

Selamat Sempurna

SMSM IJ / SMSM JK

2Q12 RESULTS NOTE

➤ **Market Cap**
US\$303.3m
Rp2,879,338m

➤ **Avg Daily Turnover**
US\$0.28m
Rp2,586m

➤ **Free Float**
41.9%
1,440 m shares

Current Target **Rp2,000**
Previous Target **Rp2,375**
Up/downside **Rp2,375**
18.8%

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	-4.8	-0.4	53.5
Absolute	-1.2	-2.4	52.7

Major shareholders

	% held
Adrindo Inti Perkasa	58.1

Charging ahead

SMSM's results at the halfway stage met our expectations as strong domestic sales and rapidly falling raw material costs tempered the impact of weak export growth. We maintain our forecasts and expect the bustling domestic auto industry to be the main catalyst.

1H12 net profit came in at 50% of our full-year forecast. The stock remains an Outperform on the back of its strong domestic push and the long-term sustainability of earnings growth. We continue to value SMSM at its DCF value.

Gross margin increased by 80bp qoq to 26.5% as steel and copper prices dropped 16% qoq in 2Q12. The high margin appears sustainable as the metal prices dropped by another 19-22% in July, providing more relief to margins.

Two sides to sales ➤

SMSM's 2% sales growth in 1H12 can be broken down into strong domestic growth of 22% yoy and a modest export decline of 5% yoy (-15% in the US and -4% in Asia). Domestic growth came mainly from the replacement market though strong OEM demand added some sizzle. For the first time, OEM sales, in the form of brake pipes and filters, edged past 5% of total sales in 2Q12. Meanwhile, Hydraxle Perkasa's profits rocketed after acquisition and clearing of its debt. Its 1H12 profit of Rp24bn already exceeds FY11's Rp22bn.

Domestic boost ➤

So far, 2012 has been a slower year than the sprightly 2011. We are still projecting 8% sales growth as the current situation, though challenging, is a far cry from the post-crisis 2009 when sales growth was a subdued 2%. Management has acted swiftly to tackle the areas of slowdown such as US radiator sales by giving discounts since June. Catalysts should come from the rising domestic OEM sales as the domestic auto industry should remain buoyant in the second half, propelled by new model launches.

Declining metal prices ➤

	2QFY12		2QFY11		yoy %		qoq %		2QFY12		2QFY11		yoy %		Prev. FY12F	Comments
					chg	chg	Cum	Cum	chg	chg	Cum	Cum	chg	chg		
Revenue	469	454	3.3	10.3	893	875	2.1	1,945	46%	of our FY forecast, in-line, due to flat sales						
Operating costs	(358)	(355)	0.6	7.5	(690)	(685)	0.8	(1,519)	Gross margin increased 80bps qoq due to raw materials							
EBITDA	111	98	13.0	20.5	203	190	6.7	425								
EBITDA margin (%)	24	22			23	22	4.6	22								
Depn & amort.	(22)	(20)	10.7	7.5	(42)	(38)	10.6	(99)								
EBIT	89	78	13.6	24.3	160	152	5.8	327	In-line, 49% of FY forecast							
Interest expense	(6)	(7)	(17.3)	2.7	(12)	(15)	(20.4)	(32)								
Interest & invt inc	0	0	(27.4)	(14.9)	1	1	(17.4)	2								
Pretax profit	88	71	23.4	33.5	154	138	12.1	305	In-line, 51% of FY forecast							
Tax	(18)	(15)	14.1	20.0	(32)	(30)	8.6	(59)								
Tax rate (%)	20	21			21	22	(3.1)	19								
Minority interests	(5)	(5)	10.3	10.8	(10)	(9)	9.0	(20)								
Net profit	66	51	27.4	39.9	112	99	13.4	226	In-line, 50% of FY forecast							
Core net profit	64	49	31.2	38.6	110	96	14.4	222								
EPS (sen)	46	36	27.4	39.9	78	69	13.4	157								
Core EPS (sen)	44	34	31.2	38.6	76	67	14.4	154								

SOURCE: CIMB, COMPANY REPORTS

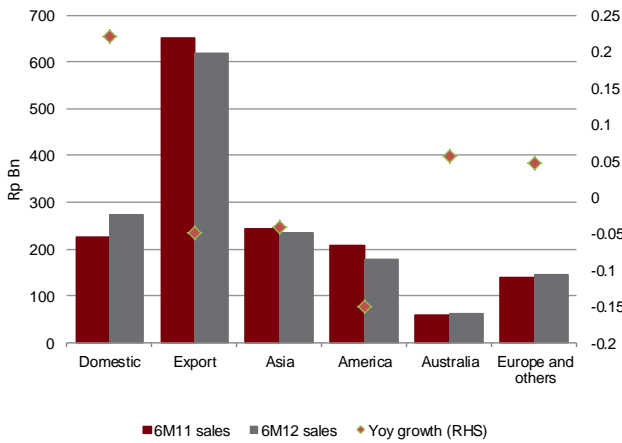


Financial Summary

	Dec-10A	Dec-11A	Dec-12F	Dec-13F	Dec-14F
Revenue (Rpb)	1,562	1,808	1,945	2,332	2,787
Operating EBITDA (Rpb)	304.9	386.5	420.2	493.3	576.3
Net Profit (Rpb)	150.4	200.9	226.0	279.9	336.4
Core EPS (Rp)	105.0	134.2	154.2	191.6	230.8
Core EPS Growth	11.2%	27.9%	14.8%	24.3%	20.5%
FD Core P/E (x)	19.05	14.90	12.97	10.44	8.66
DPS (Rp)	90.0	80.0	103.5	129.1	159.0
Dividend Yield	4.50%	4.00%	5.17%	6.45%	7.95%
EV/EBITDA (x)	10.45	8.23	7.51	6.46	5.58
P/FCFE (x)	23.10	31.02	19.34	20.21	14.16
Net Gearing	46.6%	36.7%	43.3%	41.6%	39.7%
P/BV (x)	5.54	4.75	4.21	3.70	3.25
Recurring ROE	29.7%	34.4%	34.4%	37.7%	39.9%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.98	1.04	1.09

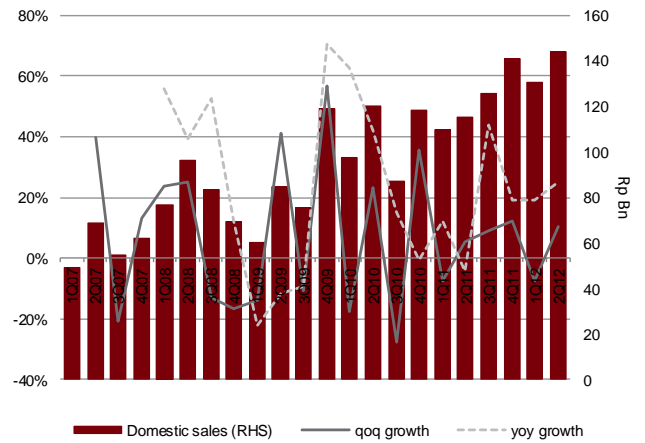
SOURCE: CIMB, COMPANY REPORTS

Figure 1: Domestic sales rose 22% yoy, picking up the slack from export's 5% slide



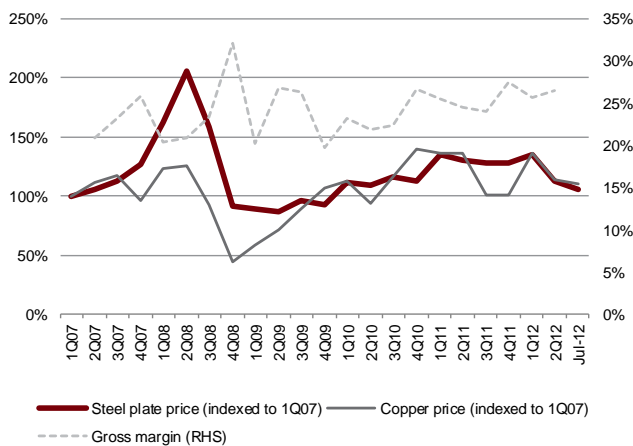
SOURCES: CIMB, COMPANY REPORTS

Figure 2: Domestic sales continued to trend up as replacement market expands



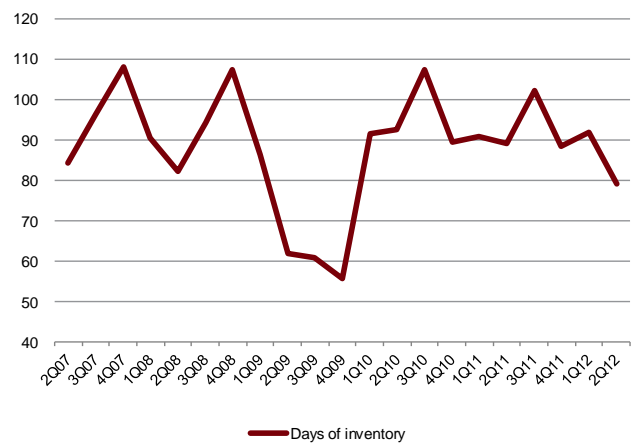
SOURCES: CIMB, COMPANY REPORTS

Figure 3: Gross margin got a lift from declining raw material prices



SOURCES: CIMB, COMPANY REPORTS

Figure 4: Selamat Sempurna is maintaining a more conservative inventory level though not to the extent of 2009 slowdown



