

## Selamat Sempurna

SMSM IJ / SMSM JK

## FLASH NOTE

➤ **Market Cap**  
**US\$319.7m**  
Rp2,951,321m

➤ **Avg Daily Turnover**  
**US\$0.32m**  
Rp2,897m

➤ **Free Float**  
**41.9%**  
1,440 m shares

Current **Rp2,050**  
Target **Rp2,525**   
Previous Target **Rp2,400**  
Up/downside **23.2%**

**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	13.8	12.6	64.0
Absolute	15.2	17.8	73.7

**Major shareholders**

	% held
Adrindo Inti Perkasa	58.1

## Hoisting a new business

*Selamat Sempurna has bought 49% of sister company PT Hydraxle Perkasa, a leading dump truck and hoist assembly firm. Although impact to bottom line is small, the acquisition is accretive and adds a new domestic-oriented, high-growth business to SMSM's portfolio.*

Transacted at a fair price, the acquisition bumps up our CY12-14 EPS forecasts by 2-3%, lifting our DCF-based target price by 5%. Maintain Outperform.

### What Happened ➤

On 1 May, Selamat Sempurna acquired a 49% stake in PT Hydraxle Perkasa (HP), a leading domestic dump truck and hoist assembly company, for Rp113bn, implying a valuation of 10.3x P/E and 2.1x 2011 P/BV. HP issued 723,000 new shares for the whole portion of Selamat Sempurna's purchase; the existing shareholders of HP (mainly SMSM's parent and affiliated companies) keep their stakes. The proceeds will be used by HP to repay its debts of Rp70bn (DER of 38% as of Dec 11) and to provide Rp43bn in working capital.

HP will not be consolidated, but the 49% stake will be equity accounted for. Selamat Sempurna will however have the option until the end of 2012 to purchase another 2% of HP to enable it to consolidate HP's financials. Management said that the

decision to top up its ownership will hinge on HP's performance in 2012.

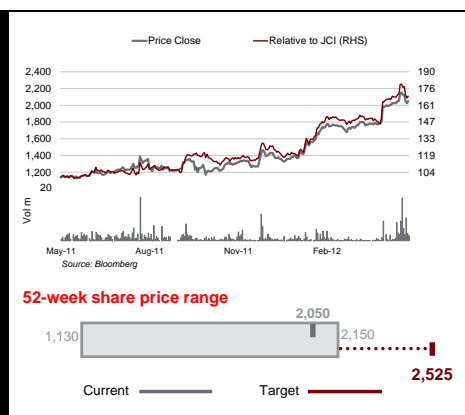
### What We Think ➤

The acquisition, though small, is accretive and done at a reasonable price, in our view. It adds another 3-4% to SMSM's bottom line, as SMSM's cost of funds for the purchase (6-7% after tax) is lower than its immediate share of HP's earnings (Rp10.9bn for 2011's profit).

HP's sales and net profit had been growing at 42% and 67% CAGR over the past five years, closely following the boom in Indonesia's mining sector activity. Management is expecting a faster growth than Selamat Sempurna's filter and radiator business given HP's smaller size and exposure to the mining sector.

### What You Should Do ➤

The overall makeup of the company has not changed much after the acquisition. We continue to like Selamat Sempurna for being a beneficiary of the structural growth in Indonesia's auto parts industry.



### 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	247.4	291.5	348.8
Core EPS (Rp)	105.0	134.2	169.0	199.7	239.5
Core EPS Growth	11.2%	27.9%	25.9%	18.1%	19.9%
FD Core P/E (x)	19.53	15.27	12.13	10.27	8.56
DPS (Rp)	90.0	80.0	129.0	158.1	185.7
Dividend Yield	4.39%	3.90%	6.29%	7.71%	9.06%
EV/EBITDA (x)	10.42	8.42	7.12	6.38	5.41
P/FCFE (x)	23.68	32.07	8.16	18.07	13.75
Net Gearing	32.6%	36.7%	42.2%	56.1%	48.6%
P/BV (x)	5.68	4.87	4.42	4.03	3.62
Recurring ROE	29.7%	34.4%	38.2%	41.0%	44.5%
% Change In Core EPS Estimates			2.72%	1.75%	2.17%
CIMB/consensus EPS (x)			1.10	1.14	

SOURCE: CIMB, COMPANY REPORTS

**Figure 1: Hydraxle Perkasa has a capacity of 700 units of dump trucks per month, noticeably larger than the next largest player's 450 units**

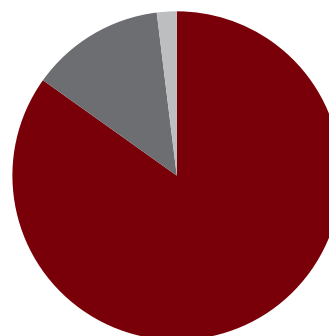


**Figure 2: Details of Hydraxle acquisition**

Transaction details	
Effective date	May 1, 2012
Hydraxle Perkasa's stake bought	49%
Transaction value (Rp bn)	113
Price per share (Rp)	157
Number of shares bought (m)	721
New shares issued by Hydraxle (m)	721
Details on SMSM's option	
Number of additional shares that can be bought (m)	60
Exercise price (Rp)	157
Starting exercise date	May 1, 2012
Last exercise date	December 31, 2012
Valuation	
Implied purchase price - FY11 P/E	10.3x
Implied purchase price - FY11 P/BV	2.1x
SMSM's latest closing FY11 P/E	15.4x
SMSM's latest closing FY11 P/BV	4.9x

