




## Selamat Sempurna

SMSM IJ / SMSM.JK

## 2Q13 RESULTS NOTE

<b>Market Cap</b> <b>US\$343.9m</b> Rp3,527,189m	<b>Avg Daily Turnover</b> <b>US\$0.14m</b> Rp1,407m	<b>Free Float</b> <b>41.9%</b> 1,440 m shares	Current <b>Rp2,450</b> Target <b>Rp2,700</b> Prev. Target <b>Rp2,850</b> Up/Downside <b>10.2%</b>	<b>SHORT TERM (3 MTH)</b> TRADING BUY TRADING SELL	<b>LONG TERM</b> OUTPERFORM <b>NEUTRAL</b> UNDERPERFORM
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**Share price info**

Share price perf. (%)	1M	3M	12M
Relative	-2.3	-1.2	9.4
Absolute	-5.8	-10.1	21

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**Major shareholders**

	% held
Adrindo Inti Perkasa	58.1

## High base effect

1H13 core profit was 43% of our and 46% of consensus full-year forecasts. It is in line as the high-base effect from 1H13's heavy equipment sales will taper off in 2H13. Though filter gross margin fell yoy, better radiator sales and an acquisition boosted the quarter.

We maintain our EPS targets but lower our DCF-based target price (WACC: 13.6%, LTG: 5.0%) as we increase our risk-free rate assumption from 6.5% to 7.0%, in line with our house view. We downgrade the stock to Neutral as the weakness in the rupiah has not resulted in margin improvements, as we expected.

### Slow Hydraxle sales

1H13 reported revenue rose 22% yoy mainly due to an acquisition; the revenue fell 3% yoy when compared to the consolidated year-ago numbers including the acquisition. Hydraxle contributed to most of the decline as its sales halved yoy. Hydraxle's net profit fell from Rp24bn in 1H12 to Rp8bn in 1H13, contributing to the overall 3% yoy decline in the core net profit. On the bright side, the numbers should look better in 2H13 due to 2H12's lower base vs. 1H12.

### Filter gross margin contracted

The radiator segment has improved from its recent slump, improving in both gross margins and sales in the US market, but the filter segment's gross margin fell from 25.4% in 1H12 to 24.0% in 1H13 mainly due to an increase in the wages in Apr and relatively flat sales. The margin decline was more than what we had expected, but falling steel prices and a weaker rupiah should improve margins in 2H13.

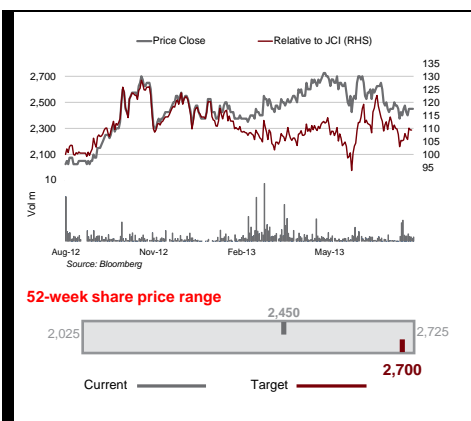
### External factors still favourable

In the near term, external factors such as weakening of the rupiah and declining steel prices remain highly favourable for SMSM. Despite this, the near-term organic growth outlook is likely to be muted due to the weakness in the heavy equipment segment and uneven global demand. This leaves a limited upside to the current share price, in our view.

