


Selamat Sempurna

SMSM IJ / SMSM.JK

1Q13 RESULTS NOTE

Market Cap US\$403.4m Rp3,923,098m	Avg Daily Turnover US\$0.35m Rp3,365m	Free Float 41.9% 1,440 m shares	Current Target Rp2,725 Rp2,850 Prev. Target Rp2,900 Up/Downside 4.6%	SHORT TERM (3 MTH) TRADING BUY TRADING SELL	LONG TERM OUTPERFORM NEUTRAL UNDERPERFORM
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CIMB Analyst



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Share price info

Share price perf. (%)	1M	3M	12M
Relative	5.4	1.8	14
Absolute	7.9	14.7	34.6

Major shareholders

	% held
Adriando Inti Perkasa	58.1

Heavy equipment setback

1Q13 results were below our expectations. A major drop in the heavy equipment-related segment's sales caused SMSM's profit and sales to contract despite margin resilience. SMSM is still a key pick in the buoyant domestic auto parts space, with attractive dividends a bonus.

1Q13 results formed 19% of our full-year forecast but were in line with consensus's at 22%. We cut FY13-15 EPS targets by 10-14% to factor in a bearish domestic heavy equipment outlook but are buoyant about auto parts. Maintain Outperform with a lower DCF-based target price. Higher sustainable growth is raised from 5.0% to 5.5%, due to heightened auto investment. WACC is 13.1%.

Heavy equipment setback

Net profit declined by 6% yoy, mainly caused by a 9% drop in sales, although the gross margin was resilient due to a favourable exchange rate and raw materials prices. The main sales drag was a 53% yoy drop in dump truck sales amid mining sector weakness. Besides Hydraxle (9% of total sales), domestic heavy equipment parts sales (about 9% of total) also declined but was partially offset by growth in domestic parts sales. Exports were on the right track,

although growth was more muted than expected (2% yoy) as recovery in the Americas region was offset by relatively slow growth elsewhere.

Strong returns generation

Despite the setback in heavy equipment (we now only forecast the heavy equipment segment to grow in pace with GDP), strong cash generation and high returns were maintained. The company also plans to uphold its dividend commitment. Net gearing was a modest 36%.

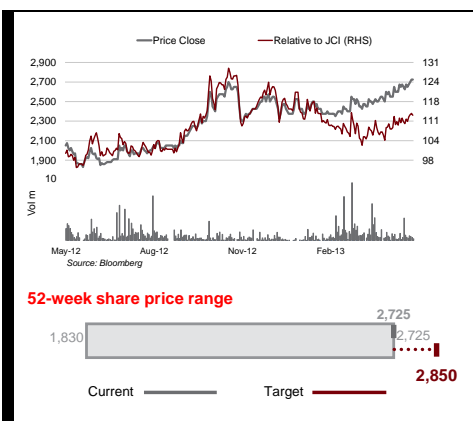
Acquisition a possibility

We believe acquisitions in auto parts manufacturing or trading is on the cards, as management has historically utilised inorganic growth to meet guidance. Opportunities in the sector remain and the repatriation of Japanese auto parts manufacturing to Indonesia has started to accelerate, which should benefit SMSM.

Results Comparison	1QFY13	1QFY12	yoy % chg	Prev. FY13F	Comments
Rp bn					
Revenue	473	517	(8.6)	2,418	Below, 20% of our forecast and consensus
Operating costs	(367)	(408)	(9.9)	(1,903)	Gross margin was strong up 1.7% points yoy
EBITDA	105	109	(3.6)	515	
EBITDA margin (%)	22	21		21	
Depn & amort.	(23)	(23)	(1.4)	(110)	
EBIT	82	86	(4.3)	405	Below, 20% of our forecast, 21% of consensus
Interest expense	(8)	(7)	20.8	(28)	
Interest & invt inc	1	0	85.5	2	
Pretax profit	73	80	(8.4)	380	Below, 19% of our forecast, 21% of consensus
Tax	(16)	(18)	(8.7)	(76)	Tax rate at 22.1%, higher than our forecast of 20%
Tax rate (%)	22	22		20	
Minority interests	(6)	(9)	(38.6)	(38)	
Net profit	51	53	(3.1)	266	Below, 19% of our forecast, 22% of consensus
Core net profit	50	52	(4.6)	260	19% of FY forecast, 20% of consensus
EPS (Rp)	36	37	(3.1)	184	
Core EPS (Ep)	34	36	(4.6)	181	

