

Indonesia Cement Sector: SMGR, INTP, SMCB.

April 8th, 2014

Sales Volume Achievement So Far & What To Expect in This Current Year

The unexpected poor level of growth in cement sales last year, which was only at 6.2%, seems to continue in early part of this year where for the first 2 months of the year, the national cement industry recorded a sales growth level of only 1.2% YoY, which was seasonally impacted by the prolonged rainy season.

| Cement Sales (mn tons) | Feb-13 | Jan-14 | Feb-14 | MoM chg | YoY chg | 2M 2013 | 2M 2014 | 2M YoY chg | Market Share |
|---------------------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|--------------|
| SMGR | 1.91 | 2.05 | 1.97 | -3.7% | 3.3% | 3.96 | 4.02 | 1.7% | 43.8% |
| INTP | 1.34 | 1.39 | 1.37 | -1.1% | 2.6% | 2.74 | 2.76 | 1.0% | 30.1% |
| SMCB | 0.67 | 0.67 | 0.63 | -6.1% | -6.3% | 1.36 | 1.29 | -4.7% | 14.1% |
| SMBR | 0.067 | 0.101 | 0.105 | 4.8% | 58.0% | 0.15 | 0.21 | 35.4% | 2.2% |
| Others | 0.43 | 0.44 | 0.46 | 4.3% | 6.5% | 0.86 | 0.89 | 3.4% | 9.7% |
| Total | 4.41 | 4.64 | 4.53 | -2.3% | 2.8% | 9.07 | 9.18 | 1.2% | |

Source: Indonesia Cement Association (ASI)

| YoY National Cement Sales | | | | | | |
|---------------------------|-------|-------|-------|-------|-------|-------|
| (mn tons) | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E |
| | 49.25 | 55.16 | 58.60 | 62.41 | 66.78 | 71.78 |
| growth | 12.7% | 12.0% | 6.2% | 6.5% | 7.0% | 7.5% |

Source: Bloomberg

These conditions are expected to gradually improve in the long term, where the general election process is expected to deliver a new president who will likely support an accelerated development of infrastructure construction and properties, which have been the largest consumers of cement products. But in the short term, companies in this sector will still struggle to raise profitability, due to several obstacles, among others:

1) Fuel price increase last year that exceeded 22% - 44%, which has raised transportation and energy cost.

2) The government's plan to raise electricity rates again, which will increase energy cost even higher.

3) And although the exchange rate of Rupiah against US Dollar has strengthened 7% from Rp12,170 to Rp11,300 year-to-date, it is still declining 16% year-on-year. This has led to an increase in raw materials and capital goods purchasing costs which are still commonly imported, such as gypsum, silica, clinker, and factory machineries.

The increase in selling price this year, which we expect to be inline with the expected inflation rate of only 4.5% - 5%, will not be considered sufficient to raise profit margins.

As for the national cement sales target, we expect this year it will still grow by 6.5% year-on-year, slightly below the target of Indonesian Cement Association (ASI) at 6.7%.

Based on these latest results, we are initiating a **Hold for the sector**. We are also initiating research coverage on three of the largest cement companies, all with **Hold** ratings: Semen Indonesia (SMGR:IJ, HOLD, Rp17,950 TP, 6.5% upside), Indocement Tunggak Prakarsa (INTP:IJ, HOLD, Rp25,235 TP, 4.5% upside), Holcim Indonesia (SMCB:IJ, HOLD, Rp2,775 TP, 5.1% downside). More detailed reviews on each companies can be seen in the following pages.

Analyst:

Robertus Yanuar Hardy

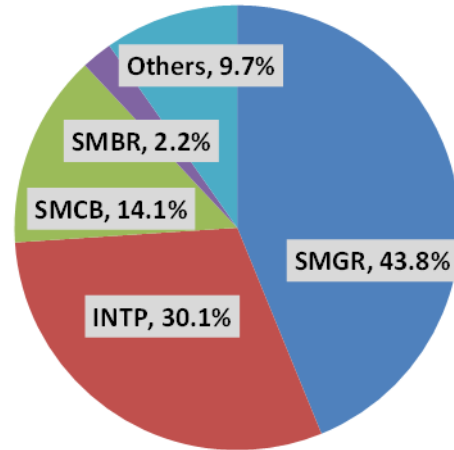
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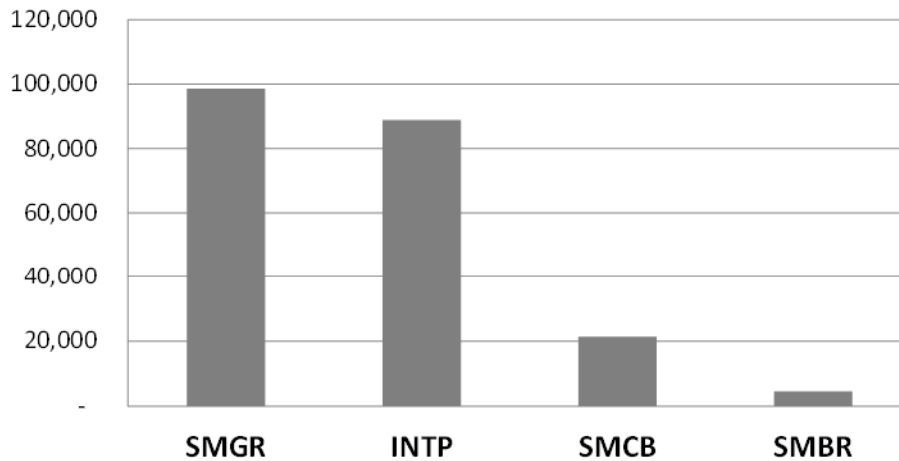
Some Quantitative Indicators:

SMGR is still the largest market share holder with almost 44%. Together with INTP, they hold almost 74% of national cement market share. Their nationwide product availability and the largest distribution in the cement market are advantages. We believe that having the largest market caps and liquidity makes them the primary selection for large and foreign institutional investors and fund managers. However, Rupiah exchange rate is also an important factor to watch for. A weak Rupiah can be a negative catalyst for this sector.

Market Share:



Market Cap (bn Rp)



Declining profit margins, yet still a market leader

SMGR is currently planning to build cement plants located in Rembang and Padang. Both of these projects require investment funds reaching Rp7.5 trillion, and are expected to begin fully operating in late 2016. High investment cost for the factory machineries that are mostly still imported may add more concerns to the company's financial performance. The management's plan to finance these expansions with loans also can lower their profit margins.

We are targeting cement sales volume this year to reach up to 29.28 million tons (mt), which represent a 13% growth year-on-year respectively. Slightly below the company's target of 31 mt.

The 45% dividend payout ratio for 2013 fiscal year, with 2.5% dividend yield may slightly increase the attractiveness of this stock in the short term.

Rating & Valuation

We are initiating with a Hold rating with a year-end target price of Rp17950 which implies 17.2x of 2014E P/E Ratio. Declining profit margin and slowing growth is a result of the weakening cement market and increasing costs. Nevertheless, the company's reputation as a market leader is still the main reason for investors to consider this company.

Past Financial Performance & Future Forecasts:

| Income Statement (Rp bn) | 2012 | 2013 | 2014E | 2015E | 2016E |
|------------------------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue | 19,598 | 24,501 | 28,087 | 31,946 | 36,095 |
| Gross Profit | 9,298 | 10,944 | 12,616 | 14,429 | 16,393 |
| EBT | 6,287 | 6,920 | 7,990 | 9,153 | 10,415 |
| EAT | 4,927 | 5,354 | 6,182 | 7,082 | 8,058 |
| Net income | 4,847 | 5,370 | 6,200 | 7,103 | 8,082 |
| (bn shares) outstanding | 5.93 | 5.93 | 5.93 | 5.93 | 5.93 |
| EPS | 817 | 905 | 1,045 | 1,197 | 1,363 |
| | | | | | |
| Current Price | | | 16,850 | | |
| Current P/E | | | 16.1 | | |
| Target Price | | | 17,950 | | |
| Implied P/E | | | 17.2 | | |
| | | | | | |
| Ratios & Margins: | 2012 | 2013 | 2014E | 2015E | 2016E |
| Revenue growth | 19.7% | 25.0% | 14.6% | 13.7% | 13.0% |
| Gross Profit margin | 47.4% | 44.7% | 44.9% | 45.2% | 45.4% |
| Net Profit margin | 24.7% | 21.9% | 22.1% | 22.2% | 22.4% |
| Net Profit growth | 23.5% | 10.8% | 15.5% | 14.6% | 13.8% |
| ROA | 14.7% | 17.4% | 17.9% | 18.1% | 18.2% |
| ROE | 21.5% | 24.6% | 24.2% | 23.6% | 22.9% |
| Net Debt | 828.31 | 12.09 | (639.36) | (1,813.81) | (3,458.08) |
| DER | 4.6% | 0.1% | -2.5% | -6.0% | -9.8% |
| BVPS | 3,062 | 3,676 | 4,327 | 5,085 | 5,943 |
| DPS | 331 | 368 | 407 | 470 | 539 |
| DPR | 45.0% | 45.0% | 45.0% | 45.0% | 45.0% |