### Results Comparison

FYE Dec-13 (Rp bn)	2QFY13	2QFY12	yoy % chg	qoq % chg	2QFY13 cum	2QFY12 cum	yoy % chg	Prev. FY13F	Comments
Revenue	616	376	64.0	30.3	1,089	893	21.9	2,377	In line, 46% of our FY forecast, acquisition lifted growth
Operating costs	(493)	(282)	74.7	34.3	(861)	(690)	24.7	(1,868)	In line, gross margin improved due to lower raw material prices
EBITDA	123	93	31.5	16.5	228	203	12.5	509	
EBITDA margin (%)	20	25			21	23	(7.7)	21	
Depn & amort.	(28)	(19)	46.1	21.6	(51)	(42)	20.0	(122)	
EBIT	95	74	27.7	15.0	177	160	10.6	387	In line, 46% of our FY forecast
Interest expense	(7)	(5)	34.4	(21.9)	(15)	(12)	26.4	(26)	Ahead, on higher-than-average cash on hand related to the
Interest & invt inc	0	0	46.1	(35.7)	1	1	67.8	2	recent acquisition and upcoming bond payment
<b>Pretax profit</b>	<b>88</b>	<b>75</b>	<b>18.0</b>	<b>20.9</b>	<b>161</b>	<b>154</b>	<b>4.4</b>	<b>363</b>	
Tax	(20)	(14)	40.6	25.8	(36)	(32)	13.5	(73)	
Tax rate (%)	23	19			23	21	8.7	20	
Minority interests	(7)	(1)	967.2	31.7	(13)	(10)	32.3	(38)	
<b>Net profit</b>	<b>60</b>	<b>60</b>	<b>1.6</b>	<b>18.1</b>	<b>112</b>	<b>112</b>	<b>(0.6)</b>	<b>252</b>	In line. 43% of our FY forecast and 46% of consensus'
<b>Core net profit</b>	<b>57</b>	<b>58</b>	<b>(0.9)</b>	<b>15.1</b>	<b>107</b>	<b>110</b>	<b>(2.7)</b>	<b>247</b>	High base effect from Hydraxle will taper off in 2H13
EPS (Rp)	42	41	1.6	18.1	78	78	(0.6)	175	
Core EPS (Ep)	40	40	(0.9)	15.1	74	76	(2.7)	171	

SOURCE: CIMB, COMPANY REPORTS



### Financial Summary

	Dec-11A	Dec-12A	Dec-13F	Dec-14F	Dec-15F
Revenue (Rpb)	2,072	2,164	2,377	2,584	2,814
Operating EBITDA (Rpb)	335.4	374.7	392.6	428.6	468.4
Net Profit (Rpb)	212.2	233.2	252.3	275.1	302.5
Core EPS (Rp)	142.5	157.1	171.4	191.1	210.1
Core EPS Growth	34.6%	10.2%	9.1%	11.5%	10.0%
FD Core P/E (x)	17.19	15.60	14.30	12.82	11.66
DPS (Rp)	80.0	130.0	108.5	161.2	185.0
Dividend Yield	3.27%	5.31%	4.43%	6.58%	7.55%
EV/EBITDA (x)	11.71	10.52	9.88	8.81	7.92
P/FCFE (x)	27.63	13.11	31.25	15.34	13.10
Net Gearing	36.7%	33.4%	18.4%	5.6%	(2.4%)
P/BV (x)	5.32	5.47	4.76	4.50	4.30
Recurring ROE	34.7%	34.6%	35.6%	36.1%	37.7%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.06	0.99	1.00

SOURCE: CIMB, COMPANY REPORTS

Figure 1: P&L comparison; 1H12 numbers restated to consolidate a recent acquisition

Rp bn	2QFY13 Cum	2QFY12 Cum	yoy % chg	Comments
Revenue	1,089	1,122	(2.9)	Drop in revenue was mainly caused by Hydraxle's revenue drop of 50% yoy
Operating costs	(861)	(866)	(0.6)	
EBITDA	228	256	(11.0)	
EBITDA margin (%)	21	23		EBITDA margin is lower due to drop in Hydraxle and increased manufacturing wage
Depn & amort.	(51)	(52)	(2.7)	
EBIT	177	204	(13.1)	
Interest expense	(15)	(14)	6.3	
Interest & invt inc	1	1	26.0	
Pretax profit	161	191	(15.7)	
Tax	(36)	(43)	(14.8)	
Tax rate (%)	23	22	1.0	
Minority interests	(13)	(21)	(39.7)	
Net profit	112	127	(11.9)	
Core net profit	107	124	(13.8)	
EPS (Rp)	78	88	(11.9)	Drop was mainly related to lower operating profit from Hydraxle
Core EPS (Ep)	74	86	(13.8)	

SOURCES: CIMB, COMPANY REPORTS

Figure 2: 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 2013	CY 2014		CY 2013	CY 2014	CY 2013	CY 2014	CY 2015	CY 2013	CY 2014	CY 2013	CY 2014
Astra International	ASII IJ	UNDERPERFORM	6,750	6,600	26,605	14.5	12.9	5.8%	3.30	2.86	24.5%	23.8%	22.7%	10.4	8.7	3.2%	3.1%
Selamat Sempurna	SMSM IJ	NEUTRAL	2,450	2,700	343	14.3	12.8	7.0%	4.76	4.50	36.4%	36.1%	37.7%	9.6	8.8	4.4%	6.6%
<b>Indonesia average</b>						<b>14.4</b>	<b>12.9</b>	<b>6.4%</b>	<b>4.03</b>	<b>3.68</b>	<b>30.5%</b>	<b>29.9%</b>	<b>30.2%</b>	<b>10.0</b>	<b>8.8</b>	<b>3.8%</b>	<b>4.8%</b>
Tan Chong Motor Holdings	TCM MK	OUTPERFORM	6.60	8.00	1,329	12.2	9.9	41.5%	2.02	1.76	17.9%	19.0%	17.2%	7.4	6.5	3.0%	3.8%
UMW Holdings	UMWH MK	NEUTRAL	14.00	14.70	5,044	13.0	12.4	9.0%	3.05	2.78	25.1%	23.5%	23.0%	6.6	6.3	4.5%	4.8%
<b>Malaysia average</b>						<b>12.6</b>	<b>11.1</b>	<b>25.2%</b>	<b>2.53</b>	<b>2.27</b>	<b>21.5%</b>	<b>21.2%</b>	<b>20.1%</b>	<b>7.0</b>	<b>6.4</b>	<b>3.8%</b>	<b>4.3%</b>
Brilliance China Automotive	1114 HK	NEUTRAL	9.76	8.50	6,324	13.9	11.1	21.9%	3.02	2.38	24.1%	23.9%	22.4%	na	na	0.0%	0.0%
Dongfeng Motor Group	489 HK	OUTPERFORM	10.44	16.00	11,598	6.5	6.1	10.0%	1.15	1.00	19.0%	17.4%	15.9%	3.3	2.5	2.1%	2.3%
Geely Automobile Holdings	175 HK	OUTPERFORM	3.27	4.60	3,488	8.2	6.7	15.5%	1.28	1.09	17.0%	17.9%	16.1%	5.5	3.9	1.5%	1.8%
Great Wall Motor	2333 HK	NEUTRAL	36.75	33.40	17,211	14.3	12.4	11.0%	3.41	2.83	25.8%	25.0%	22.4%	9.5	7.9	2.1%	2.5%
Guangzhou Auto - H	2238 HK	OUTPERFORM	7.59	7.70	7,165	13.9	9.0	46.1%	1.12	1.04	8.2%	11.9%	11.2%	na	na	3.4%	5.4%
Qingling Motors Company-H	1122 HK	OUTPERFORM	1.90	2.29	608	10.5	9.4	12.1%	0.51	0.50	4.9%	5.3%	5.8%	4.8	4.5	7.9%	8.8%
Minth Group	425 HK	NEUTRAL	13.62	9.80	1,904	12.6	11.1	11.8%	1.58	1.43	13.2%	13.5%	14.1%	7.2	6.1	2.5%	2.9%
Weichai Power Co Ltd-H	2338 HK	NEUTRAL	26.05	28.60	6,065	10.4	8.6	13.7%	1.18	1.04	12.1%	12.9%	12.8%	5.1	4.4	0.3%	0.3%
<b>Hong Kong average</b>						<b>11.3</b>	<b>9.3</b>	<b>17.8%</b>	<b>1.66</b>	<b>1.41</b>	<b>15.5%</b>	<b>16.0%</b>	<b>15.1%</b>	<b>5.9</b>	<b>4.9</b>	<b>2.5%</b>	<b>3.0%</b>
<b>Average all countries</b>						<b>12.0</b>	<b>10.2</b>	<b>17.1%</b>	<b>2.20</b>	<b>1.93</b>	<b>19.0%</b>	<b>19.2%</b>	<b>18.5%</b>	<b>6.9</b>	<b>6.0</b>	<b>2.9%</b>	<b>3.5%</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.

<b>Score Range:</b>	90 – 100	80 – 89	70 – 79	Below 70 or	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good		N/A

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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 30 June 2013		
1077 companies under coverage		
	Rating Distribution (%)	Investment Banking clients (%)
Outperform/Buy/Trading Buy	52.5%	7.4%
Neutral	33.6%	4.7%
Underperform/Sell/Trading Sell	14.0%	5.5%

**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, 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.

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**Recommendation Framework #2 \*\***

Stock	Sector
<b>OUTPERFORM:</b> Expected positive total returns of 10% 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 +10% or better over the next 12 months.
<b>NEUTRAL:</b> Expected total returns of between -10% and +10% 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 +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.
<b>UNDERPERFORM:</b> Expected negative total returns of 10% 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 -10% or worse over the next 12 months.
<b>TRADING BUY:</b> Expected positive total returns of 10% 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 +10% or better over the next 3 months.
<b>TRADING SELL:</b> Expected negative total returns of 10% 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 -10% or worse over the next 3 months.

*\*\* This framework only applies to stocks listed on the Korea Exchange, 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 2012.**

AAV – not available, **ADVANC** - Excellent, **AEONTS** – Good, **AMATA** - Very Good, **ANAN** – not available, **AOT** - Excellent, **AP** - Very Good, **BANPU** - Excellent, **BAY** - Excellent, **BBL** - Excellent, **BCH** – not available, **BCP** - Excellent, **BEC** - Very Good, **BGH** - not available, **BJC** – Very Good, **BH** - Very Good, **BIGC** - Very Good, **BTS** - Excellent, **CCET** - Good, **CENTEL** – Very Good, **CK** - Very Good, **CPALL** - Very Good, **CPF** - Very Good, **CPN** - Excellent, **DELTA** - Very Good, **DTAC** - Very Good, **EGCO** – Excellent, **ERW** – Excellent, **GLOBAL** - Good, **GLOW** - Very Good, **GRAMMY** – Excellent, **HANA** - Very Good, **HEMRAJ** - Excellent, **HMPRO** - Very Good, **INTUCH** – Very Good, **ITD** – Very Good, **IVL** - Very Good, **JAS** – Very Good, **KAMART** – not available, **KBANK** - Excellent, **KK** – Excellent, **KTB** - Excellent, **LH** - Very Good, **LPN** - Excellent, **MAJOR** - Good, **MAKRO** – Very Good, **MCOT** - Excellent, **MINT** - Very Good, **PS** - Excellent, **PSL** - Excellent, **PTT** - Excellent, **PTTGC** - Excellent, **PTTEP** - Excellent, **QH** - Excellent, **RATCH** - Excellent, **ROBINS** - Excellent, **RS** – Excellent, **SAMART** – Excellent, **SC** – Excellent, **SCB** - Excellent, **SCC** - Excellent, **SCCC** - Very Good, **SIRI** - Good, **SPALI** - Very Good, **SRICHA** – not available, **SSI** – not available, **STA** - Good, **STEC** - Very Good, **TCAP** - Very Good, **THAI** - Excellent, **THCOM** – Very Good, **TICON** – Very Good, **TISCO** - Excellent, **TMB** - Excellent, **TOP** - Excellent, **TRUE** - Very Good, **TTW** – Very Good, **TUF** - Very Good, **VGI** – not available, **WORK** – Good.