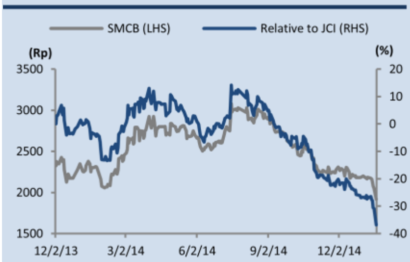
SMGR relative to JCI Index



INTP relative to JCI Index



SMCB relative to JCI Index



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Danareksa research reports are also available at Reuters Multex and First Call Direct and Bloomberg.

Government intervention in cement prices was negative

Initially, the fuel price reductions augured well for cement companies. Note that cement companies have the highest exposure toward energy prices (including transportation) and a downtrend in fuel prices would enhance the outlook for margins expansion this year. Given the slump in global crude oil prices, the government announced that it would further trim gasoline prices by 13% to IDR6,600/liter and diesel fuel prices by 12% to IDR6,400/liter. Following this decision, however, the government surprisingly also said that it would ask cement SOEs to cut their cement selling prices by IDR3,000/bag (c. 4-5% from the current retail price). This was beyond our expectation since we had believed that pricing at the micro level would be solely determined by supply/demand dynamics, and that any government intervention would have unnecessary implications. We believe the government's rationale for the cement price cuts is as follows: 1. SOE cement producers have the largest market share in the domestic cement market; 2. Margins are still relatively high compared to those of regional players; and 3. Cement producer costs are favorably affected by lower energy prices.

While the impact from lower cement prices could be partially offset by potentially greater demand from the lower prices as well as transportation cost savings, hence resulting in a moderate impact on cement companies' bottom lines, the concern is whether such a move will be repeated in the event of further possible cuts in fuel prices next month. At this stage we are inclined to believe that the government's move is solely aimed at bringing down inflation - especially given the relatively high monthly inflation in January. With low inflation expected in Feb – April, we believe there is less reason for the government to intervene again in the cement market going forward. As such, there is still room for cement producers to raise prices in 2H15, although by less than our previously expected increase of 4% this year.

Support to demand expansion

Lower cement prices naturally help to underpin the demand expansion story. Even before the government's move, the demand outlook was already improving, especially in view of the government's ambitious infrastructure initiatives and the brighter outlook for property sales this year on more favourable liquidity and a flattish outlook for interest rates. In 2015, we expect cement consumption to grow by 8.8% to 66.4m tonnes, mainly driven by 7.4% growth of bagged cement and 13.7% growth of bulk cement. We believe these figures are even more achievable with lower cement prices.

Correction is overdone; maintain OVERWEIGHT

Cement counters have suffered -7.9% to -13.4% price corrections since the government's announcement on cement price reductions on Friday afternoon. At current levels, the cement stocks look an attractive proposition given the unfolding infrastructure story and because of their deep discounts to their construction counterparts. To reflect the prospect of lower selling prices, we cut our ASP by 2-3%, maintain our sales volume assumption, and reduce transportation costs on lower fuel prices, which led to a 4-7% reduction in 2015 earnings. All in all, we lower our DCF-based TP by 2-4% on average with new TP for Semen Indonesia at IDR18,800, Indocement IDR28,300and Holcim Indonesia IDR2,300. We retain our positive stance on the sector and view that any further weakness should be seen as an opportunity to buy.

Exhibit 1. Valuation Table

	Recom.	Current Price Rp	Target Price Rp	PE, x 2015F	EV/EBITDA, x 2015F	EPS CAGR FY14-16,%	ROE, % 2015F	Net Gearing, % 2015F
				14.3	**8.7**	**14.6**	**20.0**	
Holcim	HOLD	1,915	2,300	15.9	8.1	21.2	9.1	30.0
Indocement	BUY	21,825	28,300	14.0	8.2	11.4	21.2	net cash
Semen Indonesia	BUY	14,100	18,800	14.3	9.2	16.6	23.2	12.3

Source: Bloomberg, Danareksa Sekuritas

Government intervention in cement prices was not expected

Initially, the fuel price reductions augured well for cement companies. Note that cement companies have the highest exposure toward energy prices (including transportation) and a downtrend in fuel prices would enhance the outlook for margins expansion this year. Given the slump in global crude oil prices, the government announced that it would further trim gasoline prices by 13% to IDR6,600/liter and diesel fuel prices by 12% to IDR6,400/liter. Following this decision, however, the government surprisingly also said that it would ask cement SOEs to cut their cement selling prices by IDR3,000/bag (c. 4-5% from the current retail price). This was beyond our expectation since we had believed that pricing at the micro level would be solely determined by supply/demand dynamics, and that any government intervention would have unnecessary implications.

Exhibit 2. New fuel price scheme introduced in January 2015

	Previous Price	Price adjustment	Price adjustment	New Retail Price, inc tax
Price Hike in November 2014				
Premium	6,500	2,000	30.8	8,500
Diesel Fuel	5,500	2,000	36.4	7,500
Price Adjustment in Jan 1, 2015				
Premium	8,500	-900	-10.6	7,600
Diesel Fuel	7,500	-250	-3.3	7,250
Price Adjustment in Jan 19, 2015				
Premium	7,600	-1,000	-13.2	6,600
Diesel Fuel	7,250	-850	-11.7	6,400

Source: Various publications

We also believe that the very high monthly inflation in December put a lot of pressure on the government to take swift action. Inflation is stickier in a downtrend, and it will take time to see a gradual positive impact on inflation following the government's decision to lower fuel prices.

We believe the government's rationale for the cement price cuts is as follows:

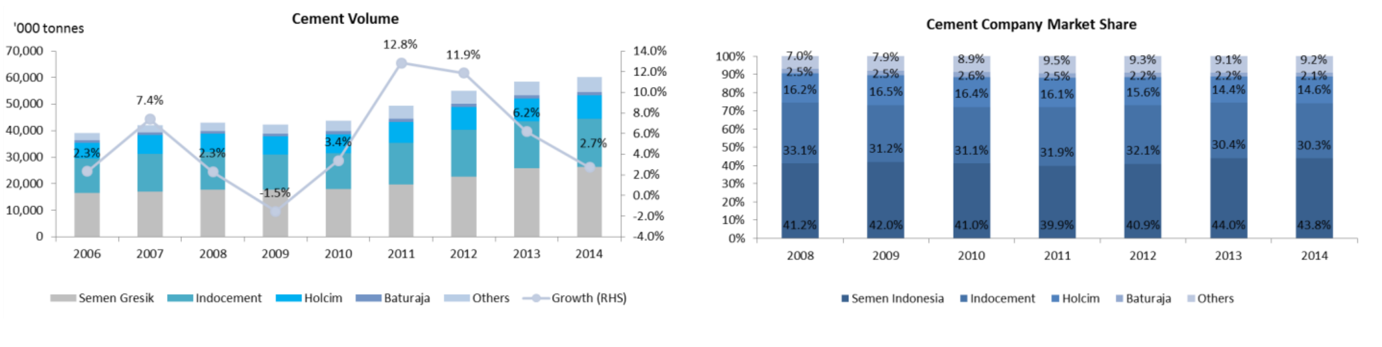
1. SOE cement producers have the largest market share in the domestic cement market. Semen Indonesia held a 43.8% share in 2014 while Baturaja's share was 2.1%. Given their dominance, any price reductions could lead to pricing adjustments across the sector as a whole;

Exhibit 3. Cement companies' market share

Market Share by Company	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Semen Indonesia	42.8%	42.3%	40.5%	41.2%	42.0%	41.0%	39.9%	40.9%	44.0%	43.8%
Indocement	30.9%	33.0%	34.2%	33.1%	31.2%	31.1%	31.9%	32.1%	30.4%	30.3%
Holcim	16.9%	15.5%	16.6%	16.2%	16.5%	16.4%	16.1%	15.6%	14.4%	14.6%
Baturaja	2.3%	2.4%	2.4%	2.5%	2.5%	2.6%	2.5%	2.2%	2.2%	2.1%
Others	7.1%	6.8%	6.3%	7.0%	7.9%	8.9%	9.5%	9.3%	9.1%	9.2%
Total industry	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: ASI and Danareksa Sekuritas

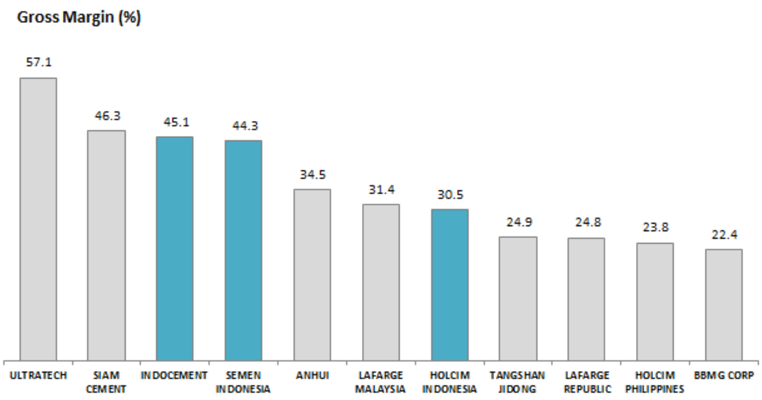
Exhibit 4. Yearly cement volume trend and market share by company



Source: ASI and Danareksa Sekuritas

2. Margins are still relatively high compared to those of regional players. Currently Semen Indonesia's gross margin still stands at the 43-44% level, vs. 35% for average regional players;

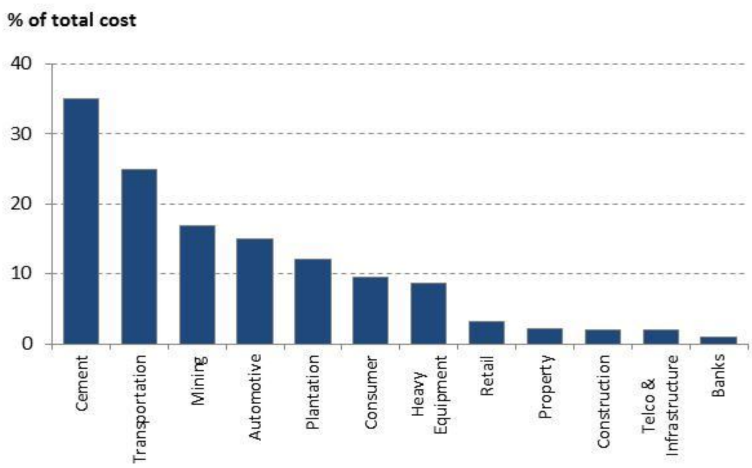
Exhibit 5. Regional cement companies' gross margin comparison



Source: Bloomberg

3. Cement producer costs are favorably affected by lower energy prices. Within our coverage universe, the cement sector has the greatest exposure to energy costs. As such, with continued low crude oil prices, the cement sector would enjoy margins expansion.

Exhibit 6. Cement sector has the greatest exposure toward energy cost

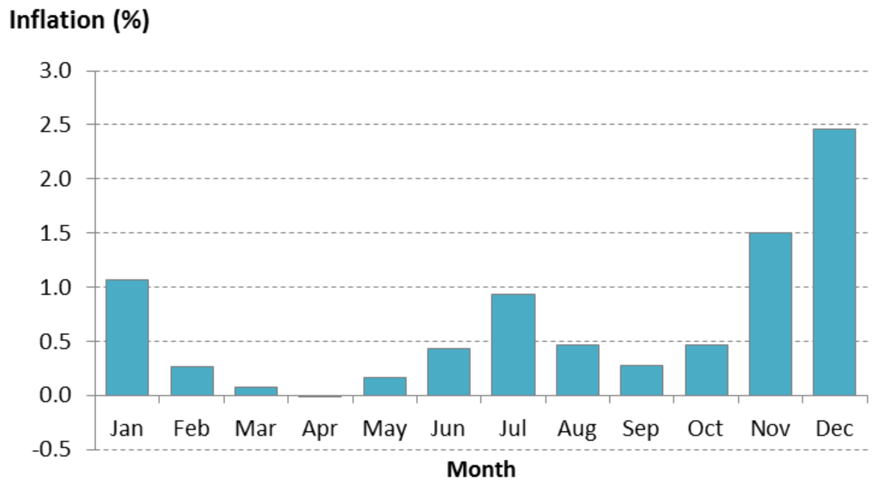


Source: Danareksa Sekuritas

While the impact from lower cement prices could be partially offset by potentially greater demand from the lower prices as well as transportation cost savings, hence resulting in a minimal impact on cement companies' bottom lines, the concern is whether such a move will be repeated in the event of further possible cuts in fuel prices next month.

At this stage we are inclined to believe that the government's move is solely aimed at bringing down inflation - especially given the relatively high monthly inflation in January. With low inflation expected in Feb – April, we believe there is less reason for the government to intervene again in the cement market going forward. As such, there is still room for cement producers to raise prices in 2H15, although by less than our previously expected increase of 4% this year. Cement price weighting to the headline inflation is relatively small at 0.83%.

Exhibit 7. 2014 Monthly inflation



Source: Center Bureau of Statistic (BPS)

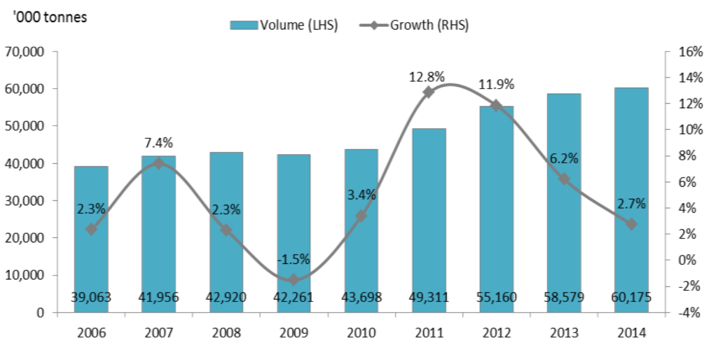
We also believe that the burden of lower cement prices would be shared by the distributor and transportation companies. However, given the higher margins of manufacturers, they will likely absorb a bigger chunk of the margins reduction, especially as distributors have a margin of only 5-6% vs 40+% for cement producers. While transportation costs will go down, the savings will be less than the reduction in prices. We estimate that the transportation cost can be reduced by up to IDR1,800/bag (vs the IDR3,000/bag price reduction). In 4Q14, cement prices were raised by around IDR2,000/bag, while in total cement prices were raised by an average of 5-6% in 2014 or around IDR4,000/bag. Semen Indonesia led the way with ASP increases of 7.1% vs Indocement's 4.4% increase and Holcim's 5.1%.