Major Shareholders:

| | |
|-------------------------------|--------|
| Republik Indonesia Government | 51.01% |
| Public | 48.99% |

Stock Data:

| | |
|---------------------------------|--------|
| Current Price | 16,850 |
| Current 2014 P/E | 16.1 |
| Target Price 2014 | 17,950 |
| Implied 2014 P/E | 17.2 |
| Recommendation | Hold |
| 52 week High | 19,150 |
| 52 week Low | 11,350 |
| Shares Outstanding (mn shares) | 5,932 |
| Market Cap (bn Rp) | 99,946 |
| Daily Average Vol ('000 shares) | 7,536 |

Relative Performance vs JCI:



Sources: Bloomberg, Reliance research

Analyst:

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Balance Sheet

(Rp bn)

| Assets | 2012 | 2013 | 2014E | 2015E | 2016E |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Cash | 3,022 | 4,070 | 4,939 | 6,342 | 8,228 |
| Restricted cash | 59 | 38 | 41 | 45 | 50 |
| Short term investment | 236 | 105 | 113 | 121 | 130 |
| Account receivables | 2,523 | 2,916 | 3,281 | 3,691 | 4,152 |
| Inventories | 2,285 | 2,646 | 2,977 | 3,349 | 3,767 |
| Advances, prepaids & taxes | 106 | 197 | 222 | 250 | 281 |
| Total Current Assets | 8,231 | 9,972 | 11,572 | 13,798 | 16,609 |
| Deferred tax assets | 141 | 84 | 80 | 76 | 72 |
| Investment in associates | 103 | 128 | 147 | 169 | 194 |
| Investment properties | 41 | 49 | 54 | 59 | 65 |
| Fixed asset | 16,794 | 18,863 | 20,937 | 23,019 | 25,108 |
| Purchasing advances | 118 | 214 | 247 | 284 | 326 |
| Deffered charges | 94 | 101 | 107 | 114 | 122 |
| Intangible assets | 1,003 | 1,158 | 1,303 | 1,466 | 1,649 |
| Other | 54 | 224 | 230 | 235 | 241 |
| Total Non Current Assets | 18,348 | 20,821 | 23,105 | 25,422 | 27,777 |
| Total Assets | 26,579 | 30,793 | 34,677 | 39,220 | 44,386 |
| Liabilities | 2012 | 2013 | 2014E | 2015E | 2016E |
| Short term bank loans | 350 | 321 | 337 | 354 | 372 |
| Trade payables | 2,173 | 2,502 | 2,377 | 2,258 | 2,145 |
| Other payables | 518 | 320 | 288 | 260 | 234 |
| Accrued expenses | 398 | 438 | 451 | 465 | 479 |
| Taxes payable | 504 | 399 | 379 | 360 | 342 |
| ST Employee Benefit Liab | 572 | 775 | 767 | 759 | 752 |
| Sales advances | 31 | 24 | 25 | 26 | 27 |
| Current maturities of LT Debt | 278 | 519 | 558 | 600 | 645 |
| Total Current Liabilities | 4,825 | 5,298 | 5,182 | 5,081 | 4,995 |
| Deferred tax liabilities | 1 | 7 | 7 | 8 | 8 |
| Employee benefits liabilities | 271 | 272 | 244 | 220 | 198 |
| Long term loans - net | 3,222 | 3,242 | 3,405 | 3,575 | 3,753 |
| LT Provision | 81 | 158 | 160 | 162 | 165 |
| Other | 13 | 12 | 13 | 14 | 15 |
| Total Non Current Liabilities | 3,589 | 3,691 | 3,830 | 3,979 | 4,140 |
| Total Liabilities | 8,414 | 8,989 | 9,012 | 9,060 | 9,134 |
| Equity | 2012 | 2013 | 2014E | 2015E | 2016E |
| Share capital | 593 | 593 | 593 | 593 | 593 |
| Additional paid in capital | 1,458 | 1,458 | 1,458 | 1,458 | 1,458 |
| Retained earnings | 15,292 | 18,481 | 22,265 | 26,577 | 31,463 |
| Other comprehensive income | 4 | 350 | 359 | 368 | 377 |
| Sub total Equity | 17,347 | 20,883 | 24,675 | 28,997 | 33,892 |
| Non Controlling Interest | 818 | 921 | 990 | 1,163 | 1,359 |
| Total Equity | 18,165 | 21,804 | 25,665 | 30,160 | 35,251 |
| Cash Flows | 2012 | 2013 | 2014E | 2015E | 2016E |
| Cash flow from operation | | | | | |
| Change in working capital | (848) | (957) | (1,100) | (1,207) | (1,329) |
| Net income | 4,847 | 5,370 | 6,200 | 7,103 | 8,082 |
| Depreciation | 1,027 | 1,076 | 1,101 | 1,126 | 1,151 |
| Nett cash flow from operation | 5,026 | 5,489 | 6,202 | 7,022 | 7,904 |
| Cash Flow from Investment | | | | | |
| Capex | (6,180) | (3,144) | (3,176) | (3,208) | (3,240) |
| Net cash flow from investment | (6,180) | (3,144) | (3,176) | (3,208) | (3,240) |
| Cash Flow from Financing | | | | | |
| Loans and Debts | 1,959 | 232 | 217 | 229 | 241 |
| Employee Benefit Liabilities | 139 | 203 | (35) | (32) | (30) |
| Non Ctrlng Int | 667 | 104 | 68 | 173 | 196 |
| Chg in Equity | (2) | 346 | 9 | 9 | 9 |
| Dividend | (1,963) | (2,181) | (2,417) | (2,790) | (3,196) |
| Net cash flow from financing | 800 | (1,296) | (2,157) | (2,411) | (2,779) |

