



## Selamat Sempurna

SMSM IJ / SMSM JK

## 3Q12 RESULTS NOTE

➤ **Market Cap**  
**US\$366.5m**  
Rp3,527,189m

➤ **Avg Daily Turnover**  
**US\$0.16m**  
Rp1,500m

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

Current **Rp2,450**  
Target **Rp2,600**  
Previous Target **Rp2,425**  
Up/downside **6.1%**

SHORT TERM (3 MTH)	LONG TERM
TRADING BUY	OUTPERFORM
TRADING SELL	<b>NEUTRAL</b>
	UNDERPERFORM

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**Share price info**

Share price perf. (%)	1M	3M	12M
Relative	-4.1	17.5	72.2
Absolute	-2	22.5	87

**Major shareholders**

	% held
Adrianto Inti Perkasa	58.1

## Feeling the chill

*Prolonged global weakness took a toll on SMSM's topline growth in 3Q12 as earnings fell short of both our and consensus expectations. Although demand was weak in developed countries, SMSM continued to expand its market share domestically and in emerging countries.*

9M12 core earnings formed 68% of our FY12 forecast and 65% of consensus numbers due to slower-than-expected revenue growth of 4%. We are cutting our FY12-14 EPS by 7-14% to account for global uncertainty. Our call is downgraded from Outperform to Neutral even though our DCF-based target price (WACC: 13.3%, LTG: 5%) is lifted as we roll it forward to end-13.

### Diverging export sales ➤

Weak US radiator sales (-19% yoy) and soft overall sales in Japan remained the biggest drag on export growth this year as distributors reduced inventory after aggressive stocking last year. But overall export sales dipped only 2% yoy, salvaged by strong sales to emerging countries and a decent performance in Europe.

On the positive side, gross margin was resilient (flat yoy at 24% in 3Q12) as steel prices continued to decline (down 28% YTD). SMSM has passed

on some of the savings through promotions and incentives.

### Stellar domestic sales ➤

Domestic sales growth was a stellar 19% as a strong OEM push and a doubling of Hydraxle's earnings offset slowdown in heavy equipment filter sales. Next year, domestic sales will continue to drive growth, supported by increasing OEM demand and the addition of the Tokyo Radiator JV which could supply to Nissan and Daihatsu.

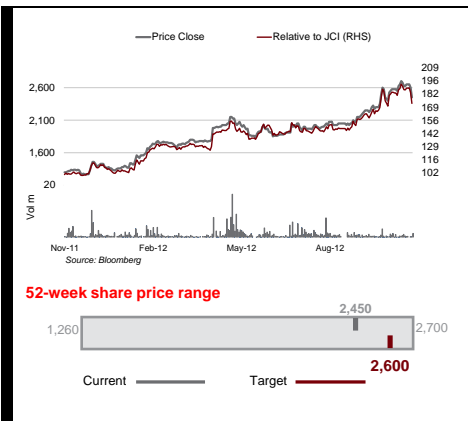
### Short-term pain, long-term robust ➤

We are projecting 11% FY13 organic EPS growth or 14% overall, factoring in a modest recovery in 2H13. SMSM's higher domestic weighting and successful diversification to regions such as Southeast Asia and Russia should alleviate sales volatility in developed markets.

### Results Comparison

Rp bn	3QFY12	3QFY11	yoy % chg	qoq % chg	3QFY12 cum	3QFY11 cum	yoy % chg	Prev. FY12F	Comments
Revenue	466	431	8.1	(0.6)	1,359	1,306	4.1	2,080	Below, 65% of our forecast due to export weakness
Operating costs	(368)	(336)	9.7	2.9	(1,058)	(1,021)	3.7	(1,632)	
EBITDA	98	95	2.5	(12.0)	301	285	5.3	448	
EBITDA margin (%)	21	22			22	22	1.2	22	
Depn & amort.	(26)	(22)	19.9	19.8	(69)	(60)	14.0	(95)	In-line
EBIT	71	73	(2.7)	(19.8)	232	225	3.0	353	Below, though gross margin is in-line
Interest expense	(8)	(6)	28.0	33.1	(20)	(21)	(6.1)	(31)	Below, due to lower funding cost from Mizuho
Interest & invt inc	0	0	(19.1)	18.6	1	1	(18.0)	2	
<b>Pretax profit</b>	<b>65</b>	<b>67</b>	<b>(3.1)</b>	<b>(25.9)</b>	<b>220</b>	<b>205</b>	<b>7.1</b>	<b>324</b>	
Tax	(14)	(15)	(3.0)	(19.3)	(46)	(44)	4.8	(65)	
Tax rate (%)	22	22			21	22	(2.2)	20	
Minority interests	(6)	(4)	45.9	23.3	(16)	(13)	21.1	(31)	
<b>Net profit</b>	<b>45</b>	<b>49</b>	<b>(7.5)</b>	<b>(31.5)</b>	<b>157</b>	<b>148</b>	<b>6.5</b>	<b>228</b>	
<b>Core net profit</b>	<b>42</b>	<b>48</b>	<b>(12.0)</b>	<b>(33.7)</b>	<b>152</b>	<b>144</b>	<b>5.6</b>	<b>224</b>	Below, 68% of our forecast and 65% of consensus
EPS (Rp)	31	34	(7.5)	(31.5)	109	103	6.5	159	
Core EPS (Ep)	29	33	(12.0)	(33.7)	106	100	5.6	156	