*4Q12 post-acquisition standalone data is unavailable

SOURCE: CIMB, COMPANY REPORTS



Financial Summary

	Dec-11A	Dec-12A	Dec-13F	Dec-14F	Dec-15F
Revenue (Rpb)	2,072	2,164	2,261	2,459	2,679
Operating EBITDA (Rpb)	335.4	374.7	379.1	412.8	452.9
Net Profit (Rpb)	212.2	233.2	240.7	263.5	293.8
Core EPS (Rp)	142.5	157.1	163.3	183.0	204.1
Core EPS Growth	34.6%	10.2%	4.0%	12.1%	11.5%
FD Core P/E (x)	19.12	17.35	16.69	14.89	13.35
DPS (Rp)	80.0	130.0	129.0	133.9	175.5
Dividend Yield	2.94%	4.77%	4.73%	4.91%	6.44%
EV/EBITDA (x)	12.89	11.58	11.39	10.35	9.29
P/FCFE (x)	30.73	14.58	27.20	20.35	15.47
Net Gearing	36.7%	33.4%	26.3%	16.2%	7.7%
P/BV (x)	5.92	6.08	5.60	5.09	4.83
Recurring ROE	34.7%	34.6%	34.9%	35.8%	37.1%
% Change In Core EPS Estimates			(9.6%)	(11.4%)	(14.3%)
CIMB/consensus EPS (x)			0.98	0.91	0.86

SOURCE: CIMB, COMPANY REPORTS

Figure 1: Sales by business segment

Rp bn	1Q12	1Q13	yoy growth
Net sales - filter	355	354	0%
COGS	268	252	
Gross profit - filter	87	102	
<i>Gross margin</i>	<i>24.5%</i>	<i>28.8%</i>	
Net sales - radiator	87	91	4%
COGS	67	76	
Gross profit - radiator	19	15	
<i>Gross margin</i>	<i>18.3%</i>	<i>11.4%</i>	
Net sales - Hydraxle karoseri	94	44	-53%
COGS	77	39	
Gross profit - Hydraxle karoseri	17	5	
<i>Gross margin</i>	<i>18.3%</i>	<i>11.4%</i>	
Net sales - others	27	29	8%
COGS	24	27	
Gross profit - others	3	2	
<i>Gross margin</i>	<i>11.4%</i>	<i>8.4%</i>	
Elimination	(46)	(45)	

SOURCES: CIMB, COMPANY REPORTS

Figure 2: Sales by geography

Rp bn	1Q12	1Q13	yoy growth	1Q13 weighting
Domestic	223	171	-23%	36%
Export	294	301	2%	64%
Asia	106	102	-3%	22%
America	89	98	10%	21%
Australia	33	33	1%	7%
Europe	61	62	2%	13%
Africa	5	6	11%	1%
US radiator sales (included in America)	52	54	3%	

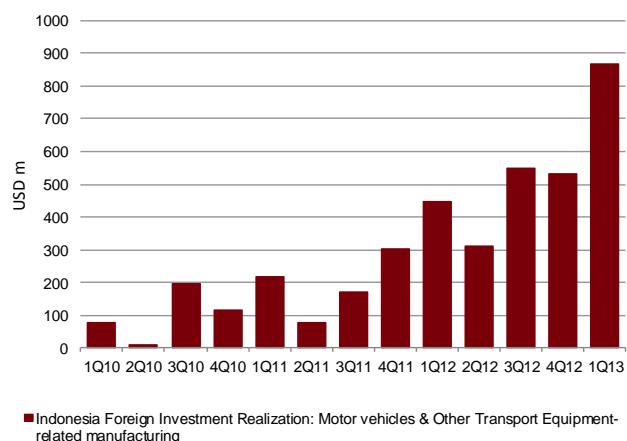
SOURCES: CIMB, COMPANY REPORTS

Figure 3: Dividend pay-out scenario (from 2012 net profit)

	Total dividend disbursed (Rp bn)	Implied dividend pay-out ratio	Implied DPS (Rp)	Implied dividend yield
Worst	144	62%	100	3.7%
Base	181	78%	126	4.6%
Best	229	98%	159	5.8%

