

Selamat Sempurna

SMSM IJ / SMSM JK

1Q12 RESULTS NOTE

➤ **Market Cap**
US\$321.6m
Rp2,951,321m


➤ **Avg Daily Turnover**
US\$0.31m
Rp2,796m

➤ **Free Float**
41.9%
1,440 m shares

Current **Rp2,050**
Target ➤ **Rp2,400**
Previous Target **Rp2,400**
Up/downside **17.1%**

SHORT TERM (3 MTH) **LONG TERM**
TRADING BUY **OUTPERFORM**
TRADING SELL NEUTRAL
UNDERPERFORM

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Share price info

Share price perf. (%)	1M	3M	12M
Relative	14.4	17.4	65.7
Absolute	15.8	24.2	75.2

Major shareholders

	% held
Adrindo Inti Perkasa	58.1

Temporary setback from US sales

Earnings are slightly below our forecast (19% of FY12) but in line with consensus, down 2% yoy due largely to a flat topline. Weak US sales were exacerbated by a 3-day production disruption from an external labour strike in Jan. We expect a pick-up in the coming quarters.

On the positive side, margins were largely maintained. We are maintaining our Outperform, forecasts and DCF target price (WACC: 13.2%), anticipating a strong OEM push throughout 2012.

Sales were also inhibited by a 3-day city-wide labour strike in Jan. Though most of SMSM's workers did not participate, disruptions came from outside demonstrators demanding a stoppage to operations.

Double whammy ➤

Sales grew only 1% yoy, as exports to the US contracted 15% yoy. Management traced this to the volatility of distributor purchases rather than competition; thus, a recovery is likely in the coming quarters. Domestic sales, on the other hand, were beginning to pick up pace, conforming management's pledge to boost domestic sales from OEMs. Domestic sales grew 19% yoy, faster than FY11's +16% yoy. Gross and EBITDA margins were sustained at 26% and 17%, respectively.

Gearing coming down ➤

Balance sheet improved as net gearing decreased qoq from 41% to 29%, its lowest in two years, boosted by cash from operations. This should support dividend payments and potential M&As.

Maintain Outperform ➤

SMSM, with its rising domestic weighting (31% of sales in 1Q12), offers exposure to a burgeoning Indonesian auto-parts sector. Near-term catalysts include accretive M&As, in our reckoning.

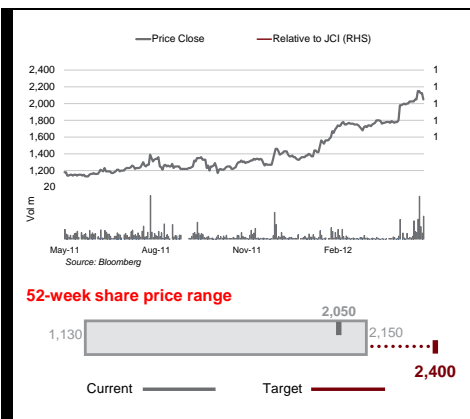
Results Comparison

FYE Dec-12 (Rp bn)	1Q FY12	1Q FY11	yoy % chg	4QFY11	qoq % chg	Prev. FY12F	Comments
Revenue	425	422	0.7	502	-15.4	2,093	Roughly in-line at 20% of our forecast
Operating costs	(333)	(330)	0.9	(395)	-15.8	(1,638)	In-line, with gross margin maintained at 26%
EBITDA	92	92	0.1	107	-13.8	455	
EBITDA margin (%)	22	22		21		22	
Depn & amort.	(20)	(19)	10.4	(25)	-19.6	(99)	
EBIT	72	73	-2.5	81	-11.9	356	In-line at 20%, EBIT margin maintained at 17%
Interest expense	(6)	(8)	-23.2	(7)	-18.9	(30)	
Interest & invt inc	0	0	-6.5	0	-20.0	2	
Pretax profit	66	66	-0.2	75	-11.3	328	In-line at 20% of our forecast
Tax	(15)	(14)	2.6	(16)	-9.6	(66)	Tax rate at 22.1%, higher than our forecast of 20%
Tax rate (%)	22	22		22		20	
Minority interests	(5)	(4)	7.7	(5)	-10.3	(22)	
Net profit	47	48	-1.7	53	-12.0	241	Slightly below at 19% of FY forecast
Core net profit	46	47	-2.9	51	-9.2	237	19% of FY forecast, 20% of consensus
EPS	33	33	-1.7	37	-12.0	167	
Core EPS	32	33	-2.9	35	-9.2	165	

