

## SMSM: FY18 Performance Stronger Due to Local Market

# BUY

**Target Price** : Rp 1,880  
**Last Price** : Rp 1,530  
**Upside** : 23%

### Company Profile

PT Selamat Sempurna Tbk is an Indonesia-based company engaged in manufacturing automotive parts, primarily filters. Its other products include radiators; coachwork, comprising hydraulic and automotive components, such as coachwork, tanks, dump trucks, trailers and dump hoists, as well as other automotive components, including fuel tanks, mufflers and brake pipes. The Company also distributes its products to aftermarket sectors in Indonesia. It markets its filters and radiators under the brand names Sakura and ADR, respectively. Some of its subsidiaries are PT Panata Jaya Mandiri, PT Hydraxle Perkasa and PT Selamat Sempurna Perkasa.

### Stock Stats

Market Capitalization (Trillion) : Rp8.81  
 Shares Outstanding (Billion) : 5.76  
 52 Weeks Highest Price : Rp1,825  
 52 Weeks Lowest Price : Rp1,225  
 YTD Performance : 9.29%

### Shareholders

PT Adrindo Initperkasa : 58.1%  
 Public : 41.9%

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We reiterate our BUY call on SMSM with target price of Rp1,880/shares. SMSM booked a stronger than expectation net income FY18 of Rp635 bn (+14.2% YoY; 108% vs target) better than our expectation. Local market sales FY18 increases to Rp 1,321 bn (+30% YoY) faster than oversea market which supported by body maker sales FY18 Rp342 bn (+66% YoY). We believe in 2019 SMSM will still hold double digit revenue growth as increasing demand in heavy vehicles in Indonesia market as the main driver.

**Fast growing domestic demand.** SMSM Indonesia sales portion FY18 increase to 34% (vs FY17:30%). This increase is supported mainly by the increase in demand of body maker and heavy duty filtration product. As Indonesia mining activity increase, we noted that Indonesia truck production FY18 has reached 118.142 units (+34% YoY). We expect the demand of body maker and filtration product will remain strong in FY19

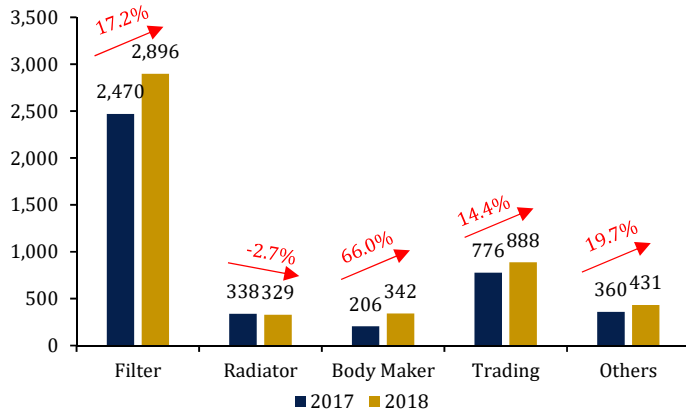
**Reiterate BUY recommendation.** We like SMSM stable double digit growth and company's strategy to sustain the growth. Although US car sales slowdown impacts SMSM sales, the company manage to grab growing market for heavy equipment in Indonesia and Asia market. Moreover, the company pays quarter dividend with DPR of 66%. Assuming the DPR will remain at 65%, Risk free rate at 8% and CAPM at 12.9%, using DDM valuation method, we will get SMSM FY19F at Rp1,880/share which implies forward PER FY19F of 16.6x

Figure1. SMSM FY18 Result review

	FY17	FY18	% YoY	% Target
Net Sales	3,340	3,933	17.8%	104%
Gross Profit	1,007	1,193	18.5%	109%
GP Margin	30.1%	30.3%		
Operating Profit	724	832	14.9%	108%
OP Margin	21.7%	24.9%		
Net Income	556	635	14.2%	108%
NI Margin	17%	19%		