SOURCES: CIMB, COMPANY REPORTS

Figure 5: Sector comparisons

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 2012	CY 2013	CY 2014	CY 2012	CY 2013	CY 2012	CY 2013
Astra International	ASII IJ	Outperform	6,700	7,700	28,576	14.8	12.1	12.3%	3.84	3.20	27.9%	28.8%	27.1%	11.4	9.1	2.5%	2.6%
Indomobil Sukses Int'l	IMAS IJ	Outperform	6,100	8,700	1,777	13.6	9.9	32.6%	2.91	2.30	23.7%	26.0%	23.5%	18.7	13.9	0.7%	1.1%
Selamat Sempurna	SMSM IJ	Outperform	2,000	2,375	303	13.0	10.4	16.7%	4.21	3.70	35.2%	37.7%	39.9%	7.3	6.5	5.2%	6.5%
Indonesia average						14.7	11.9	20.6%	3.77	3.13	27.6%	28.6%	26.9%	11.7	9.3	2.4%	2.5%
Tan Chong Motor Holdings	TCM MK	Underperform	4.43	4.20	944	14.4	9.2	15.4%	1.50	1.33	11.0%	15.3%	15.4%	9.0	6.9	2.2%	2.4%
UMW Holdings	UMWH MK	Outperform	9.46	10.60	3,505	12.9	11.6	13.7%	2.37	2.19	19.1%	19.7%	19.2%	6.9	6.1	4.7%	5.2%
Malaysia average						13.6	10.4	14.6%	1.94	1.76	15.0%	17.5%	17.3%	7.9	6.5	3.4%	3.8%
Brilliance China Automotive	1114 HK	Outperform	6.40	10.10	4,147	9.7	7.3	31.3%	2.71	1.98	32.5%	31.3%	26.4%	61.9	48.8	0.0%	0.0%
Dongfeng Motor Group	489 HK	Neutral	10.54	15.80	11,710	7.1	6.6	6.4%	1.39	1.18	21.3%	19.4%	17.6%	2.4	1.6	2.1%	2.3%
Geely Automobile Holdings	175 HK	Neutral	2.62	2.80	2,526	10.5	8.0	11.1%	1.47	1.26	14.9%	16.9%	15.3%	7.8	6.1	1.1%	1.5%
Great Wall Motor	2333 HK	Outperform	17.70	18.60	7,476	10.3	9.4	12.4%	2.20	1.87	23.2%	21.6%	20.2%	5.5	4.8	2.6%	2.8%
Guangzhou Auto - H	2238 HK	Trading buy	5.83	7.50	6,521	7.0	6.0	9.4%	0.92	0.82	13.7%	14.5%	14.6%	7.1	4.5	4.3%	5.0%
Qingling Motors Company-H	1122 HK	Outperform	1.68	3.50	538	8.5	7.3	16.7%	0.47	0.47	5.6%	6.4%	7.4%	-4.1	-3.9	9.7%	11.3%
Minth Group	425 HK	Neutral	7.95	7.70	1,104	8.4	7.4	10.9%	1.08	0.98	13.5%	13.9%	13.9%	3.4	2.7	4.1%	4.7%
Weichai Power Co Ltd-H	2338 HK	Neutral	23.75	34.40	5,785	7.0	6.7	-2.6%	1.19	1.01	18.6%	16.3%	14.6%	2.4	2.2	0.4%	0.4%
Hong Kong average						8.0	7.1	12.0%	1.39	1.19	18.7%	18.1%	16.9%	3.9	3.0	2.1%	2.4%
Average all countries						12.1	9.8	15.7%	2.37	2.03	20.5%	21.4%	20.4%	7.8	6.3	2.7%	2.9%

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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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	Sector
OUTPERFORM: Expected positive total returns of 10% or more over the next 12 months.	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 +10% or better over the next 12 months.
NEUTRAL: Expected total returns of between -10% and +10% 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 +10% (or better) or -10% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +10% to -10%; both over the next 12 months.
UNDERPERFORM: Expected negative total returns of 10% or more 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 -10% or worse over the next 12 months.
TRADING BUY: Expected positive total returns of 10% or more over the next 3 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 +10% or better over the next 3 months.
TRADING SELL: Expected negative total returns of 10% or more 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 -10% 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, GRAMMY - Excellent, HANA - Very Good, HEMRAJ - Excellent, HMPRO - Very Good, INTUCH - Very Good, ITD - Good, IVL - Very Good, JAS - 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, SC - 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, THCOM - Very Good, TISCO - Excellent, TMB - Excellent, TOP - Excellent, TRUE - Very Good, TUF - Very Good.