SOURCE: CIMB, COMPANY REPORTS

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Financial Summary

	Dec-10A	Dec-11A	Dec-12F	Dec-13F	Dec-14F
Revenue (Rpb)	1,562	1,808	2,093	2,464	2,929
Operating EBITDA (Rpb)	304.9	386.5	449.8	523.3	612.6
Net Profit (Rpb)	150.4	200.9	240.9	286.6	341.5
Core EPS (Rp)	105.0	134.2	164.5	196.2	234.4
Core EPS Growth	11.2%	27.9%	22.6%	19.3%	19.4%
FD Core P/E (x)	19.53	15.27	12.46	10.45	8.75
DPS (Rp)	90.0	80.0	129.0	154.1	182.6
Dividend Yield	4.39%	3.90%	6.29%	7.52%	8.91%
EV/EBITDA (x)	10.42	8.42	7.14	6.40	5.43
P/FCFE (x)	23.68	32.07	10.89	15.01	12.58
Net Gearing	32.6%	36.7%	26.4%	39.5%	31.6%
P/BV (x)	5.68	4.87	4.46	4.06	3.66
Recurring ROE	29.7%	34.4%	37.4%	40.7%	44.0%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.07	1.12	

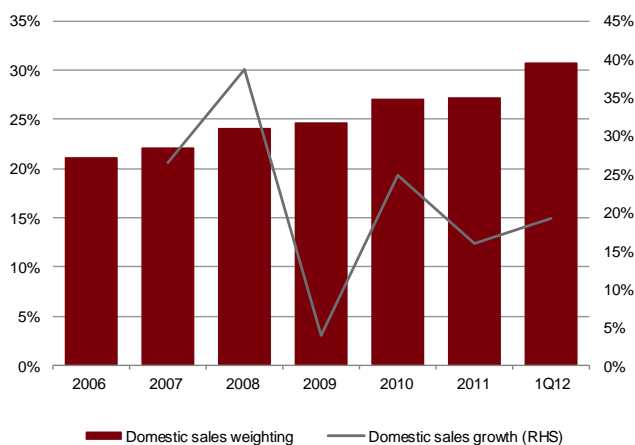
SOURCE: CIMB, COMPANY REPORTS

Figure 1: Quarterly exports to the US are traditionally volatile



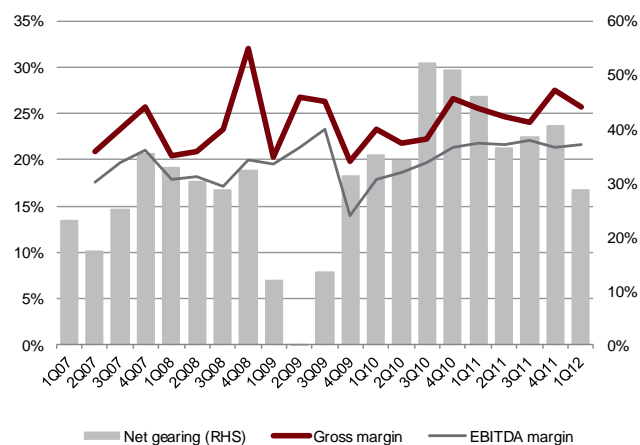
SOURCES: CIMB, COMPANY REPORTS

Figure 2: Domestic weighting expected to increase in 2012



SOURCES: CIMB, COMPANY REPORTS

Figure 3: Robust margins and decreasing gearing



SOURCES: CIMB, COMPANY REPORTS

Figure 4: Sector comparison – CIMB coverage

Company	Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
						CY 2012	CY 2013		CY 2012	CY 2013	CY 2014	CY 2012	CY 2013	CY 2012	CY 2013		
Astra International	ASII IJ	Outperform	71,000	77,000	31,321	15.7	12.7	12.8%	4.06	3.37	27.9%	29.1%	27.3%	11.9	9.4	2.4%	2.4%
Indomobil Sukses Int'l	IMAS IJ	Outperform	17,750	19,000	2,674	18.3	13.3	35.9%	4.16	3.25	25.4%	27.5%	24.4%	25.1	18.3	0.5%	0.8%
Selamat Sempurna	SMSM IJ	Outperform	2,050	2,400	322	12.5	10.4	18.6%	4.46	4.06	37.6%	40.7%	44.0%	7.1	6.4	6.3%	7.5%
Indonesia average						15.9	12.7	22.4%	4.07	3.37	27.8%	29.1%	27.2%	12.4	9.8	2.3%	2.4%
Proton Holdings	PROH MK	Neutral	5.48	5.50	994	28.9	21.2	-21.5%	0.53	0.51	1.9%	2.4%	1.0%	5.6	5.1	1.4%	1.4%
Tan Chong Motor Holdings	TCM MK	Neutral	4.52	4.75	1,003	12.0	8.4	19.7%	1.50	1.31	13.3%	16.6%	16.4%	8.5	6.5	2.2%	2.3%
UMW Holdings	UMWH MK	Outperform	7.87	8.00	3,037	12.0	11.1	10.0%	1.99	1.85	16.9%	17.3%	17.3%	6.2	5.9	5.0%	5.4%
Malaysia average						13.6	11.5	2.7%	1.22	1.15	9.2%	10.3%	11.6%	6.4	5.8	3.7%	4.0%
Brilliance China Automotive	1114 HK	Outperform	8.42	10.80	5,449	11.8	9.2	33.4%	3.09	2.31	30.1%	28.8%	24.9%	84.9	69.9	0.0%	0.0%
Dongfeng Motor Group	489 HK	Neutral	15.30	15.80	16,991	10.2	9.4	6.4%	1.98	1.68	21.3%	19.4%	17.6%	4.6	3.6	1.5%	1.6%
Geely Automobile Holdings	175 HK	Neutral	2.89	3.30	2,784	9.4	7.3	19.2%	1.57	1.32	18.2%	19.5%	17.8%	7.0	5.3	1.3%	1.6%
Great Wall Motor	2333 HK	Outperform	16.76	19.30	6,992	9.5	8.2	15.0%	2.05	1.72	23.6%	22.7%	21.0%	5.0	4.1	2.8%	3.2%
Guangzhou Auto - H	2238 HK	Underperform	8.61	6.70	8,036	10.4	9.1	8.4%	1.33	1.20	13.4%	13.9%	14.1%	19.1	16.7	2.7%	3.2%
Qingling Motors Company-H	1122 HK	Outperform	2.47	3.50	790	12.3	10.6	16.7%	0.68	0.67	5.6%	6.4%	7.4%	-1.4	-1.5	6.7%	7.8%
Minth Group	425 HK	Neutral	9.83	7.70	1,365	10.2	9.0	10.9%	1.31	1.19	13.5%	13.9%	13.9%	5.0	4.1	3.4%	3.8%
Weichai Power Co Ltd-H	2338 HK	Neutral	36.55	34.40	8,559	10.5	10.1	-2.6%	1.80	1.53	18.6%	16.3%	14.6%	4.7	4.3	0.3%	0.3%
Hong Kong average						10.3	9.1	13.4%	1.80	1.54	18.9%	18.2%	17.0%	5.9	4.9	1.6%	1.8%
Average all countries						12.2	10.4	12.8%	2.24	1.92	19.8%	19.9%	19.0%	8.1	6.7	2.0%	2.1%

SOURCES: CIMB, COMPANY REPORTS

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Score Range	90 – 100	80 – 89	70 – 79	Below 70 or No Survey Result
Description	Excellent	Very Good	Good	N/A

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Stock

OUTPERFORM: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months.

NEUTRAL: The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.

UNDERPERFORM: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.

TRADING BUY: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.

TRADING SELL: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.

Sector

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.

TRADING BUY: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.

TRADING SELL: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

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Recommendation Framework #2 **
Stock

OUTPERFORM: Expected positive total returns of 15% or more over the next 12 months.

NEUTRAL: Expected total returns of between -15% and +15% over the next 12 months.

UNDERPERFORM: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

TRADING SELL: Expected negative total returns of 15% or more over the next 3 months.

Sector

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +15% (or better) or -15% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +15% to -15%; both over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 12 months.

TRADING BUY: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next 3 months.

TRADING SELL: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 3 months.

*** This framework only applies to stocks listed on the Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.*

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2011.

ADVANC - Excellent, AMATA - Very Good, AOT - Excellent, AP - Very Good, BANPU - Excellent, BAY - Excellent, BBL - Excellent, BCP - Excellent, BEC - Very Good, BECL - Very Good, BGH - not available, BH - Very Good, BIGC - Very Good, BTS - Very Good, CCET - Good, CK - Very Good, CPALL - Very Good, CPF - Very Good, CPN - Excellent, DELTA - Very Good, DTAC - Very Good, GLOBAL - not available, GLOW - Very Good, HANA - Very Good, HEMRAJ - Excellent, HMPRO - Very Good, ITD - Good, IVL - Very Good, KBANK - Excellent, KTB - Excellent, LH - Very Good, LPN - Excellent, MAJOR - Very Good, MCOT - Excellent, MINT - Very Good, PS - Excellent, PSL - Excellent, PTT - Excellent, PTTGC - not available, PTTEP - Excellent, QH - Excellent, RATCH - Excellent, ROBINS - Excellent, SCB - Excellent, SCC - Excellent, SCCC - Very Good, SIRI - Very Good, SPALI - Very Good, STA - Very Good, STEC - Very Good, TCAP - Very Good, THAI - Very Good, TISCO - Excellent, TMB - Excellent, TOP - Excellent, TRUE - Very Good, TUF - Very Good.