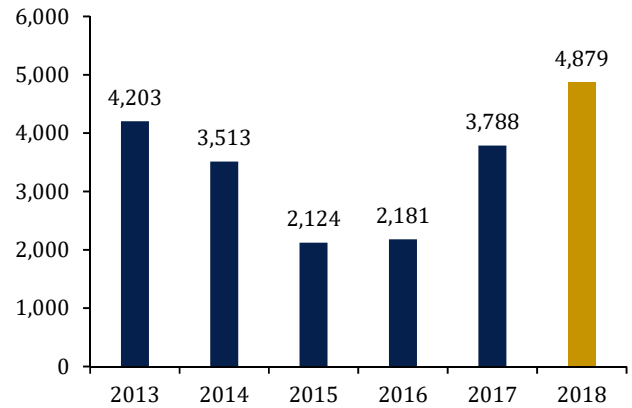
Source: Company, ASI estimates

**Figure 2. SMSM Segment Breakdown FY18**



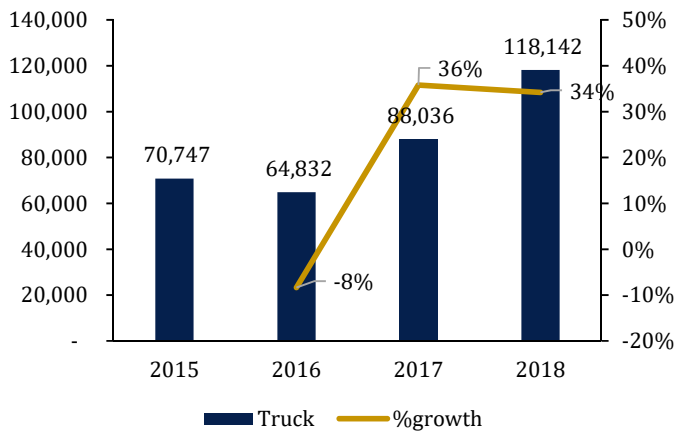
Source: Company

**Figure 3. United Tractor Heavy Equipment Sales**



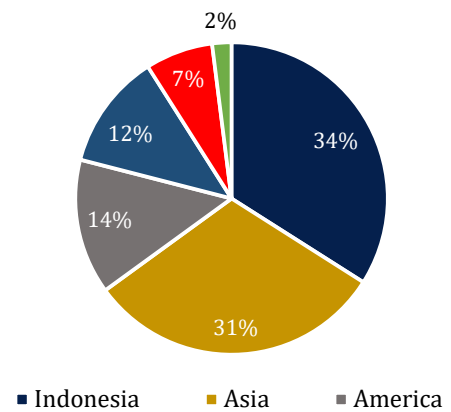
Source: United Tractors

**Figure 4. Indonesia Truck Production**



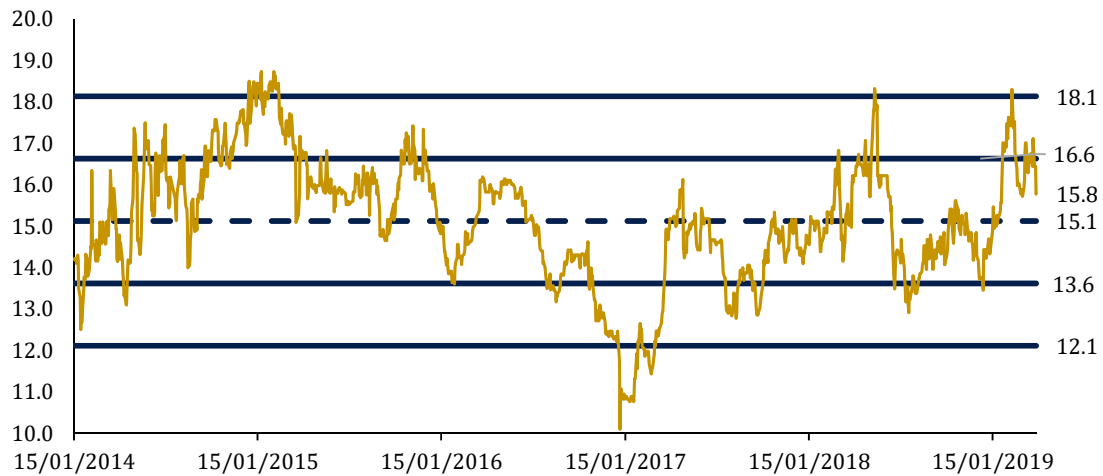
Source: Gaikindo

**Figure 5. SMSM Geographical contribution**



Source: Company

**Figure 6. SMSM 5 YEARS PE BAND**



Source: Bloomberg

**Figure 7. SMSM Peer Comparison**

Ticker	Market Cap (IDR Billion)	PER (TTM)	PBV	ROE	ROA	DER
SMSM	8,811	15.93	4.93	30.90%	19.8%	0.03
AUTO	7,784	12.74	0.76	6.00%	3.90%	0.05
NIPS	635	22.55	0.7	3.10%	1.50%	0.60
INDS	1,352	12.17	0.62	5.10%	4.50%	0.03
Industry		14.72	1.36	8.58%	5.37%	0.28

