

Wednesday, 17 November 2021

**BUY**  
**Maintain**

Last price (IDR) 12,200  
Target Price (IDR) 15,300  
Upside/Downside +25.4%  
Previous Target Price (IDR) 15,300

**Stock Statistics**

Sector Cement  
Bloomberg Ticker INTP IJ  
No of Shrs (mn) 3,681  
Mkt. Cap (IDRbn/USDmn) 44,911/3,158  
Avg. daily T/O (IDRbn/USDmn) 36.0/2.5

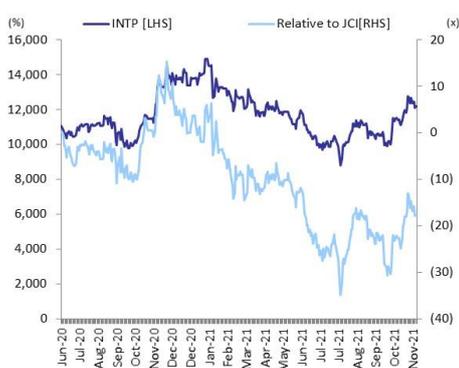
**Major shareholders (%)**

Birchwood Omnia Limited 51.0  
Public 49.0

**EPS Consensus (IDR)**

	2021F	2022F	2023F
Danareksa	442.5	518.1	565.5
Consensus	447.1	524.9	606.7
Danareksa/Cons	(1.0)	(1.3)	(6.8)

**INTP relative to JCI Index**



Source : Bloomberg



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# Indocement Tunggal Prakarsa (INTP IJ)

## Lower sales due to ASP adjustments

**INTP applied selling price adjustments to its bagged products by 3% to 4% which have not been fully followed by other players. This resulted in lower sales volume and market share. INTP booked 1.0%yoy lower Oct21 sales volume while the sector grew by 5.5%yoy. YTD, INTP sold 13.5mn tons of cement, +2.3%yoy supported by strong growth from outside Java markets (+7.4%yoy). The YTD sales are 81% of our FY21 target as we set a 3.5%yoy growth target; i.e in-line. We maintain our forecast and BUY recommendation on INTP.**

**INTP booked lower sales volume in Oct21 due to the impact of ASP adjustments.** INTP's sales volume of 1.59mn tons is down by -1.0%yoy and -0.1%mom as its market share fell to 24.3% from 24.8% in Sep21 and 25.9% in Oct20. The selling prices for bagged products were increased by 3%-4% in Oct21 due to high coal costs. However, this move was not fully followed by other players. Sales outside Java were the most impacted (-4.7%yoy and -5.4%mom), while sales in Java still showed growth of 0.7%yoy and 2.2%mom. Overall, INTP's bagged sales dropped by -4.0% while bulk sales grew by +10.8% supported by no price increases and a stronger bulk market in outside Java regions. We believe the strong coal price index since mid-year will push other cement players to follow INTP's move to increase ASP soon.

**The 10M21 sales volume grew by 2.3%yoy.** YTD, INTP sales volume in 10M21 reached 13.5mn tons, or +2.3%yoy on the back of flattish growth in Java. The strong growth came from outside Java regions (+7.4%yoy) while sales in Java were flat (+0.3%yoy). Strong competition was seen in Western Java, INTP's home base, as INTP booked flattish growth of +0.4%yoy compared to the sector's +4.5%yoy. Looking at the industry landscape, Western Java is one of the biggest cement producers with more than 10 players operating in the area translating to 45.6mn tons of capacity or 38% of the domestic supply. Nonetheless, demand in the area is only ~16mn tons per year, resulting in an organic utilization rate of 35.9%.

**Oct demand supported by strong bulk sales.** Domestic cement consumption in Oct21 reached 6.56mn tons (+5.5%yoy, +1.9%mom) supported by strong bulk sales. Bulk sales jumped by 12.2%yoy and 4.4%mom while bagged sales grew by 3.5%yoy and 1.2%mom. The bulk sales constituted 24% of the demand. The Java region booked 6.5%yoy growth, outpacing the growth in outside Java regions of 4.3%yoy. YTD, the sector booked 5.5%yoy sales volume growth at 53.49mn tons, supported by strong bagged sales. Bagged sales grew by +6.5%yoy while bulk sales grew by +2.2%yoy on the back of slow infrastructure development in the first semester due to the pandemic. The implementation of PPKM Darurat in Java-Bali resulted in lower growth in Java of 3.8%yoy compared to 7.5%yoy outside Java.

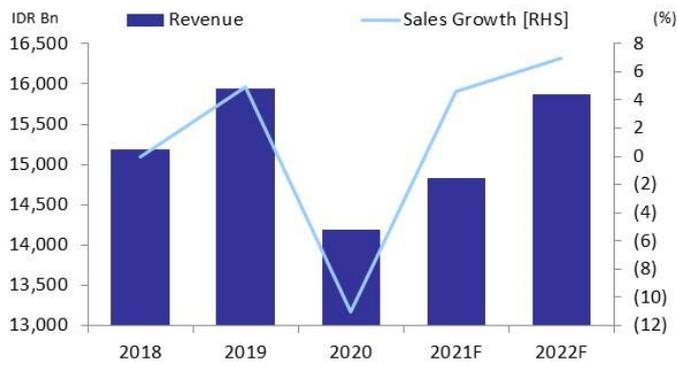
**Maintain BUY.** The 10M21 sales volume of 13.5mn tons is 80.8% of our FY21 target. We expect the FY21 sales to grow by +3.5%yoy to 16.8mn tons. Hence, to fulfill our target, the monthly sales need to reach 1.61mn tons in the remaining months of the year which is inline with the historical sales of 1.5mn-1.7mn tons. INTP is trading at USD105 EV/ton.

**Key Financials**

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	15,939	14,184	14,836	15,869	16,974
EBITDA (IDRbn)	3,106	3,278	3,226	3,406	3,652
EBITDA Growth (%)	31.9	5.5	(1.6)	5.6	7.2
Net profit (IDRbn)	1,835	1,806	1,629	1,907	2,082
EPS (IDR)	498.6	490.7	442.5	518.1	565.5
EPS growth (%)	60.2	(1.6)	(9.8)	17.1	9.1
BVPS (IDR)	6,269.7	6,024.1	5,966.7	6,042.2	6,089.6
DPS (IDR)	550.0	725.0	500.0	442.5	518.1
PER (x)	24.5	24.9	27.6	23.5	21.6
PBV (x)	1.9	2.0	2.0	2.0	2.0
Dividend yield (%)	4.5	5.9	4.1	3.6	4.2
EV/EBITDA (x)	12.0	11.5	11.7	11.0	10.2

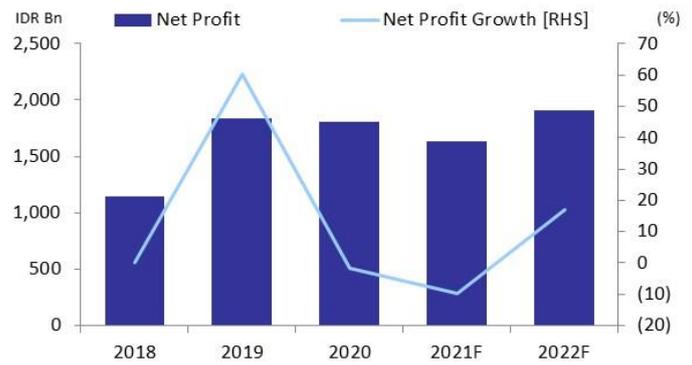
Source : INTP, BRI Danareksa Estimates

**Exhibit 1. Revenues and Growth**



Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



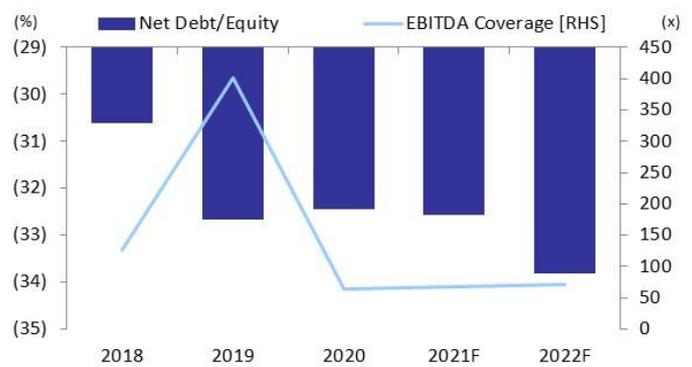
Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 3. Margins**



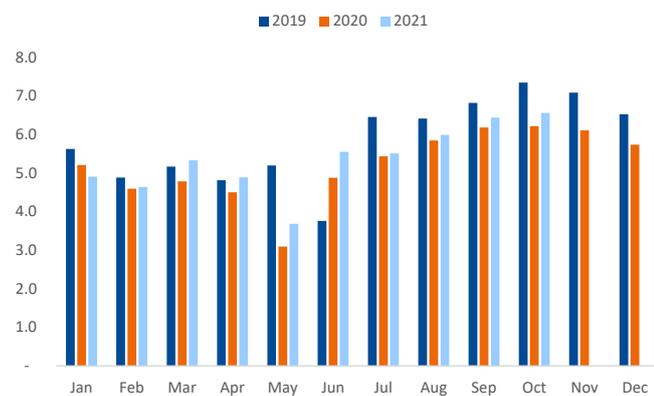
Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



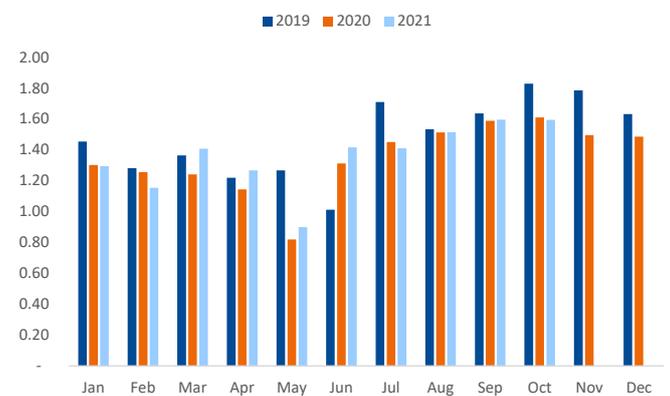
Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 5. Domestic Monthly Cement Sales (mn Ton)**