SOURCE: CIMB, COMPANY REPORTS

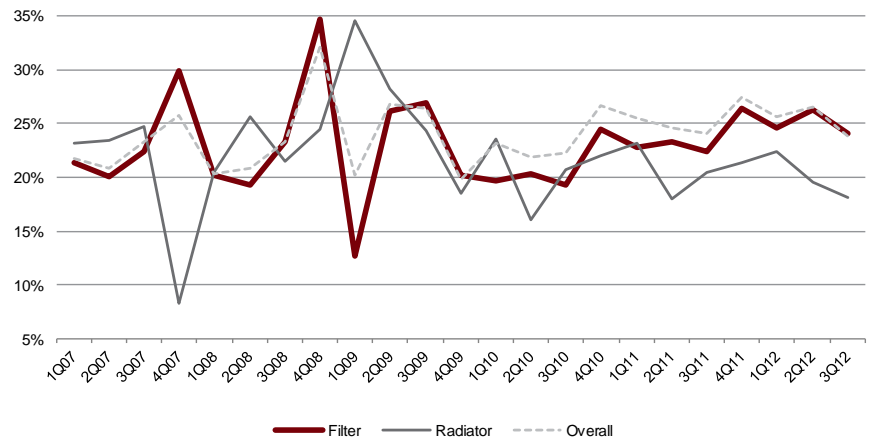


### Financial Summary

	Dec-10A	Dec-11A	Dec-12F	Dec-13F	Dec-14F
Revenue (Rpm)	1,561,787	1,807,891	1,908,036	2,314,917	2,766,057
Operating EBITDA (Rpm)	304,936	386,472	438,773	502,502	583,309
Net Profit (Rpm)	150,420	200,865	218,938	240,009	288,985
Core EPS (Rp)	105.0	134.2	145.1	164.9	198.9
Core EPS Growth	11.2%	27.9%	8.1%	13.6%	20.6%
FD Core P/E (x)	23.34	18.25	16.88	14.86	12.32
DPS (Rp)	90.0	80.0	100.0	125.1	153.5
Dividend Yield	3.67%	3.27%	4.08%	5.11%	6.27%
EV/EBITDA (x)	12.57	9.91	8.91	7.85	6.79
P/FCFE (x)	18.34	38.00	29.31	23.49	16.74
Net Gearing	46.6%	36.7%	40.1%	38.3%	34.8%
P/BV (x)	6.79	5.82	5.17	4.75	4.35
Recurring ROE	29.7%	34.4%	32.5%	33.3%	36.9%
% Change In Core EPS Estimates			(6.9%)	(14.2%)	(14.2%)
CIMB/consensus EPS (x)			0.96	0.88	0.90

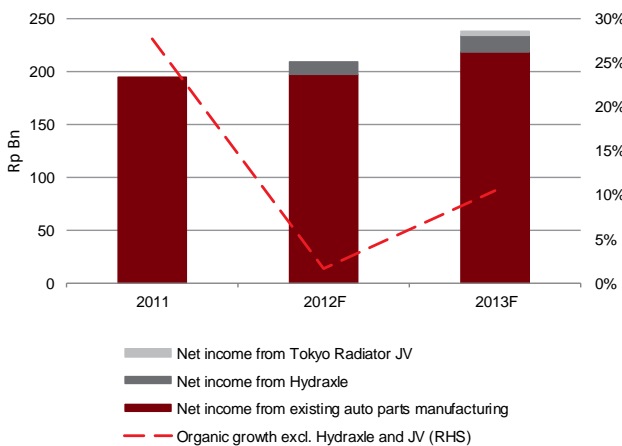
SOURCE: CIMB, COMPANY REPORTS

Figure 1: Overall gross margin was flat year on year despite intensified sales effort in 3Q12