Source: companies

## Key Financials (IDR Billion)

Balance Sheet	2017	2018	2019F	2020F	2021F		2017	2018	2019F	2020F	2021F
Cash and Equivalent	71	67	241	312	533	Long Term Employee Benefit Liabilities	155	148	141	135	129
Account Receivable	767	936	1,017	1,294	1,444	Deferred Tax Liabilities	0	0	0	0	0
Other Receivable	2	6	6	6	6	Long Term Bank Loans	33	25	29	21	14
Derivative Receivable	7	3	3	3	3	Hire Purchase Payables	6	7	0	0	0
Inventories	657	758	857	1,037	1,206	<b>Total Non-Current Liabilities</b>	194	180	170	156	142
Advances	24	18	27	32	37	<b>Total Liabilities</b>	614	650	624	724	772
Prepaid- Expenses	3	4	4	4	4	<b>Equity</b>					
Prepaid Tax	40	62	71	84	100	Issued Capital	144	144	144	144	144
changes	-4	22	0	0	0	Additional Paid-in Capital	50	50	50	50	50
<b>Total Current Assets</b>	<b>1,571</b>	<b>1,854</b>	<b>2,226</b>	<b>2,772</b>	<b>3,333</b>	Other Components of Equity	6	3	3	3	3
Deferred Tax Assets	39	40	41	43	44	Retained Earnings	1,392	1,666	2,047	2,506	3,045
changes	4	1	1	1	2	<b>Non-Controlling Interests</b>	237	287	319	356	400
Investment in Associates	24	51	61	89	137	<b>Total Equity</b>	1,829	2,150	2,562	3,059	3,642
Non-Current Financial Asset	15	15	15	15	15	<b>Total Liabilities and Equity</b>	2,443	2,800	3,186	3,783	4,414
Net Fixed Assets	684	749	751	773	793						
Advance Purchases of Fixed Assets	33	13	13	13	13		2017	2018	2019F	2020F	2021F
Investment Property	63	63	63	63	63	Net Sales	3,340	3,933	4,511	5,272	6,245
Other Non-Current Assets	15	16	16	16	16	COGS	-	-2,740	-3,126	-3,638	-4,309
<b>Total Non-Current Assets</b>	<b>873</b>	<b>947</b>	<b>960</b>	<b>1,011</b>	<b>1,081</b>		2,333				
<b>Total Assets</b>	<b>2,444</b>	<b>2,801</b>	<b>3,186</b>	<b>3,783</b>	<b>4,414</b>	<b>Gross Profit</b>	1,007	1,193	1,385	1,634	1,936
<b>Liabilities</b>						Selling Expenses	-178	-198	-227	-265	-314
Short Term Bank Loans	54	45	23	11	6	General and Admin	-153	-176	-202	-241	-291
Account Payables	195	251	232	306	331	Other Operating Income	48	34	34	34	34
Other Payables	6	4	4	5	5	Other Operating Expenses	0	-21	-21	-21	-21
Taxes Payables	59	70	85	102	122	<b>Operating Profit</b>	724	832	969	1,141	1,344
Benefit Liabilities	4	11	15	17	20	Finance Income	3	3	3	11	16
Accrued Expenses	34	33	36	40	45	Finance Charges	-10	-9	-5	-3	-2
Advance from Customers	43	37	42	69	81	Income from Associates	4	3	3	3	3
Long Term Bank Loans	17	17	19	23	27	<b>Pre-Tax Income</b>	721	829	970	1,153	1,361
Hire Purchase Payables	9	9	8	8	8	Income Tax Expenses	-165	-194	-227	-270	-318
<b>Total Current Liabilities</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>Net Income</b>	556	635	743	883	1,042

## Disclaimer

**INVESTMENT RATINGS:** Indicators of expected total return (price appreciation plus dividen yield) within the 12-month period from the date of the last published report, are: Buy (10% or higher), Neutral (-10% to 10%) and Sell (-10% or lower).

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