Brighter demand outlook

Lower cement prices naturally help to underpin the demand expansion story. Even before the government's move, the demand outlook was already improving, especially in view of the government's ambitious infrastructure initiatives and the brighter outlook for property sales this year on more favourable liquidity and a flattish outlook for interest rates. In 2015, we expect cement consumption to grow by 8.8% to 66.4m tonnes, mainly driven by 7.4% growth of bagged cement and 13.7% growth of bulk cement. We believe these figures are even more achievable with lower cement prices.

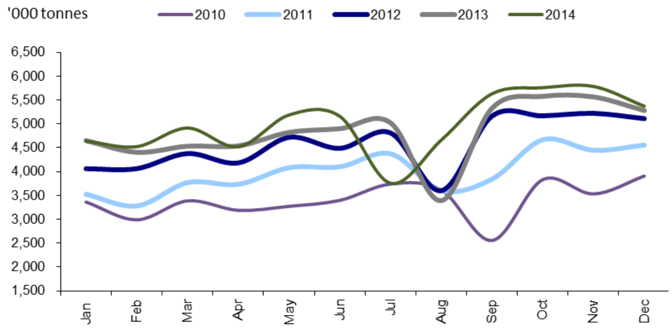
During the property boom in 2010-2012, cement consumption grew by 6.2 – 17.8% annually, or translating into 1.2 – 3.4x GDP growth. The situation in 2013-14 was quite different, however, especially with rising interest rates which capped property demand: in this period, the demand multiplier only reached 1x GDP. In our view, with the prospect of higher infrastructure spending, as well as potentially brisker economic growth overall, the demand multiplier should improve. In 2015, the expected cement demand growth of 8.8% would reflect a demand multiplier of 1.5x GDP growth, or inline with the long term cement demand multiplier.

Exhibit 8. Cement sales volume and growth



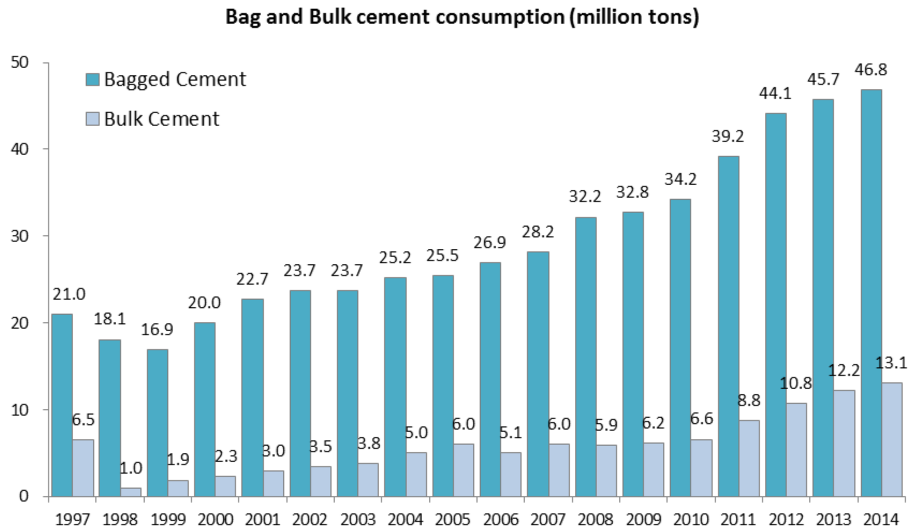
Source: Indonesia Cement Association, Danareksa Sekuritas

Exhibit 9. Domestic cement sales seasonality



Source: Indonesia Cement Association, Danareksa Sekuritas

Exhibit 10. Bag and Bulk cement consumption



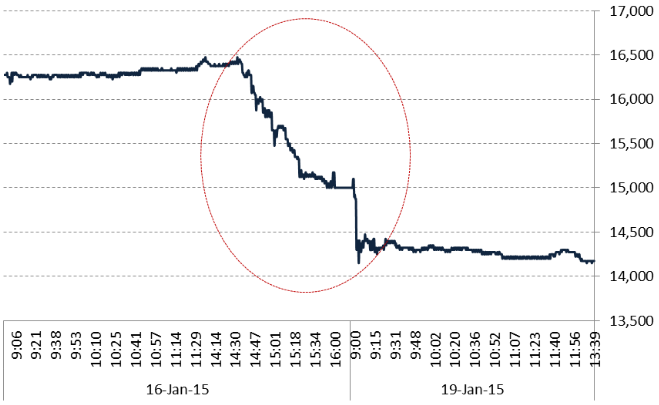
Source: Indonesia Cement Association

Infrastructure projects help underpin the LT demand for cement

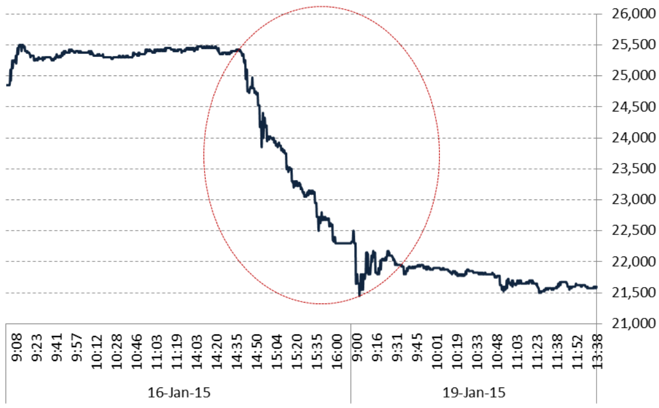
Cement counters have suffered -7.9% to -13.4% price corrections since the government's announcement on cement price reductions on Friday afternoon. At current levels, the cement stocks look an attractive proposition given the unfolding infrastructure story and because of their deep discounts to their construction counterparts. To reflect the prospect of lower selling prices, we cut our ASP by 4% in the sector, maintain our sales volume assumption, and reduce transportation costs on lower fuel prices.

Exhibit 11. Cement companies share price correction post announcement

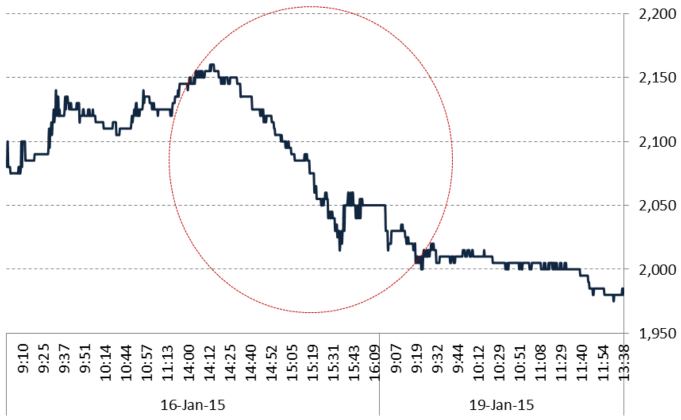
Semen Indonesia (SMGR)



Indocement (INTP)



Holcim (SMCB)



Source: Bloomberg as of 19 Jan 2015

All in all, we lower our DCF-based TP by 2-4% on average with new TP for Semen Indonesia at IDR18,800, Indocement IDR28,300and Holcim Indonesia IDR2,300. We retain our positive stance on the sector and view that any further weakness should be seen as an opportunity to buy. We keep SMGR as our Top Pick in the sector. With Java's market share unlikely to grow further, coupled with the potential for large infrastructure development out of Java, SMGR's well-diversified locations place the company in pole position.

Exhibit 12. Changes in assumption

Semen Indonesia (SMGR)

	Old			New			Change		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Sales	25,561.2	28,357.7	33,593.0	25,561	27,595	32,984	-	(2.7)	(1.8)
Gross profit	11,183.3	12,557.1	15,168.6	11,183	12,149	14,965	-	(3.3)	(1.3)
Operating profit	7,301.5	8,227.5	10,170.7	7,302	7,825	9,972	-	(4.9)	(2.0)
Net profit	5,563.5	6,177.8	7,731.6	5,563	5,861	7,567	-	(5.1)	(2.1)
Gross margin	43.8	44.3	45.2	43.8	44.0	45.4	-	(0.6)	0.5
Op margin	28.6	29.0	30.3	28.6	28.4	30.2	-	(2.3)	(0.1)
Net margin	21.8	21.8	23.0	21.8	21.2	22.9	-	(2.5)	(0.3)
Domestic cement volume (m tonnes)	26.6	28.3	32.3	26.6	28.3	32.3	-	-	-
Total cement sales	26.6	28.3	32.3	26.6	28.3	32.3			
ASP (Rp/ton)	960,960	1,004,203	1,034,329	960,960	975,374	1,024,143	-	(2.9)	(1.0)

Indocement (INTP)

	Old			New			Change		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Sales	20,675.0	23,085.1	26,092.6	20,675	22,521	25,666	-	(2.4)	(1.6)
Gross profit	9,393.9	10,611.2	11,943.9	9,394	10,209	11,735	-	(3.8)	(1.7)
Operating profit	6,393.6	7,195.2	7,972.4	6,394	6,886	7,845	-	(4.3)	(1.6)
Net profit	5,318.3	5,977.0	6,696.1	5,318	5,741	6,595	-	(4.0)	(1.5)
Gross margin	45.4	46.0	45.8	45.4	45.3	45.7	-	(1.4)	(0.1)
Op margin	30.9	31.2	30.6	30.9	30.6	30.6	-	(1.9)	0.0
Net margin	25.7	25.9	25.7	25.7	25.5	25.7	-	(1.5)	0.1
Domestic cement volume (m tonnes)	19,321.9	20,674.1	22,924.0	19,321.9	20,674.1	22,924.0	-	-	-
Total cement sales	17,623.2	19,661.3	22,251.4	17,623.2	19,096.8	21,824.5			
ASP (Rp/ton)	984,256	1,028,548	1,049,118	984,256	999,020	1,028,990	-	(2.9)	(1.9)

Holcim Indonesia (SMCB)

	Old			New			Change		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Sales	10,247.5	11,752.5	13,445.0	10,248	11,510	13,220	-	(2.1)	(1.7)
Gross profit	3,041.6	3,386.0	3,916.6	3,042	3,249	3,810	-	(4.0)	(2.7)
Operating profit	1,384.7	1,523.8	1,782.5	1,385	1,418	1,711	-	(6.9)	(4.0)
Net profit	825.9	1,002.4	1,266.6	826	923	1,213	-	(7.9)	(4.2)
Gross margin	29.7	28.8	29.1	29.7	28.2	28.8	-	(2.0)	(1.1)
Op margin	13.5	13.0	13.3	13.5	12.3	12.9	-	(5.0)	(2.4)
Net margin	8.1	8.5	9.4	8.1	8.0	9.2	-	(5.9)	(2.6)
Domestic cement volume (m tonnes)	9,027.0	10,058.0	11,275.0	9,027.0	10,058.0	11,275.0	-	-	-
Total cement sales	9,004.8	10,434.6	12,048.1	9,004.8	10,183.7	11,815.5	-	(2.4)	(1.9)
ASP (Rp/ton)	997,539	1,037,440	1,068,563	997,539	1,012,502	1,047,939	-	(2.4)	(1.9)

Source: Danareksa Sekuritas

Exhibit 13. SMGR Profit & Loss (IDR bn)

Income Statement	2012	2013	2014F	2015F	2016F
Sales	19,598	24,501	25,561	27,595	32,984
COGS	(10,301)	(13,557)	(14,378)	(15,447)	(18,020)
Gross profit	9,298	10,944	11,183	12,149	14,965
SGA	(3,189)	(3,972)	(3,882)	(4,323)	(4,993)
Operating profit	6,109	6,972	7,302	7,825	9,972
EBITDA	-	-	-	-	-
Net interest expense	79	(177)	(196)	(337)	(282)
Forex	-	-	-	-	-
Others	100	125	92	95	99
Income tax	(1,361)	(1,566)	(1,629)	(1,716)	(2,215)
Minority interest	(79)	16	(5)	(6)	(6)
Net Income	4,848	5,370	5,563	5,861	7,567

Source: Company, Danareksa Sekuritas

Exhibit 14. SMGR Balance Sheet (IDR bn)

	2012	2013	2014F	2015F	2016F
Cash	3,317	4,213	3,451	2,543	3,270
Account Receivable	2,523	2,916	3,290	3,552	4,245
Inventory	2,285	2,646	2,980	3,217	3,846
Others	106	197	163	164	169
Current Asset	8,231	9,972	9,884	9,476	11,531
Net fixed asset	16,794	18,863	25,145	28,663	31,863
Investment	144	176	176	176	176
Other LT asset	407	624	758	836	986
Intangible assets	1,003	1,158	1,131	1,103	1,076
Total Asset	26,579	30,793	37,094	40,254	45,632
Bank loan	350	320	304	289	274
Account Payable	2,691	2,822	3,510	3,789	4,529
Other ST liab	934	860	1,218	1,315	1,571
Current portion	850	1,294	1,703	1,890	2,043
Current Liabilities	4,825	5,297	6,734	7,283	8,418
LT bank loan	3,222	3,242	5,175	4,653	4,203
Bonds	-	-	-	-	-
Others	367	450	455	461	467
Total LT Liabilities	3,589	3,692	5,630	5,114	4,669
Minority Interest	818	921	968	1,016	1,067
Capital Stock	593	593	593	593	593
Paid in Capital	1,458	1,458	1,458	1,458	1,458
Others	4	350	350	350	350
Retained Earnings	15,292	18,481	21,360	24,440	29,076
Total Equity	17,347	20,883	23,762	26,842	31,478
Total Liabilities and Equity	26,579	30,793	37,094	40,254	45,632

Source: Company, Danareksa Sekuritas

Exhibit 15. SMGR Statement of cash flow (IDR bn)

	2012	2013	2014F	2015F	2016F
Pretax profit	4,848	5,370	5,563	5,861	7,567
Depreciation	1,027	1,076	1,138	1,614	2,086
Tax	214	(140)	293	50	133
Working Capital	82	(486)	130	(47)	(337)
Others	(1)	-	1	-	-
CFO	6,170	5,820	7,125	7,479	9,449
Capex	(6,180)	(3,144)	(7,420)	(5,132)	(5,286)
Investment	(38)	(33)	-	-	-
Others	(1,039)	(325)	(4)	7	(26)
CFI	(7,257)	(3,502)	(7,424)	(5,125)	(5,313)
Short term debt	350	(30)	(16)	(15)	(14)
Current portion LT	202	228	252	-	(72)
LT Loan	1,430	97	1,936	(519)	(447)
Equity	(2)	346	-	-	-
Dividends	(1,963)	(2,181)	(2,685)	(2,782)	(2,931)
Others	705	117	50	53	55
CFF	723	(1,423)	(463)	(3,263)	(3,409)
Change in Cash	**(365)**	**895**	**(761)**	**(909)**	**728**

Source: Company, Danareksa Sekuritas

Exhibit 16. SMGR Selected ratio

	2012	2013	2014F	2015F	2016F
ROE	30.5%	28.1%	24.9%	23.2%	26.0%
ROA	21.0%	18.7%	16.4%	15.2%	17.6%
EBITDA margin	36.4%	32.8%	33.0%	34.2%	36.6%
Operating margin	31.2%	28.5%	28.6%	28.4%	30.2%
Net margin	24.7%	21.9%	21.8%	21.2%	22.9%
Receivable TO (days)	47.0	47.0	47.0	47.0	47.0
Payable TO (days)	40.5	40.5	40.5	40.5	40.5
Inventory TO (days)	42.6	42.6	42.6	42.6	42.6
Debt to Equity (X)	0.2	0.2	0.3	0.2	0.2
Net Gearing (%)	3.41	(0.05)	12.31	12.29	0.06
Current Ratio (X)	1.7	1.9	1.5	1.3	1.4
Quick Ratio (X)	1.2	1.4	1.0	0.9	0.9

Source: Company, Danareksa Sekuritas

Exhibit 17. INTP Profit & Loss (IDR bn)

Rp bn	2012	2013	2014F	2015F	2016F
Sales	17,290	18,691	20,675	22,521	25,666
COGS	9,020	10,037	11,281	12,311	13,931
Gross profit	8,270	8,655	9,394	10,209	11,735
General n administrative expenses	410	471	511	562	618
Selling expenses	2,015	2,208	2,489	2,761	3,271
Operating profit	5,845	5,975	6,394	6,886	7,845
Net interest expenses	354	513	589	653	819
Forex	0	0	0	0	0
Others - net	435	933	625	688	854
Pre tax profit	6,240	6,595	7,001	7,557	8,682
Tax	(1,476)	(1,583)	(1,680)	(1,814)	(2,084)
Minority	(3)	(2)	(2)	(2)	(3)
Net Income	4,760	5,216	5,318	5,741	6,595

Source: Company, Danareksa Sekuritas

Exhibit 18. INTP Balance Sheet (IDR bn)

Rp bn	2012	2013	2014F	2015F	2016F
Cash and equivalent	10,474	12,595	11,964	15,241	18,874
Account Receivable	2,452	2,504	2,741	2,986	3,403
Inventory	1,470	1,474	1,654	1,806	2,043
Prepaid expenses	27	38	44	51	60
Others	156	235	833	835	838
Current asset	14,579	16,846	17,236	20,918	25,218
Receivable from affiliate	0	0	0	0	0
Investment	47	57	60	62	65
Fixed asset	7,935	9,305	11,405	10,899	10,387
Advances	0	0	0	0	0
Others	157	341	341	341	341
Non current asset	179	382	387	391	396
TOTAL ASSET	22,755	26,607	29,099	32,281	36,075
ST Bank Loans	84	94	0	0	0
Account payable	1,332	1,375	1,521	1,660	1,879
Tax liabilities	470	437	724	788	898
Accrued expenses	421	642	413	450	513
Others	59	125	137	151	166
Current portion of LT loan	52	67	67	67	67
Current liabilities	2,419	2,740	2,863	3,117	3,524
LT Loan	918	889	596	650	736
Minority interest	31	30	33	37	40
Total equity	19,388	22,947	25,606	28,477	31,774
Total Liability & Equity	22,755	26,607	29,099	32,281	36,075

Source: Company, Danareksa Sekuritas

Exhibit 19. INTP Statement of cash flow (IDR bn)

Rp bn	2012	2013	2014F	2015F	2016F
Pretax Profit	6,240	6,595	7,001	7,557	8,682
Dividend	(1,079)	(1,657)	(2,659)	(2,870)	(3,298)
Tax	(1,275)	(1,799)	(1,395)	(1,751)	(1,976)
Depreciation	509	768	735	1,046	1,074
Change in W/C	21	183	(494)	(213)	(367)
CFO	5,494	5,747	5,847	6,639	7,413
Capex	(820)	(1,544)	(3,425)	(539)	(560)
Investment	(9)	(11)	(3)	(3)	(3)
Others	20	(74)	61	50	81
CFI					
Short term debt	84	9	(94)	0	0
Current portion LT	(48)	15	0	0	0
LT Loan	(33)	27	(359)	0	0
Equity	1,166	0	0	0	0
Others	(1,166)	(392)	0	0	0
CFF	(1,075)	(1,997)	(3,112)	(2,870)	(3,298)
Change in cash	3,610	2,121	(631)	3,277	3,634

Source: Company, Danareksa Sekuritas

Exhibit 20. INTP Selected ratio

	2012	2013	2014F	2015F	2016F
ROE	27.1%	24.6%	21.9%	21.2%	21.9%
ROA	23.3%	21.1%	19.1%	18.7%	19.3%
EBITDA margin	38.5%	36.1%	34.5%	35.2%	34.8%
Operating margin	33.8%	32.0%	0.0%	0.0%	0.0%
Net margin	27.5%	27.9%	25.7%	25.5%	25.7%
Receivable TO (days)	52	49	46	46	45
Payable TO (days)	39	37	34	33	32
Inventory TO (days)	59	54	51	51	50
Debt to Equity (X)	0.0	0.0	0.0	0.0	0.0
Net Gearing (%)	net cash	net cash	net cash	net cash	net cash
Current Ratio (X)	6.0	6.1	6.0	6.7	7.2
Quick Ratio (X)	5.3	5.5	5.1	5.9	6.3

Source: Company, Danareksa Sekuritas

Exhibit 21. SMCB Profit & Loss (IDR bn)

Income Statement	2012	2013	2014F	2015F	2016F
Sales	9,011	9,686	10,248	11,510	13,220
COGS	(5,664)	(6,331)	(7,206)	(8,261)	(9,410)
Gross profit	3,347	3,355	3,042	3,249	3,810
SGA	(1,268)	(1,323)	(1,657)	(1,831)	(2,100)
Operating profit	2,079	2,033	1,385	1,418	1,711
EBITDA	2,558	2,668	2,058	2,207	2,626
Net interest expense	(166)	(512)	(288)	(208)	(143)
Forex	(5)	(185)	-	16	44
Others	(36)	1	5	5	5
Income tax	(522)	(384)	(275)	(308)	(404)
Minority interest	1	0	-	-	-
Net Income	1,351	952	826	923	1,213

Source: Company, Danareksa Sekuritas

Exhibit 22. SMCB Balance Sheet (IDR bn)

	2012	2013	2014F	2015F	2016F
Cash	556	376	701	978	1,488
Account Receivable	847	1,019	978	1,105	1,278
Inventory	687	591	743	800	975
Others	97	99	87	96	109
Current Asset	2,187	2,085	2,509	2,978	3,851
Net fixed asset	9,589	12,367	13,631	13,430	13,078
Investment	-	-	-	-	-
Other LT asset	393	443	466	490	516
Total Asset	12,169	14,895	16,605	16,899	17,444
Bank loan	88	119	2,000	1,500	1,000
Account Payable	989	1,353	1,228	1,420	1,609
Other ST liab	377	395	673	694	845
Current portion	102	1,395	-	-	-
Current Liabilities	1,557	3,262	3,901	3,614	3,454
LT bank loan	1,911	2,532	2,698	2,632	2,488
Bonds	-	-	-	-	-
Others	282	328	130	130	130
Total LT Liabilities	2,194	2,860	2,827	2,761	2,617
Minority Interest	3	4	4	4	4
Capital Stock	3,831	3,831	3,831	3,831	3,831
Paid in Capital	2,472	2,472	2,472	2,472	2,472
Others	35	89	-	-	-
Retained Earnings	2,076	2,377	3,570	4,216	5,065
Total Equity	8,415	8,769	9,874	10,520	11,369
Total Liabilities and Equity	12,169	14,895	16,606	16,899	17,444

Source: Company, Danareksa Sekuritas

Exhibit 23. SMCB Statement of cash flow (IDR bn)

Cash flow	2012	2013	2014F	2015F	2016F
Pretax Profit	1,873	1,337	1,101	1,231	1,617
Taxation	(379)	(389)	(298)	(307)	(368)
Depreciation	479	636	673	788	915
Working capital	(206)	315	(94)	15	(62)
Others	(153)	(365)	0	0	0
Cash flow from Operation	1,614	1,532	1,383	1,728	2,103
Fixed assets	(1,830)	(3,414)	(1,937)	(588)	(563)
Investment	-	-	-	-	-
Others	(98)	(55)	(20)	(21)	(22)
Cash Flow from Investment	(1,928)	(3,469)	(1,957)	(609)	(585)
ST Loans	16	31	1,881	(500)	(500)
LT Loans	1,141	1,931	(1,166)	(66)	(144)
Lease	(1,108)	27	(93)	-	-
Share issue	(115)	-	-	-	-
Dividends	(338)	(286)	(248)	(277)	(364)
Others	145	54	(89)	-	-
Cash Flow from Financing	(258)	1,756	284	(843)	(1,008)
Change in cash	(572)	(180)	(289)	276	511

Source: Company, Danareksa Sekuritas

Exhibit 24. SMCB Selected ratio

	2012	2013	2014F	2015F	2016F
RoAE (%)	17.0	11.1	8.9	9.1	11.1
RoAA (%)	11.7	7.0	5.2	5.5	7.1
Gross margin (%)	37.1	34.6	29.7	28.2	28.8
EBITDA margin (%)	28.4	27.5	20.1	19.2	19.9
Operating margin (%)	23.1	21.0	13.5	12.3	12.9
EBIT margin (%)	22.8	19.2	13.7	12.8	13.6
Net margin (%)	15.0	9.8	8.1	8.0	9.2
Acc Receivable T/O (days)	34	38	35	35	35
Inventory T/O (days)	28	22	26	25	27
Acc. Payable (days)	40	51	44	45	44
Net Gearing (%)	18	42	40	30	18
Debt to Equity (x)	25	46	48	39	31
Current ratio (x)	1.4	0.6	0.6	0.8	1.1
Quick ratio (x)	1.0	0.5	0.5	0.6	0.8

Source: Company, Danareksa Sekuritas