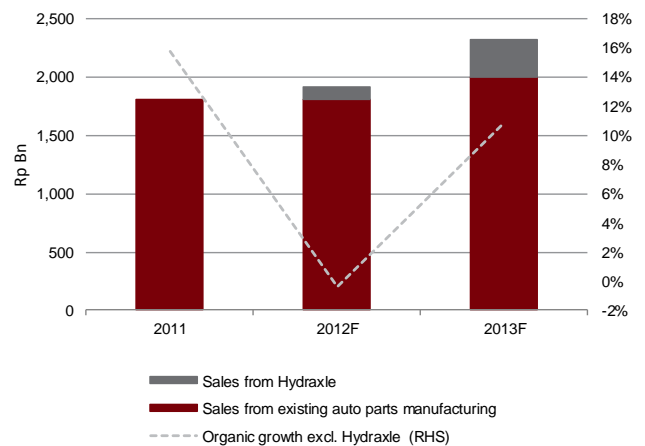
SOURCES: CIMB, COMPANY REPORTS

Figure 2: 2013F net profit growth of 14% could come from 10% organic growth and 4% inorganic growth



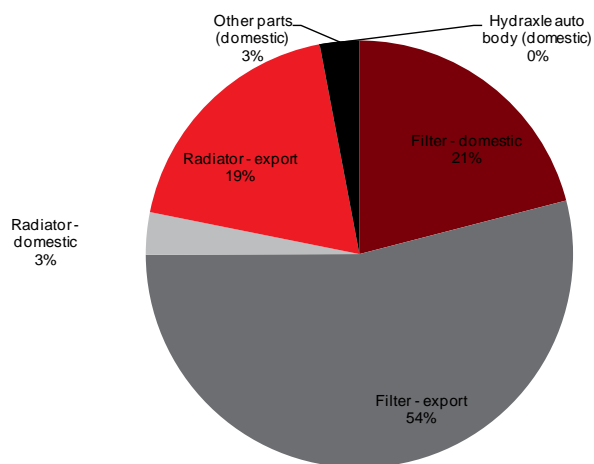
SOURCES: CIMB, COMPANY REPORTS

Figure 3: 2013F organic sales growth is forecasted at around 11%



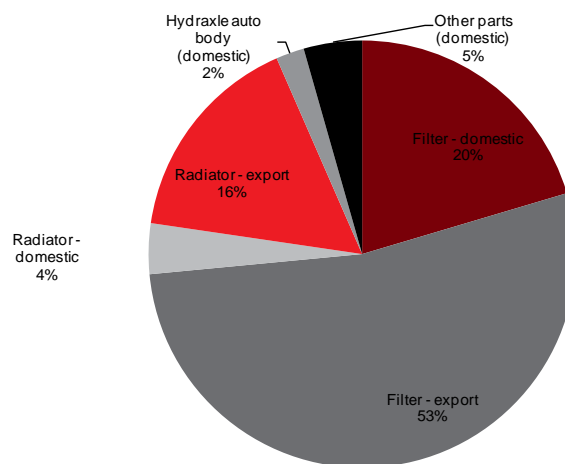
SOURCES: CIMB, COMPANY REPORTS

Figure 4: Sales is 27% domestic in 9M11...



SOURCES: CIMB, COMPANY REPORTS

Figure 5: Increased to 31% domestic in 9M12...



SOURCES: CIMB, COMPANY REPORTS

Figure 6: Export sales by countries, decreasing weighting toward U.S.

% to total sales	2011	9M12	% change
United States	15.3%	12.9%	-2.3%
Australia	7.1%	6.8%	-0.3%
Singapore (trading hub)	6.9%	6.5%	-0.4%
Russia	4.3%	4.5%	0.1%
Japan	3.6%	2.8%	-0.8%
Netherlands	2.4%	2.6%	0.2%
Thailand	1.6%	2.5%	0.9%
China	2.6%	2.3%	-0.3%
Ecuador	2.4%	2.0%	-0.4%
Malaysia	1.9%	1.9%	0.1%
Germany	2.0%	1.8%	-0.3%
France	1.2%	1.4%	0.2%
Belgium	1.3%	1.3%	-0.1%
Italy	1.0%	1.2%	0.2%
Taiwan	1.2%	1.1%	0.0%
Iran	0.8%	1.1%	0.3%
Sri Lanka	0.9%	1.1%	0.1%
Saudi Arabia	0.6%	1.0%	0.4%
Canada	0.6%	1.0%	0.5%
Phillipines	0.7%	0.9%	0.2%
Vietnam	0.8%	0.9%	0.0%
Myanmar	1.2%	0.9%	-0.3%
South Africa	0.5%	0.8%	0.3%
Chile	0.5%	0.8%	0.3%
New Zealand	0.6%	0.7%	0.2%
Others	10.9%	10.0%	-0.9%

\*Countries or regions with decreasing contribution in red

SOURCES: CIMB, COMPANY REPORTS

Figure 7: 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 2012	CY 2013	CY 2014	CY 2012	CY 2013	CY 2012	CY 2013
Astra International	ASII IJ	Outperform	8,050	9,200	33,862	17.3	14.9	12.4%	4.57	3.85	28.6%	28.1%	27.2%	12.9	10.9	2.1%	2.2%
Indomobil Sukses Int'l	IMAS IJ	Outperform	5,100	6,400	1,465	16.1	11.5	24.0%	2.60	2.16	17.4%	20.5%	21.7%	23.4	18.3	0.9%	0.9%
Selamat Sempurna	SMSM IJ	Neutral	2,450	2,600	366	16.9	14.9	10.5%	5.17	4.78	33.4%	33.3%	36.9%	8.6	7.9	4.1%	5.1%
<b>Indonesia average</b>						<b>16.8</b>	<b>13.7</b>	<b>15.6%</b>	<b>4.11</b>	<b>3.60</b>	<b>26.4%</b>	<b>27.3%</b>	<b>28.6%</b>	<b>15.0</b>	<b>12.4</b>	<b>2.3%</b>	<b>2.8%</b>
Tan Chong Motor Holdings	TCM MK	Underperform	4.43	3.65	977	16.7	10.5	10.8%	1.52	1.37	9.6%	13.8%	14.2%	10.5	8.0	2.2%	2.4%
UMW Holdings	UMWH MK	Outperform	9.98	11.75	3,826	12.3	11.0	18.3%	2.48	2.28	20.8%	21.6%	21.1%	6.6	5.7	4.9%	5.5%
<b>Malaysia average</b>						<b>14.5</b>	<b>10.7</b>	<b>14.5%</b>	<b>2.00</b>	<b>1.83</b>	<b>15.2%</b>	<b>17.7%</b>	<b>17.6%</b>	<b>8.6</b>	<b>6.9</b>	<b>3.5%</b>	<b>3.9%</b>
Brilliance China Automotive	1114 HK	Outperform	9.68	10.10	6,277	14.3	10.8	31.3%	4.01	2.93	32.5%	31.3%	26.4%	106.1	91.5	0.0%	0.0%
Dongfeng Motor Group	489 HK	Outperform	9.60	15.70	10,673	6.9	6.1	5.5%	1.25	1.07	19.8%	19.0%	17.6%	2.1	0.8	2.2%	2.4%
Geely Automobile Holdings	175 HK	Neutral	3.33	2.80	3,216	13.1	10.0	11.1%	1.83	1.57	14.9%	16.9%	15.3%	9.8	7.8	0.9%	1.2%
Great Wall Motor	2333 HK	Underperform	21.30	17.50	9,034	10.7	11.5	8.7%	2.52	2.18	26.1%	20.3%	18.3%	5.8	6.1	2.5%	2.3%
Guangzhou Auto - H	2238 HK	Neutral	5.31	5.50	4,968	10.2	8.0	-3.8%	0.86	0.80	8.6%	10.3%	10.9%	na	na	3.0%	3.8%
Qingling Motors Company-H	1122 HK	Outperform	1.88	2.23	602	12.2	11.0	2.9%	0.52	0.51	4.2%	4.7%	5.1%	1.6	1.6	6.7%	7.5%
Minth Group	425 HK	Neutral	7.83	8.30	1,088	7.8	6.9	10.9%	1.03	0.94	13.9%	14.1%	13.9%	3.2	2.5	4.4%	5.0%
Weichai Power Co Ltd-H	2338 HK	Neutral	27.45	24.30	6,566	11.7	10.0	-6.6%	1.42	1.25	12.9%	13.2%	14.3%	5.2	4.7	0.3%	0.3%
<b>Hong Kong average</b>						<b>10.9</b>	<b>9.3</b>	<b>7.5%</b>	<b>1.68</b>	<b>1.40</b>	<b>16.6%</b>	<b>16.2%</b>	<b>15.2%</b>	<b>19.1</b>	<b>16.4</b>	<b>2.5%</b>	<b>2.8%</b>
<b>Average all countries</b>						<b>14.1</b>	<b>11.3</b>	<b>12.6%</b>	<b>2.60</b>	<b>2.28</b>	<b>19.4%</b>	<b>20.4%</b>	<b>20.5%</b>	<b>14.2</b>	<b>11.9</b>	<b>2.8%</b>	<b>3.2%</b>

SOURCES: CIMB, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

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.

\* 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

**OUTPERFORM:** Expected positive total returns of 10% or more over the next 12 months.

**NEUTRAL:** Expected total returns of between -10% and +10% over the next 12 months.

**UNDERPERFORM:** Expected negative total returns of 10% or more over the next 12 months.

**TRADING BUY:** Expected positive total returns of 10% or more over the next 3 months.

**TRADING SELL:** Expected negative total returns of 10% 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 +10% 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 +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.

**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:** 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:** 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.