SOURCES: CIMB, COMPANY REPORTS

Figure 4: Auto-related manufacturing segments looking buoyant



SOURCES: CIMB, COMPANY REPORTS

Figure 5: 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 2013	CY 2014		CY 2013	CY 2014	CY 2015	CY 2013	CY 2014	CY 2013	CY 2014		
Astra International	ASII IJ	OUTPERFORM	7,350	8,350	30,600	15.2	13.2	8.0%	3.63	3.11	25.5%	25.4%	23.9%	11.3	9.5	2.9%	3.0%
Selamat Sempurna	SMSM IJ	OUTPERFORM	2,725	2,850	403	16.7	14.9	7.8%	5.60	5.09	34.8%	35.8%	37.1%	11.4	10.3	4.7%	4.9%
Indonesia average						16.0	14.0	7.9%	4.62	4.10	30.2%	30.6%	30.5%	11.4	9.9	3.8%	3.9%
Tan Chong Motor Holdings	TCM MK	NEUTRAL	5.43	5.38	1,165	11.0	9.7	30.7%	1.66	1.46	16.1%	16.0%	14.5%	7.9	7.3	2.6%	2.8%
UMW Holdings	UMWH MK	OUTPERFORM	14.30	14.45	5,492	12.7	12.1	14.5%	3.20	2.89	26.6%	25.2%	24.0%	6.6	6.4	4.7%	4.9%
Malaysia average						11.8	10.9	22.6%	2.43	2.18	21.4%	20.6%	19.3%	7.3	6.9	3.6%	3.8%
Brilliance China Automotive	1114 HK	NEUTRAL	9.50	11.00	6,152	11.8	9.9	21.3%	3.03	2.33	29.3%	26.4%	22.7%	na	na	0.0%	0.0%
Dongfeng Motor Group	489 HK	OUTPERFORM	11.56	16.00	12,834	7.3	6.8	9.4%	1.28	1.11	19.1%	17.5%	16.0%	2.8	1.9	1.9%	2.0%
Geely Automobile Holdings	175 HK	OUTPERFORM	3.90	4.60	4,157	9.8	8.0	14.4%	1.53	1.30	17.1%	17.9%	16.1%	7.0	5.2	1.2%	1.5%
Great Wall Motor	2333 HK	NEUTRAL	33.65	33.40	16,170	13.2	11.4	11.0%	3.13	2.61	25.8%	25.0%	22.4%	8.6	7.1	2.3%	2.7%
Guangzhou Auto - H	2238 HK	NEUTRAL	6.40	5.90	5,747	11.9	8.4	45.9%	1.01	0.94	8.8%	11.6%	11.9%	na	na	4.0%	5.8%
Qingling Motors Company-H	1122 HK	OUTPERFORM	2.20	2.29	704	12.2	11.0	12.1%	0.59	0.58	4.9%	5.3%	5.8%	6.0	5.6	6.8%	7.6%
Minth Group	425 HK	NEUTRAL	13.88	9.80	1,929	12.9	11.4	11.8%	1.62	1.47	13.2%	13.5%	14.1%	7.4	6.3	2.4%	2.8%
Weichai Power Co Ltd-H	2338 HK	NEUTRAL	27.05	28.60	7,081	10.8	9.0	13.7%	1.24	1.09	12.1%	12.9%	12.8%	5.3	4.6	0.3%	0.3%
Hong Kong average						11.2	9.5	17.5%	1.68	1.43	16.3%	16.3%	15.2%	6.2	5.1	2.4%	2.8%
Average all countries						12.1	10.5	16.7%	2.29	2.00	19.4%	19.4%	18.4%	7.4	6.4	2.8%	3.2%

SOURCES: CIMB, COMPANY REPORTS

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Description	Excellent	Very Good	Good	N/A

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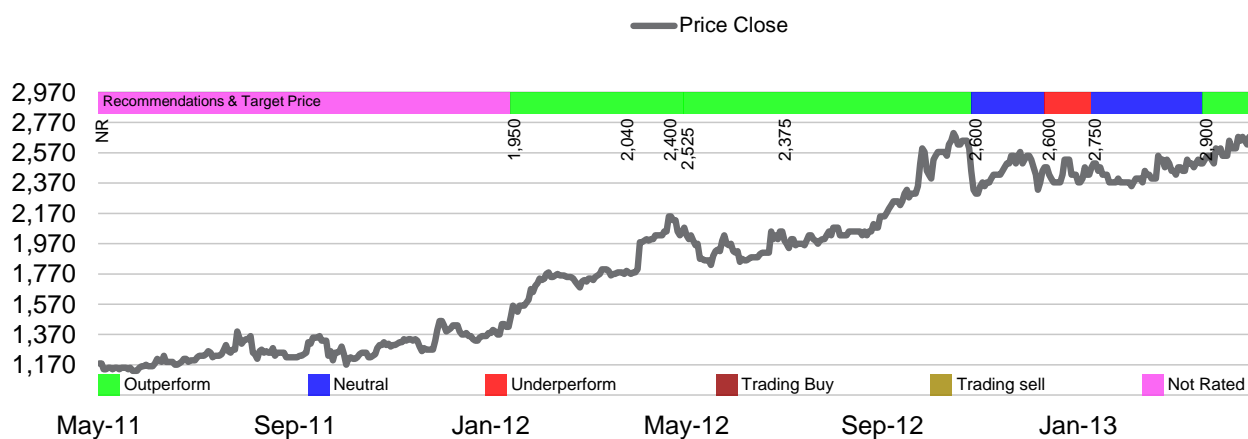
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Spitzer Chart for stock being researched (2 year data)



Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2013		
983 companies under coverage		
	Rating Distribution (%)	Investment Banking clients (%)
Outperform/Buy/Trading Buy	50.8%	8.1%
Neutral	35.3%	4.8%
Underperform/Sell/Trading Sell	13.9%	5.9%

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, Jakarta Stock Exchange, Australian Securities Exchange, Korea Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay 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.

AAV – not available, ADVANC - Excellent, AMATA - Very Good, AOT - Excellent, AP - Very Good, BANPU - Excellent, BAY - Excellent, BBL - Excellent, BCH - Good, 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, KAMART – not available, KBANK - Excellent, KK - 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, RS - 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, WORK - Good.