Source: Company, ASI

**Exhibit 6. INTP Monthly Cement Sales (Mn ton)**



Source: Company, ASI

**Exhibit 7. INTP Cement sales breakdown**

Mn tons	Market Share (%)			Sales volume (Mn ton)							
	Oct-20	Sep-21	Oct-21	Oct-21	% yoy	% mom	%	10M20	10M21	% yoy	%
Jakarta	56.2%	54.5%	59.0%	0.14	-1.7%	5.2%	8.7%	1.25	1.17	-6.9%	8.6%
Banten	45.0%	42.7%	43.0%	0.13	7.7%	-1.2%	8.3%	1.11	1.16	4.5%	8.5%
West Java	44.2%	42.5%	41.6%	0.47	3.3%	-0.2%	29.5%	3.82	3.88	1.6%	28.7%
Ctrl Java	37.1%	34.6%	34.9%	0.34	2.3%	7.4%	21.1%	2.50	2.63	5.3%	19.4%
Yogya.	20.7%	18.9%	19.3%	0.02	-3.5%	1.2%	1.4%	0.17	0.19	8.7%	1.4%
E.Java	12.4%	10.2%	9.5%	0.08	-21.7%	-3.0%	4.9%	0.82	0.70	-14.8%	5.1%
W. Java	46.3%	44.3%	44.3%	0.74	3.1%	0.6%	46.6%	6.18	6.20	0.4%	45.8%
C. Java	35.3%	32.8%	33.2%	0.36	1.9%	7.0%	22.5%	2.67	2.82	5.5%	20.8%
Java	34.9%	33.2%	33.0%	1.18	0.7%	2.2%	74.1%	9.69	9.71	0.3%	71.8%
Sumatra	13.4%	12.3%	11.3%	0.15	-18.0%	-9.5%	9.5%	1.39	1.46	5.1%	10.8%
Kalimantan	20.1%	19.6%	18.8%	0.08	7.2%	-4.8%	5.0%	0.63	0.71	11.8%	5.2%
Sulawesi	8.5%	9.3%	9.4%	0.06	27.8%	8.4%	3.8%	0.34	0.49	46.3%	3.6%
Nusa Tgg.	35.5%	32.5%	29.8%	0.11	-5.2%	-6.2%	7.0%	1.05	1.02	-2.4%	7.6%
East Ind.	5.6%	7.0%	6.4%	0.01	2.7%	-9.9%	0.8%	0.15	0.14	-8.9%	1.0%
<b>INTP - total</b>	<b>25.9%</b>	<b>24.8%</b>	<b>24.3%</b>	<b>1.59</b>	<b>-1.0%</b>	<b>-0.1%</b>	<b>100.0%</b>	<b>13.23</b>	<b>13.53</b>	<b>2.3%</b>	<b>100.0%</b>
Market sh								26.1%	25.3%		

Source: Company, BRI Danareksa Sekuritas

**Exhibit 8. Domestic cement consumption breakdown**

Mn tons	Oct-20	Sep-21	Oct-21	% yoy	% mom	%	10M20	10M21	% yoy	%
Jakarta	0.25	0.24	0.24	-6.4%	-2.8%	3.8%	2.30	2.09	-9.2%	3.9%
Banten	0.27	0.32	0.31	12.7%	-1.9%	4.9%	2.23	2.62	17.3%	4.9%
West Java	1.03	1.11	1.13	9.7%	1.9%	17.2%	8.62	9.04	4.9%	16.9%
Ctrl Java	0.89	0.91	0.97	8.7%	6.5%	14.1%	6.73	7.41	10.1%	13.9%
Yogya.	0.11	0.12	0.11	3.5%	-0.9%	1.8%	0.85	0.99	16.8%	1.9%
E.Java	0.80	0.79	0.82	2.3%	4.1%	12.3%	6.87	6.51	-5.3%	12.2%
W. Java	1.56	1.67	1.68	7.6%	0.5%	25.9%	13.15	13.74	4.5%	25.7%
C. Java	1.00	1.02	1.08	8.1%	5.6%	15.9%	7.59	8.41	10.8%	15.7%
Java	3.36	3.48	3.58	6.5%	2.8%	54.1%	27.60	28.66	3.8%	53.6%
Outside Java	2.86	2.96	2.98	4.3%	0.9%	45.9%	23.10	24.83	7.5%	46.4%
Sumatra	1.38	1.36	1.34	-2.8%	-1.5%	21.1%	11.05	11.44	3.5%	21.4%
Kalimantan	0.37	0.43	0.43	14.6%	-0.7%	6.7%	3.17	3.42	8.1%	6.4%
Sulawesi	0.56	0.60	0.64	15.5%	7.3%	9.3%	4.26	5.30	24.3%	9.9%
Nusa Tgg.	0.33	0.37	0.38	13.0%	2.3%	5.7%	3.00	2.97	-1.0%	5.6%
East Ind.	0.22	0.20	0.20	-10.1%	-1.4%	3.1%	1.62	1.71	5.5%	3.2%
<b>Indonesia</b>	<b>6.22</b>	<b>6.43</b>	<b>6.56</b>	<b>5.5%</b>	<b>1.9%</b>	<b>100.0%</b>	<b>50.70</b>	<b>53.49</b>	<b>5.5%</b>	<b>146.4%</b>
Bag	4.79	4.90	4.96	3.5%	1.2%	76.2%	38.95	41.49	6.5%	77.6%
Bulk	1.42	1.53	1.60	12.2%	4.4%	23.8%	11.74	12.01	2.2%	22.4%

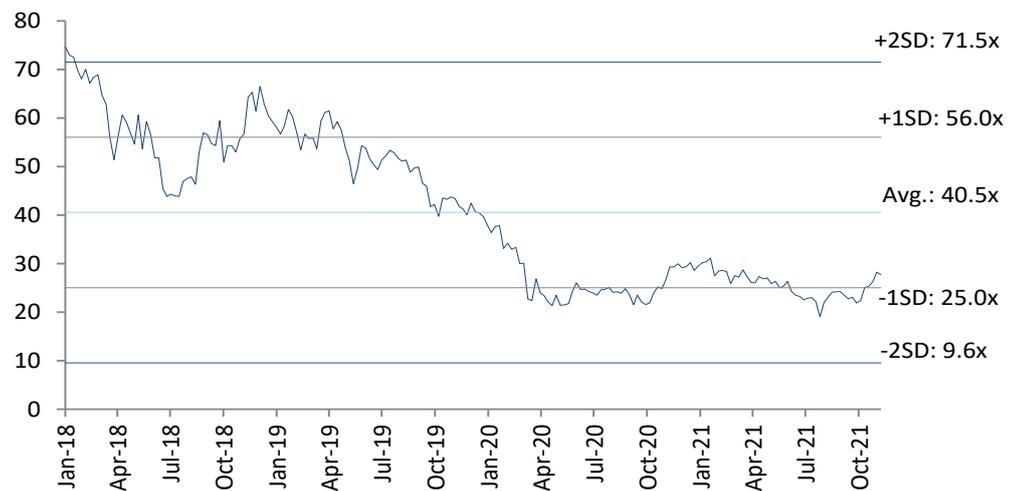
Source: Company, BRI Danareksa Sekuritas

### Exhibit 9. The 10M sales accounted for 81% of our target; in-line

Our FY21 target growth	%	3.5%	
Our FY21 target	mn tons	16.8	
INTP sales in 9M21	mn tons	13.53	
% to our FY21F	%	80.8%	
INTP sales target Nov - Dec21	mn tons	3.22	
INTP sales per month target (Nov-Dec21)	mn tons	1.61	
		<b>Avg. monthly historical</b>	<b>vs. target (%)</b>
Avg monthly sales in Nov-Dec18	mn tons	1.57	102.7%
Avg monthly sales in Nov-Dec19	mn tons	1.71	94.2%
Avg monthly sales in Nov-Dec20	mn tons	1.49	108.0%

Source: BRI Danareksa Sekuritas estimates

### Exhibit 10. PE Band Chart



Source: BRI Danareksa Sekuritas estimates

### Exhibit 11. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
<b>Revenue</b>	<b>15,939</b>	<b>14,184</b>	<b>14,836</b>	<b>15,869</b>	<b>16,974</b>
COGS	(10,439)	(9,071)	(9,906)	(10,491)	(11,233)
<b>Gross profit</b>	<b>5,500</b>	<b>5,114</b>	<b>4,930</b>	<b>5,378</b>	<b>5,741</b>
<b>EBITDA</b>	<b>3,106</b>	<b>3,278</b>	<b>3,226</b>	<b>3,406</b>	<b>3,652</b>
<b>Oper. profit</b>	<b>1,905</b>	<b>1,876</b>	<b>1,715</b>	<b>2,060</b>	<b>2,258</b>
Interest income	449	386	385	383	401
Interest expense	(8)	(51)	(48)	(48)	(48)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	17	15	16	17	17
Other Income (Expenses)	0	0	0	0	0
<b>Pre-tax profit</b>	<b>2,364</b>	<b>2,226</b>	<b>2,069</b>	<b>2,412</b>	<b>2,629</b>
Income tax	(528)	(419)	(440)	(505)	(547)
Minority interest	0	0	0	0	0
<b>Net profit</b>	<b>1,835</b>	<b>1,806</b>	<b>1,629</b>	<b>1,907</b>	<b>2,082</b>
<b>Core Net Profit</b>	<b>1,835</b>	<b>1,806</b>	<b>1,629</b>	<b>1,907</b>	<b>2,082</b>

