

## Selamat Sempurna

SMSM IJ / SMSM JK

## FLASH NOTE

**Market Cap**  
**US\$286.8m**  
Rp2,692,181m

**Avg Daily Turnover**  
**US\$0.34m**  
Rp3,171m

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

Current **Rp1,870**  
Target **Rp2,525**  
Previous Target **Rp2,525**  
Up/downside **35.0%**

**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	0.8	10.5	55.8
Absolute	-7.7	6.9	55.8

**Major shareholders**

	% held
Adrindo Inti Perkasa	58.1

## Lower payout, lower gearing

During its annual general meeting, SMSM announced a final dividend of Rp100 per share, implying a payout of 72%, which is lower than last year's 91%. Nevertheless, the 5.3% dividend yield stands out and the resulting lower gearing should support the bottom-line.

Although the payout is lower than our expectation, gearing is falling to its historical level as a result. We maintain our Outperform rating, EPS targets and DCF-based target price (WACC: 12.5%, CoE: 16.1%), on the back of better sales performance in the coming quarters.

Net gearing should come down to its conservative historical level of below 50% by the end of 2012 after peaking at above 51% post the Hydraxle acquisition in May. Hence, the lower payout is a blessing in disguise as it means less debt and, hence, lower interest payment.

### What Happened

During its annual general meeting, Selamat Sempurna announced a final dividend of Rp143bn or Rp100 per share, implying a 72% payout over 2011 net profit. Half of it was paid as interim dividends last year and the stock goes ex at around early July. The management scaled back payouts as it opted not to withdraw any debt from standby facilities.

We believe the management can disburse 80% dividend payout in the future and still maintain gearing at around the historical level. This is partly due to its relatively low capex needs. The company only spent Rp120bn for 2010's 33% capacity expansion, which was funded using its Rp151bn cash flow from operations. Its current capacity utilisation of 61% is still sufficient before a potential expansion in two years.

The management said that it continues to aim for an increase nominal dividends each year. This implies a minimum payout of 58% for next year. However, the management does not rule out the possibility of a higher payout, cash flow permitting.

### What You Should Do

Following the recent sector correction, SMSM's valuation has come down to 11.1x CY12 P/E and 9.4x CY13. With a standout 37% ROE and 5.3% dividend yield, SMSM (31% of sales domestic) continues to be our auto parts pick for its exposure to the long-term growth in the Indonesian auto sector.

### What We Think



### Financial Summary

	Dec-10A	Dec-11A	Dec-12F	Dec-13F	Dec-14F
Revenue (Rpb)	1,562	1,808	2,093	2,437	2,858
Operating EBITDA (Rpb)	304.9	386.5	449.7	512.1	597.4
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%	18.2%	19.9%
FD Core P/E (x)	17.82	13.93	11.07	9.37	7.81
DPS (Rp)	90.0	80.0	103.5	132.3	165.5
Dividend Yield	4.81%	4.28%	5.53%	7.08%	8.85%
EV/EBITDA (x)	9.83	7.75	6.64	5.86	5.05
P/FCFE (x)	21.61	29.25	29.24	19.18	15.69
Net Gearing	46.6%	36.7%	43.9%	40.1%	37.2%
P/BV (x)	5.18	4.44	3.82	3.34	2.93
Recurring ROE	29.7%	34.4%	37.1%	38.0%	40.0%
% Change In Core EPS Estimates			(0.009%)	(0.001%)	0.001%
CIMB/consensus EPS (x)			1.10	1.14	

SOURCE: CIMB, COMPANY REPORTS

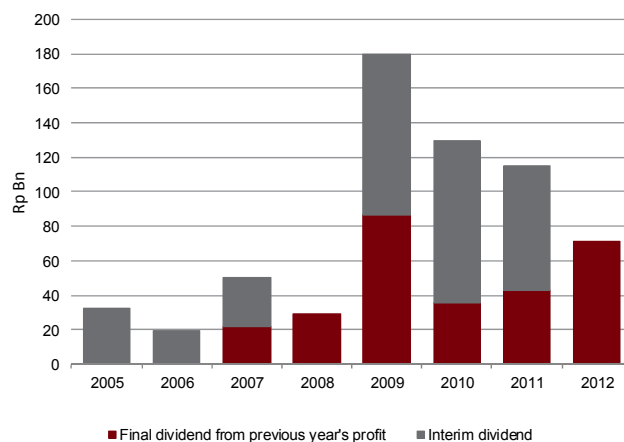
**Figure 1: Dividend payout and yield still highest among peers**

	Dividend payout	Dividend yield
SMSM	72%	5.3%
ASII	45%	2.1%
AUTO	40%	3.2%
INDS	30%	2.9%
IMAS	20%	0.8%
AMFG	10%	1.5%

\*2011 numbers, except for AMFG's 2010

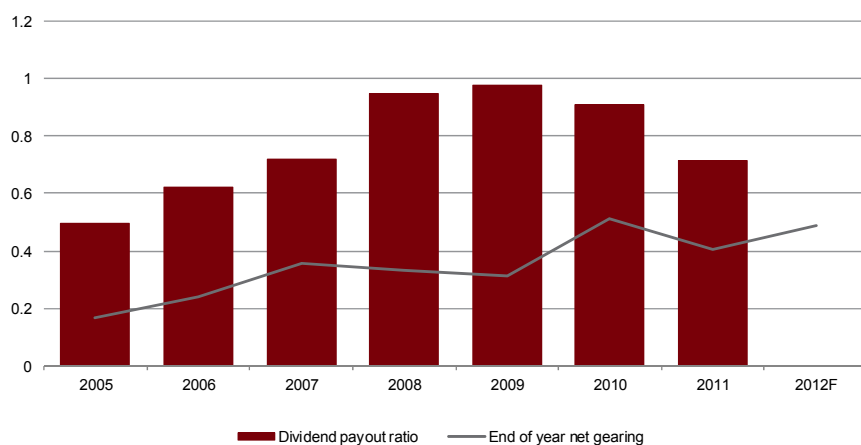
SOURCES: CIMB, COMPANY REPORTS

**Figure 2: Selamat Sempurna has paid out excess cash through interim and final dividends**



SOURCES: CIMB, COMPANY REPORTS

**Figure 3: Gearing to stay below 50% by end-2012, despite acquisition**



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 (%)	
						2012 CY	2013 CY		2012 CY	2013 CY	2014 CY	2012 CY	2013 CY	2012 CY	2013 CY		
Astra International	ASII IJ	Outperform	6,650	7,700	28,677	14.7	11.9	12.8%	3.81	3.16	27.9%	29.1%	27.3%	11.0	8.7	2.5%	2.6%
Indomobil Sukses Int'l	IMAS IJ	Outperform	7,550	9,200	2,224	16.8	11.7	35.2%	3.60	2.82	23.7%	27.1%	24.5%	22.0	16.3	0.6%	0.9%
Selamat Sempurna	SMSM IJ	Outperform	1,870	2,525	287	11.1	9.4	18.3%	3.82	3.34	37.9%	38.0%	40.0%	6.5	5.9	5.5%	7.1%
<b>Indonesia average</b>						<b>14.3</b>	<b>11.4</b>	<b>22.1%</b>	<b>3.66</b>	<b>3.02</b>	<b>27.7%</b>	<b>29.0%</b>	<b>27.2%</b>	<b>11.1</b>	<b>8.7</b>	<b>2.5%</b>	<b>2.6%</b>
Proton Holdings	PROH MK	Neutral	5.48	5.50	944	28.9	21.2	-21.5%	0.53	0.51	1.9%	2.4%	1.0%	5.4	4.9	1.4%	1.4%
Tan Chong Motor Holdings	TCM MK	Underperform	4.50	4.20	948	14.6	9.4	15.4%	1.53	1.35	11.0%	15.3%	15.4%	9.0	6.9	2.2%	2.3%
UMW Holdings	UMWH MK	Outperform	8.09	8.40	2,963	11.2	10.7	11.1%	2.03	1.89	18.8%	18.3%	18.1%	6.0	5.8	5.4%	5.6%
<b>Malaysia average</b>						<b>13.5</b>	<b>11.6</b>	<b>1.7%</b>	<b>1.24</b>	<b>1.16</b>	<b>9.4%</b>	<b>10.3%</b>	<b>11.7%</b>	<b>6.2</b>	<b>5.7</b>	<b>4.0%</b>	<b>4.1%</b>
Brilliance China Automotive	1114 HK	Outperform	7.43	10.80	4,813	10.6	8.2	33.4%	2.76	2.07	30.1%	28.8%	24.9%	72.0	57.6	0.0%	0.0%
Dongfeng Motor Group	489 HK	Neutral	13.14	15.80	14,594	8.9	8.2	6.4%	1.73	1.46	21.3%	19.4%	17.6%	3.6	2.7	1.7%	1.8%
Geely Automobile Holdings	175 HK	Neutral	2.69	3.30	2,592	8.9	6.9	19.2%	1.48	1.24	18.2%	19.5%	17.8%	6.6	5.0	1.3%	1.7%
Great Wall Motor	2333 HK	Outperform	15.98	19.30	7,355	9.2	7.9	15.0%	1.98	1.66	23.6%	22.7%	21.0%	4.7	3.9	2.9%	3.4%
Guangzhou Auto - H	2238 HK	Trading buy	6.53	7.50	6,913	7.9	6.7	9.4%	1.03	0.92	13.7%	14.5%	14.6%	10.2	7.7	3.8%	4.5%
Qingling Motors Company-H	1122 HK	Outperform	1.92	3.50	614	9.7	8.3	16.7%	0.54	0.53	5.6%	6.4%	7.4%	-3.3	-3.2	8.5%	9.9%
Minth Group	425 HK	Neutral	8.50	7.70	1,180	8.9	7.9	10.9%	1.15	1.04	13.5%	13.9%	13.9%	3.9	3.1	3.9%	4.4%
Weichai Power Co Ltd-H	2338 HK	Neutral	31.10	34.40	7,928	9.1	8.7	-2.6%	1.55	1.32	18.6%	16.3%	14.6%	3.7	3.4	0.3%	0.3%
<b>Hong Kong average</b>						<b>9.0</b>	<b>7.9</b>	<b>13.6%</b>	<b>1.58</b>	<b>1.35</b>	<b>18.9%</b>	<b>18.4%</b>	<b>17.1%</b>	<b>4.7</b>	<b>3.8</b>	<b>1.9%</b>	<b>2.1%</b>
<b>Average all countries</b>						<b>10.8</b>	<b>9.2</b>	<b>12.4%</b>	<b>2.00</b>	<b>1.71</b>	<b>19.8%</b>	<b>20.0%</b>	<b>19.1%</b>	<b>6.9</b>	<b>5.7</b>	<b>2.2%</b>	<b>2.4%</b>

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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#### 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.

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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.