SOURCES: CIMB, COMPANY REPORTS

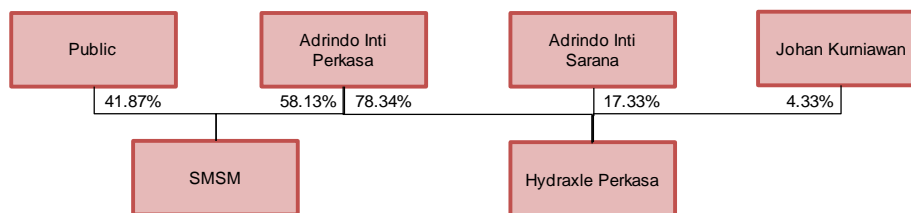
**Figure 3: Hydraxle's revenues mainly come from dump truck, hoist, and special purpose vehicle assembly**



- Dump truck, hoist, and special purpose vehicle assembly
- Machinery engineering (tool, die, and mould)
- Steel slitting

SOURCES: CIMB, COMPANY REPORTS

**Figure 4: Pre-acquisition, Hydraxle Perkasa was 96%-owned by SMSM's parent company and affiliates**



SOURCES: CIMB, COMPANY REPORTS

**Figure 5: Hydraxle Perkasa's sales and net profit grew at 42% and 67% CAGR over the past five years**

Financial snapshot (Rp Bn)	2006	2007	2008	2009	2010	2011
Net sales	53	83	161	154	229	310
<i>growth</i>		58%	93%	-4%	48%	35%
COGS	(48)	(76)	(143)	(140)	(202)	(267)
<b>Gross profit</b>	<b>5</b>	<b>7</b>	<b>18</b>	<b>14</b>	<b>27</b>	<b>43</b>
<i>gross margin</i>	9%	9%	11%	9%	12%	14%
Opex	(3)	(5)	(9)	(8)	(9)	(11)
<i>growth</i>		40%	80%	-7%	16%	15%
<b>Operating profit</b>	<b>1</b>	<b>3</b>	<b>10</b>	<b>6</b>	<b>18</b>	<b>33</b>
<i>Operating profit margin</i>		3%	6%	4%	8%	10%
<b>Net profit</b>	<b>2</b>	<b>9</b>	<b>4</b>	<b>4</b>	<b>11</b>	<b>22</b>
<i>growth</i>		392%	-58%	7%	191%	101%
<i>Net profit margin</i>	3%	10%	2%	2%	5%	7%

Liabilities	2010	2011
Bank loan	27	42
Trade payables		
Related party	0.1	0.1
Third party	21	24
Others	7	17
<b>Equity</b>	<b>105</b>	<b>112</b>

Debt to equity	26%	38%
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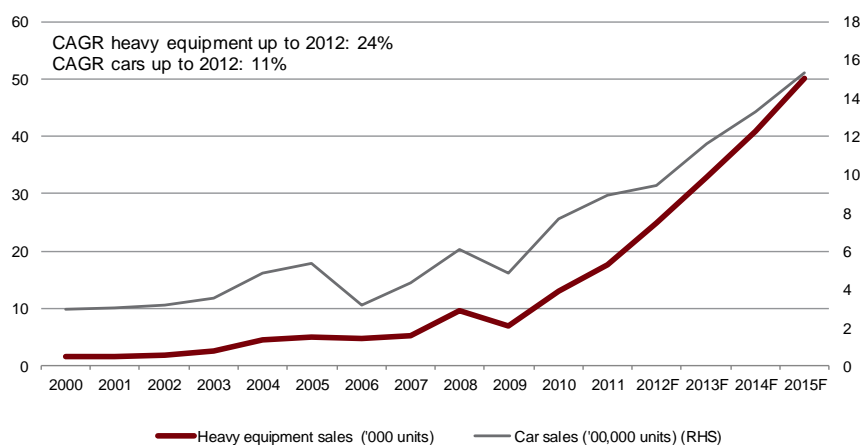
SOURCES: COMPANY REPORTS

**Figure 6: Hydraxle Perkasa's 1Q12 sales and net profit grew by 24% and 119% yoy respectively**

1Q12 results review (Rp Bn)	3M11	3M12
Net sales	83	103
<i>growth</i>		24%
COGS	(74)	(85)
<b>Gross profit</b>	<b>9</b>	<b>18</b>
<i>gross margin</i>	11%	18%
Opex	(2)	(3)
<i>growth</i>		79%
<b>Operating profit</b>	<b>7</b>	<b>15</b>
<i>Operating profit margin</i>	8%	15%
<b>Net profit</b>	<b>5</b>	<b>10</b>
<i>growth</i>		119%
<i>Net profit margin</i>	6%	10%