### Exhibit 12. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	7,652	7,698	7,656	8,024	8,331
Receivables	3,021	2,621	2,739	2,927	3,129
Inventory	1,895	1,824	1,992	2,109	2,258
Other Curr. Asset	261	157	157	157	157
Fixed assets - Net	14,080	14,397	14,154	13,908	13,615
Other non-curr.asset	798	648	648	648	648
<b>Total asset</b>	<b>27,708</b>	<b>27,345</b>	<b>27,347</b>	<b>27,774</b>	<b>28,139</b>
ST Debt	107	254	254	254	254
Payables	2,516	2,319	2,533	2,683	2,872
Other Curr. Liabilities	1,285	1,642	1,642	1,642	1,642
Long Term Debt	4	247	247	247	247
Other LT. Liabilities	716	706	706	706	706
<b>Total Liabilities</b>	<b>4,627</b>	<b>5,168</b>	<b>5,382</b>	<b>5,532</b>	<b>5,721</b>
Shareholder's Funds	23,080	22,176	21,965	22,243	22,417
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>27,708</b>	<b>27,345</b>	<b>27,347</b>	<b>27,774</b>	<b>28,139</b>

### Exhibit 13. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	1,835	1,806	1,629	1,907	2,082
Depreciation and Amort.	1,201	1,402	1,510	1,346	1,393
Change in Working Capital	(102)	737	(73)	(156)	(161)
Other Oper. Cash Flow	(327)	(343)	(337)	(335)	(354)
<b>Operating Cash Flow</b>	<b>2,607</b>	<b>3,602</b>	<b>2,729</b>	<b>2,762</b>	<b>2,961</b>
Capex	1,100	1,100	1,100	1,100	1,100
Others Inv. Cash Flow	453	534	385	383	401
<b>Investing Cash Flow</b>	<b>1,553</b>	<b>1,634</b>	<b>1,485</b>	<b>1,483</b>	<b>1,501</b>
Net change in debt	(6)	390	0	0	0
New Capital	0	0	0	0	0
Dividend payment	(2,025)	(2,669)	(1,841)	(1,629)	(1,907)
Other Fin. Cash Flow	40	(93)	(48)	(48)	(48)
<b>Financing Cash Flow</b>	<b>(1,990)</b>	<b>(2,371)</b>	<b>(1,888)</b>	<b>(1,677)</b>	<b>(1,955)</b>
<b>Net Change in Cash</b>	<b>2,169</b>	<b>2,865</b>	<b>2,326</b>	<b>2,568</b>	<b>2,507</b>
Cash - begin of the year	7,226	7,652	7,698	7,656	8,024
Cash - end of the year	7,652	7,698	7,656	8,024	8,331

### Exhibit 14. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
<b>Growth (%)</b>					
Sales	4.9	(11.0)	4.6	7.0	7.0
EBITDA	31.9	5.5	(1.6)	5.6	7.2
Operating profit	77.4	(1.5)	(8.6)	20.1	9.6
Net profit	60.2	(1.6)	(9.8)	17.1	9.1
<b>Profitability (%)</b>					
Gross margin	34.5	36.1	33.2	33.9	33.8
EBITDA margin	19.5	23.1	21.7	21.5	21.5
Operating margin	12.0	13.2	11.6	13.0	13.3
Net margin	11.5	12.7	11.0	12.0	12.3
ROAA	6.6	6.6	6.0	6.9	7.4
ROAE	7.9	8.0	7.4	8.6	9.3
<b>Leverage</b>					
Net Gearing (x)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Interest Coverage (x)	246.2	36.7	36.1	43.3	47.5

Source : INTP, BRI Danareksa Estimates

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