PT Indocement Tunggal Prakarsa, Tbk (INTP)

April 8th, 2014

Slower growth yet healthy financials

We estimate the company's cement sales will reach 19.29 mt this year. Their current production capacity is now at 18.6 mt per annum and there will be an addition of 1.9 mt by the end of this quarter from the vertical raw mill located in Citeureup.

At the same location INTP will also build a new cement plant with a production capacity of 4.4 mt p.a. that will be fully operating in the third quarter of 2015. The company is also in the process of acquiring permit to build a greenfield plant located in Central Java and one another location outside Java, which will have a capacity of 2.5 mt p.a. each.

More than 50% of the company's expenditures are denominated in U. S. Dollars. This makes the effort to raise profit margins as their main challenge in the future. The volatility of Rupiah and high demand for imported raw materials and capital goods may increase their financial burden.

Rating & Valuation

We are initiating with a Hold rating with a year-end target price of Rp25235 which implies 16.4x of 2014E P/E Ratio. A relatively slower growth in expanding production capacity and sales compared to its competitor is still a challenge for this company, however a strong cash ratio (compared to its liabilities) and minimum debt is an advantage for the company's financial health.

Past Financial Performance & Future Forecasts:

| Income Statement | 2012 | 2013 | 2014E | 2015E | 2016E |
|--------------------------------|--------|--------|--------|--------|--------|
| <i>(bn Rp)</i> | | | | | |
| Revenue | 17,290 | 18,691 | 21,019 | 22,989 | 24,976 |
| Gross Profit | 8,270 | 8,655 | 9,774 | 10,737 | 11,714 |
| Operating Income | 5,877 | 6,064 | 6,854 | 7,534 | 8,224 |
| EBT | 6,240 | 6,595 | 7,455 | 8,196 | 8,948 |
| EAT | 4,763 | 5,012 | 5,666 | 6,229 | 6,800 |
| Net Income | 4,760 | 5,010 | 5,664 | 6,226 | 6,797 |
| <i>(bn shares)</i> outstanding | 3.68 | 3.68 | 3.68 | 3.68 | 3.68 |
| EPS | 1,293 | 1,361 | 1,539 | 1,691 | 1,846 |

| | | | | | |
|---------------|--|--|--------|--|--|
| Current Price | | | 24,150 | | |
| Current P/E | | | 15.7 | | |
| Target Price | | | 25,235 | | |
| Implied P/E | | | 16.4 | | |

| Ratios & Margins: | 2012 | 2013 | 2014E | 2015E | 2016E |
|-------------------------------|-------|-------|-------|-------|-------|
| Sales Volume <i>(mn tons)</i> | 17.68 | 17.79 | 19.29 | 20.19 | 20.99 |
| Sales Volume growth | 14.8% | 0.6% | 8.4% | 4.7% | 4.0% |
| Revenue growth | 24.5% | 8.1% | 12.5% | 9.4% | 8.6% |
| Gross Profit margin | 47.8% | 46.3% | 46.5% | 46.7% | 46.9% |
| Opr Income margin | 34.0% | 32.4% | 32.6% | 32.8% | 32.9% |
| EBT margin | 36.1% | 35.3% | 35.5% | 35.7% | 35.8% |
| Net Profit margin | 27.5% | 26.8% | 26.9% | 27.1% | 27.2% |
| Net Profit growth | 32.3% | 5.2% | 13.0% | 9.9% | 9.2% |
| ROA | 20.9% | 18.8% | 18.7% | 18.1% | 17.5% |
| ROE | 24.5% | 21.8% | 21.1% | 20.0% | 19.0% |
| BVPS | 5,275 | 6,242 | 7,303 | 8,454 | 9,708 |
| DPS (above fiscal year) | 450 | 476 | 538 | 592 | 646 |
| DPR | 34.8% | 35.0% | 35.0% | 35.0% | 35.0% |
| Cash to Total Liabilities | 3.1 | 3.5 | 4.1 | 5.0 | 6.0 |



Major Shareholders:

| | |
|---------------------|--------|
| Birchwood Omnia Ltd | 51.00% |
| PT Mekar Perkasa | 13.03% |
| Public | 35.97% |

Stock Data:

| | |
|--|--------|
| Current Price <i>(Rp)</i> | 24,150 |
| Current P/E 2014 | 15.7 |
| Target Price <i>(Rp)</i> | 25,235 |
| Implied P/E 2014 | 16.4 |
| Recommendation | Hold |
| 52-weeks-high <i>(Rp)</i> | 27,400 |
| 52-weeks-low <i>(Rp)</i> | 16,500 |
| Shares Outstanding <i>(mn shares)</i> | 3,681 |
| Daily average vol <i>('000 shares)</i> | 2,543 |
| Market Cap <i>(bn Rp)</i> | 88,902 |

Relative Performance vs JCI:



Sources: Bloomberg, Reliance research

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Balance Sheet

| Assets | 2012 | 2013 | 2014E | 2015E | 2016E |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <i>(bn Rp)</i> | | | | | |
| Cash & cash equivalents | 10,474 | 12,595 | 14,369 | 16,215 | 18,177 |
| Trade receivables | 2,455 | 2,519 | 2,645 | 2,777 | 2,916 |
| Inventories-net | 1,470 | 1,474 | 1,639 | 1,822 | 2,026 |
| Advances and deposits | 98 | 143 | 165 | 189 | 218 |
| Prepaid taxes | 8 | 7 | 8 | 9 | 10 |
| Prepaid expenses | 19 | 32 | 36 | 42 | 48 |
| Other | 56 | 77 | 85 | 94 | 103 |
| Total Current Assets | 14,579 | 16,846 | 18,946 | 21,147 | 23,498 |
| Due from related parties | 1 | 1 | 1 | 1 | 1 |
| Deferred tax assets-net | 21 | 41 | 45 | 49 | 54 |
| Long term investments | 47 | 57 | 67 | 69 | 81 |
| Fixed asset-net | 7,935 | 9,305 | 10,894 | 12,664 | 14,673 |
| Inv Property | 4 | 4 | 4 | 4 | 4 |
| Intangible Assets | 11 | 13 | 16 | 19 | 22 |
| Other NC Financial Assets | 16 | 16 | 18 | 20 | 22 |
| Other non-current assets | 141 | 325 | 357 | 393 | 432 |
| Total Non Current Assets | 8,176 | 9,761 | 11,400 | 13,218 | 15,288 |
| Total Assets | 22,755 | 26,607 | 30,347 | 34,365 | 38,786 |
| Liabilities | 2012 | 2013 | 2014E | 2015E | 2016E |
| <i>(bn Rp)</i> | | | | | |
| Trade payable | 975 | 1,008 | 907 | 816 | 735 |
| Other payables | 357 | 367 | 330 | 297 | 267 |
| Customer's deposit's | 59 | 125 | 128 | 131 | 135 |
| Accrued expenses | 421 | 642 | 578 | 520 | 468 |
| Taxes payable | 470 | 437 | 393 | 354 | 318 |
| ST employee benefit liab | 84 | 94 | 96 | 99 | 101 |
| Current mat of fin lease | 52 | 67 | 69 | 71 | 72 |
| Total Current Liabilities | 2,419 | 2,740 | 2,502 | 2,288 | 2,097 |
| Finance lease | 108 | 93 | 88 | 84 | 80 |
| Deferred tax liabilities-net | 515 | 462 | 416 | 374 | 337 |
| LT Employee Benefit Liab | 224 | 267 | 389 | 425 | 462 |
| LT Provision | 69 | 67 | 68 | 70 | 71 |
| Asset sales gain | 2 | 1 | 1 | 1 | 1 |
| Total Non Current Liabilities | 918 | 889 | 962 | 954 | 951 |
| Total Liabilities | 3,336 | 3,630 | 3,464 | 3,243 | 3,048 |
| Equity | 2012 | 2013 | 2014E | 2015E | 2016E |
| <i>(bn Rp)</i> | | | | | |
| Capital stock | 1,841 | 1,841 | 1,841 | 1,841 | 1,841 |
| Additional paid-in capital | 2,699 | 2,699 | 2,699 | 2,699 | 2,699 |
| Other comprehensive income | - | 206 | 195 | 186 | 176 |
| Retained earnings | 14,848 | 18,202 | 22,112 | 26,356 | 30,974 |
| Sub Total Equity | 19,388 | 22,947 | 26,847 | 31,081 | 35,690 |
| Non Controlling Interest | 31 | 30 | 36 | 41 | 47 |
| Total Equity | 19,419 | 22,978 | 26,883 | 31,122 | 35,737 |
| Cash Flows | 2012 | 2013 | 2014E | 2015E | 2016E |
| <i>(bn Rp)</i> | | | | | |
| Net Income | 4,760 | 5,010 | 5,664 | 6,226 | 6,797 |
| Depreciation & Amortization | 755 | 782 | 778 | 810 | 830 |
| Changes in Working Capital | 245 | (55) | (526) | (616) | (627) |
| Cash Flow from Operation | 5,760 | 5,738 | 5,916 | 6,419 | 7,001 |
| Dividend | (1,079) | (1,657) | (1,754) | (1,982) | (2,179) |
| Changes in Equity | 3 | 205 | (5) | (4) | (3) |
| Loans, Debts, and Leases | (16) | (0) | (3) | (3) | (2) |
| Cash Flow from Financing | (1,091) | (1,452) | (1,762) | (1,989) | (2,185) |
| Investments | (7) | (13) | (12) | (5) | (16) |
| Capex | (1,052) | (2,152) | (2,367) | (2,580) | (2,838) |
| Cash Flow from Investment | (1,059) | (2,165) | (2,380) | (2,585) | (2,854) |

PT Holcim Indonesia, Tbk (SMCB)

April 8th, 2014

High cost leads to declining financial performance

SMCB currently has a production capacity of 9.5 mt p.a. and we are targeting their cement sales volume this year to reach up to 9.43 mt. Which is a 12% growth from last year's achievement at 8.43 mt.

Currently the company is in the process of completing 2 new plants in Tuban, East Java, which will have a production capacity of 1.7 mt p.a. each, and are targeted to start fully operating this year and next year, so production capacity will increase 36% to 12.9 mt p.a. at the end of next year.

However the increase in foreign exchange losses due to the currency volatility, and rising financial costs because of the company's expansion plan that will still need to be financed from loans, has reduced their profitability.

Rating & Valuation

We are initiating with a Hold rating with a year-end target price of Rp2775 which implies 17.0x of 2014F P/E Ratio. FX loss and higher financial costs are still the main risks for this company.

Past Financial Performance & Future Forecasts:

Income Statement

| (bn Rp) | 2012 | 2013 | 2014E | 2015E | 2016E |
|-------------------------|----------|----------|-----------|-----------|-----------|
| Revenue | 9,011.08 | 9,686.26 | 11,322.72 | 13,086.84 | 14,986.80 |
| Gross Profit | 3,346.85 | 3,355.32 | 4,148.65 | 4,925.89 | 5,678.50 |
| EBT | 1,872.71 | 1,336.55 | 1,759.92 | 2,169.16 | 2,593.96 |
| EAT | 1,350.79 | 952.31 | 1,253.96 | 1,545.55 | 1,848.23 |
| Net income | 1,350.25 | 952.11 | 1,253.71 | 1,545.24 | 1,847.85 |
| (bn shares) Outstanding | 7.66 | 7.66 | 7.66 | 7.66 | 7.66 |
| EPS | 176.21 | 124.25 | 163.61 | 201.65 | 241.14 |

| | | | | | |
|---------------|-------------|--|-------|--|--|
| Current Price | | | 2,925 | | |
| Target Price | Current P/E | | 17.9 | | |
| | Implied P/E | | 17.0 | | |

Ratios & Margin:

| | 2012 | 2013 | 2014E | 2015E | 2016E |
|-----------------------------------|-------|--------|-------|-------|-------|
| Revenue growth | 19.8% | 7.5% | 16.9% | 15.6% | 14.5% |
| Gross Profit margin | 37.1% | 34.6% | 36.6% | 37.6% | 37.9% |
| Net Profit growth | 27.0% | -29.5% | 31.7% | 23.3% | 19.6% |
| Net Profit margin | 15.0% | 9.8% | 11.1% | 11.8% | 12.3% |
| ROA | 11.1% | 6.4% | 7.6% | 8.5% | 9.1% |
| ROE | 16.0% | 10.9% | 13.1% | 14.7% | 15.9% |
| BVPS | 1,099 | 1,145 | 1,250 | 1,374 | 1,519 |
| DPR (current fiscal year as paid) | 48.2% | 48.2% | 48.2% | 48.2% | 48.2% |
| DPS (current fiscal year as paid) | 85 | 60 | 79 | 97 | 116 |
| Net Debt | 1,098 | 3,250 | 4,947 | 6,214 | 6,704 |
| DER | 13.0% | 37.0% | 51.7% | 59.0% | 57.6% |



Major Share holders:

| | |
|---------------------------------|--------|
| Holderfin B. V. The Netherlands | 80.65% |
| Foreign Investors | 15.31% |
| Indonesian Public | 4.04% |

Stock Data:

| | |
|---------------------------------|--------|
| Current Price | 2,925 |
| Current 2014 P/E | 17.9 |
| Target Price 2014 | 2,775 |
| Implied 2014 P/E | 17.0 |
| Recommendation | Hold |
| 52 week High | 3,975 |
| 52 week Low | 2,000 |
| Shares Outstanding (mn shares) | 7,663 |
| Market Cap (bn Rp) | 22,414 |
| Daily Average Vol ('000 shares) | 1,932 |

Relative Performance vs JCI:



Sources: Bloomberg, Reliance research

Analyst:

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Assets
(bn Rp)

| | 2012 | 2013 | 2014E | 2015E | 2016E |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash & equivalent | 555.79 | 375.57 | (813.61) | (1,672.83) | (1,683.47) |
| Trade acc receivables | 846.86 | 1,019.13 | 1,044.61 | 1,070.72 | 1,097.49 |
| Inventories | 687.09 | 591.06 | 605.83 | 620.98 | 636.50 |
| Prepaid expenses & taxes | 78.31 | 67.26 | 68.94 | 70.66 | 72.43 |
| Advance payments | 18.75 | 32.05 | 32.85 | 33.67 | 34.51 |
| Total Current Assets | 2,186.80 | 2,085.06 | 938.62 | 123.20 | 157.46 |
| Deferred tax assets | 8.96 | 6.03 | 6.18 | 6.34 | 6.49 |
| Fixed Assets - nett | 9,588.78 | 12,367.32 | 15,116.44 | 17,623.22 | 19,561.69 |
| Other | 383.98 | 436.58 | 447.50 | 458.68 | 470.15 |
| Total Non Current Assets | 9,981.72 | 12,809.94 | 15,570.12 | 18,088.24 | 20,038.34 |
| Total Assets | 12,168.52 | 14,894.99 | 16,508.73 | 18,211.44 | 20,195.80 |

Liabilities

| | 2012 | 2013 | 2014E | 2015E | 2016E |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Trade payables | 706.88 | 886.17 | 1,019.09 | 1,171.95 | 1,347.75 |
| Other payables | 282.20 | 466.60 | 536.59 | 617.08 | 709.64 |
| Taxes payable | 149.01 | 90.69 | 104.30 | 119.94 | 137.93 |
| Accrued expenses | 228.30 | 303.91 | 311.51 | 319.30 | 327.28 |
| ST Employee Benefits | 55.89 | 17.35 | 19.95 | 22.94 | 26.38 |
| ST Loans | 88.47 | 119.20 | 143.04 | 171.65 | 205.98 |
| Current mat of finance lease | 24.01 | 45.64 | 54.77 | 65.72 | 78.86 |
| Current mat of LT Loans | 22.12 | 1,332.49 | 1,598.99 | 1,918.79 | 2,302.55 |
| Total Current Liab | 1,556.88 | 3,262.05 | 3,788.24 | 4,407.38 | 5,136.38 |
| Deferred tax liabilities | 368.32 | 357.71 | 393.48 | 432.83 | 476.12 |
| Finance Lease Obligations | 42.15 | 47.86 | 52.64 | 57.91 | 63.70 |
| Long term loans - net | 1,543.03 | 2,173.86 | 2,391.25 | 2,451.03 | 2,512.31 |
| Employee Benefits Obligations | 211.20 | 251.62 | 276.78 | 304.46 | 334.90 |
| Provision for restoration | 28.89 | 28.94 | 29.66 | 30.40 | 31.16 |
| Total Non Current Liab | 2,193.59 | 2,859.99 | 3,143.82 | 3,276.63 | 3,418.19 |
| Total Liabilities | 3,750.46 | 6,122.04 | 6,932.06 | 7,684.01 | 8,554.57 |

Equity

| | 2012 | 2013 | 2014E | 2015E | 2016E |
|----------------------------|-----------------|-----------------|-----------------|------------------|------------------|
| Capital stock | 3,831.45 | 3,831.45 | 3,831.45 | 3,831.45 | 3,831.45 |
| Additional paid in capital | 2,472.38 | 2,472.38 | 2,472.38 | 2,472.38 | 2,472.38 |
| Exchange rate difference | 35.31 | 88.84 | 97.73 | 107.50 | 118.25 |
| Retained earnings | 2,075.65 | 2,376.53 | 3,171.03 | 4,111.61 | 5,214.19 |
| Sub Total Equity | 8,414.78 | 8,769.20 | 9,572.59 | 10,522.94 | 11,636.27 |
| Non controlling interest | 3.27 | 3.74 | 4.09 | 4.49 | 4.97 |
| Total Equity | 8,418.06 | 8,772.95 | 9,576.68 | 10,527.43 | 11,641.24 |

Cash Flows
(bn Rp)

| | 2012 | 2013 | 2014E | 2015E | 2016E |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash flows from operating activities | | | | | |
| Net Income | 1,350.25 | 952.11 | 1,253.71 | 1,545.24 | 1,847.85 |
| Depreciation & Amortization | 479.03 | 635.66 | 699.22 | 769.14 | 846.06 |
| Chg in Working Capital | (210.82) | 263.96 | 183.98 | 215.97 | 252.87 |
| Others | (104.21) | (19.82) | 50.59 | 56.43 | 62.86 |
| Nett CFO | 1,514.25 | 1,831.91 | 2,187.50 | 2,586.78 | 3,009.65 |
| Cash flow from investing | | | | | |
| Capex | (1,829.56) | (3,414.20) | (3,448.34) | (3,275.92) | (2,784.53) |
| Nett CFI | (1,829.56) | (3,414.20) | (3,448.34) | (3,275.92) | (2,784.53) |
| Cash Flow from Financing | | | | | |
| Changes in debt | 203.06 | 1,999.29 | 521.64 | 424.41 | 498.30 |
| Chg in Equity | 30.20 | 53.54 | 8.88 | 9.77 | 10.75 |
| Dividends paid | (490.43) | (651.23) | (459.21) | (604.67) | (745.27) |
| Others | 0.78 | 0.47 | 0.34 | 0.41 | 0.48 |
| Nett CFF | (256.39) | 1,402.07 | 71.66 | (170.08) | (235.75) |

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