SOURCES: CIMB, COMPANY REPORTS

**Figure 7: Heavy equipment industry is expected to grow faster than 4-wheelers**



SOURCES: PAABI, HINABI, CIMB

Figure 8: 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	73,650	77,000	32,395	16.3	13.1	12.8%	4.22	3.50	27.9%	29.1%	27.3%	12.3	9.7	2.3%	2.3%
Indomobil Sukses Int'l	IMAS IJ	Outperform	18,000	18,400	2,704	20.0	13.9	35.2%	4.29	3.36	23.7%	27.1%	24.5%	25.7	18.8	0.5%	0.7%
Selamat Sempurna	SMSM IJ	Outperform	2,050	2,525	321	12.1	10.3	19.4%	4.42	4.03	38.5%	41.0%	44.5%	7.1	6.4	6.3%	7.7%
<b>Indonesia average</b>						<b>16.5</b>	<b>13.2</b>	<b>22.4%</b>	<b>4.22</b>	<b>3.49</b>	<b>27.7%</b>	<b>29.0%</b>	<b>27.2%</b>	<b>12.8</b>	<b>10.1</b>	<b>2.2%</b>	<b>2.3%</b>
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	7.93	8.00	3,060	12.0	11.2	10.0%	2.00	1.87	16.9%	17.3%	17.3%	6.3	6.0	5.0%	5.4%
<b>Malaysia average</b>						<b>13.7</b>	<b>11.6</b>	<b>2.7%</b>	<b>1.23</b>	<b>1.15</b>	<b>9.2%</b>	<b>10.3%</b>	<b>11.6%</b>	<b>6.4</b>	<b>5.8</b>	<b>3.7%</b>	<b>4.0%</b>
Brilliance China Automotive	1114 HK	Outperform	8.32	10.80	5,384	11.7	9.1	33.4%	3.06	2.29	30.1%	28.8%	24.9%	83.6	68.7	0.0%	0.0%
Dongfeng Motor Group	489 HK	Neutral	14.56	15.80	16,170	9.7	9.0	6.4%	1.90	1.61	21.3%	19.4%	17.6%	4.3	3.3	1.5%	1.7%
Geely Automobile Holdings	175 HK	Neutral	2.90	3.30	2,794	9.4	7.4	19.2%	1.58	1.33	18.2%	19.5%	17.8%	7.0	5.4	1.3%	1.6%
Great Wall Motor	2333 HK	Outperform	16.80	19.30	7,363	9.6	8.3	15.0%	2.06	1.73	23.6%	22.7%	21.0%	5.0	4.1	2.8%	3.2%
Guangzhou Auto - H	2238 HK	Underperform	7.40	6.70	7,844	9.0	7.8	8.4%	1.15	1.04	13.4%	13.9%	14.1%	13.7	11.3	3.2%	3.7%
Qingling Motors Company-H	1122 HK	Outperform	2.51	3.50	803	12.5	10.8	16.7%	0.70	0.69	5.6%	6.4%	7.4%	-1.2	-1.3	6.6%	7.6%
Minth Group	425 HK	Neutral	9.88	7.70	1,372	10.3	9.1	10.9%	1.32	1.20	13.5%	13.9%	13.9%	5.0	4.1	3.3%	3.8%
Weichai Power Co Ltd-H	2338 HK	Neutral	36.45	34.40	8,745	10.6	10.1	-2.6%	1.80	1.54	18.6%	16.3%	14.6%	4.6	4.3	0.3%	0.3%
<b>Hong Kong average</b>						<b>10.0</b>	<b>8.8</b>	<b>13.4%</b>	<b>1.74</b>	<b>1.49</b>	<b>18.9%</b>	<b>18.2%</b>	<b>17.0%</b>	<b>5.6</b>	<b>4.6</b>	<b>1.7%</b>	<b>1.9%</b>
<b>Average all countries</b>						<b>12.1</b>	<b>10.4</b>	<b>12.9%</b>	<b>2.23</b>	<b>1.91</b>	<b>19.8%</b>	<b>19.9%</b>	<b>19.0%</b>	<b>8.0</b>	<b>6.7</b>	<b>2.0%</b>	<b>2.2%</b>

SOURCES: CIMB, COMPANY REPORTS

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Description	Excellent	Very Good	Good	N/A

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#### Recommendation Framework #1 \*

##### 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.

\* This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand and Jakarta 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.

### Recommendation Framework #2 \*\*

Stock	Sector
<b>OUTPERFORM:</b> Expected positive total returns of 15% or more over the next 12 months.	<b>OVERWEIGHT:</b> 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.
<b>NEUTRAL:</b> Expected total returns of between -15% and +15% over the next 12 months.	<b>NEUTRAL:</b> 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.
<b>UNDERPERFORM:</b> Expected negative total returns of 15% or more over the next 12 months.	<b>UNDERWEIGHT:</b> 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.
<b>TRADING BUY:</b> Expected positive total returns of 15% or more over the next 3 months.	<b>TRADING BUY:</b> 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.
<b>TRADING SELL:</b> Expected negative total returns of 15% or more over the next 3 months.	<b>TRADING SELL:</b> 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: