

Selamat Sempurna

SMSM IJ / SMSM.JK

1Q14 RESULTS NOTE

Market Cap US\$471.9m Rp5,456,345m	Avg Daily Turnover US\$0.03m Rp400.5m	Free Float 41.9% 1,440 m shares	Current Rp3,790 Target ➤ Rp3,850 Prev. Target Rp3,850 Up/Downside 1.6%	STOCK RATING ADD HOLD REDUCE
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Share price info

Share price perf. (%)	1M	3M	12M
Relative	-10.2	12.8	43.5
Absolute	-10.8	22.3	40.4
Major shareholders			% held
Adrindo Inti Perkasa			58.1

Windfall from weak rupiah

1Q14 net profit was in line with our expectations (23% of full-year forecast) but ahead of consensus (32% of forecast) due to a boost from the weak rupiah. Gross margin held on strong as the rupiah and the price of a key raw material, steel plate remained weak. SMSM reduced its dividend payout ratio and remains as cash rich as ever, putting it in a strong position to invest internally or expand through acquisition. This helps support SMSM's high valuation. We maintain our EPS estimates, DCF-based target price (WACC: 12.3%, LTG 5.0%), and Hold rating.

Gross margin held on as rupiah remained weak ➤

Undeterred by Hydraxle's weak margin, SMSM's gross margin held on strong at 26% (vs. 27% for 1Q13 and FY13), boosted by the weak rupiah and low steel plate price. This could continue in the coming quarters if the rupiah and steel plate price remain benign. Export margins were particularly strong.

Exports dominated growth ➤

SMSM showed strong export sales across the board, led by the US, Australia, Singapore and Russia. Excluding the impact of exchange rate, 1Q14 exports still rose by 17% yoy. The strong exports more than offset stagnant domestic sales, which were weighed down by Hydraxle and radiator sales. Hydraxle's net profit was only flat yoy, though its impact is becoming increasingly minimal, now at less than 2% of SMSM's overall net profit. SMSM is also still in the process of jumpstarting its Tokyo Radiator domestic JV, which was still operating at a loss despite taking some sales away from SMSM's own radiator operations. Nevertheless, SMSM's higher export exposure (68% of sales) means that it should continue to benefit from strong demand in the export markets.

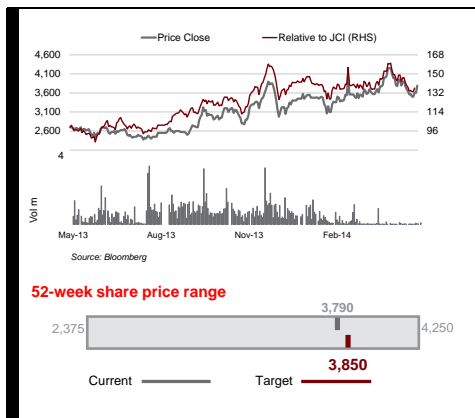
Cash rich and lowest net gearing since 2005 ➤

The company has finalised its total dividend at Rp166bn, implying 52% payout, lower than last year's 60%. This, combined with 2014's low capex and maturing debt obligations, means that SMSM could achieve around 15-20% net gearing, the lowest since 2005. As a result, the company is in a good position to pursue an acquisition, in line with its stance that a non-related party acquisition remains one of the options for growth.

Results Comparison

FYE Dec-14 (Rp bn)	1QFY14	1QFY13	yoy % chg	Prev. FY14F	Comments
Revenue	628	500	25.7	2,620	In line, 24% of our FY forecast and consensus
Operating costs	(478)	(388)	23.2	(2,003)	In line with our FY forecast. overall gross margin held on at a high level undeterred by weak 'Hydraxle's
EBITDA	150	111	34.4	617	margin
EBITDA margin (%)	24	22		24	
Depn & amort.	(23)	(23)	(2.0)	(119)	
EBIT	127	88	44.0	499	
Interest expense	(8)	(9)	(7.7)	(23)	
Interest & invt inc	1	1	50.1	3	
Pretax profit	119	78	52.5	475	
Tax	(30)	(18)	71.8	(120)	
Tax rate (%)	25	22		25	
Minority interests	(6)	(9)	(36.5)	(31)	
Net profit	83	51	62.3	324	In line with our FY forecast (23%), but ahead of consensus' (32% of FY consensus forecast) due to
Core net profit	78	49	57.4	333	stronger than expected gross margin as a result of weak Rupiah
EPS (Rp)	58	36	62.3	225	
Core EPS (Rp)	54	34	57.4	231	

SOURCE: CIMB, COMPANY REPORTS



Financial Summary

	Dec-12A	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Revenue (Rpb)	2,269	2,373	2,620	2,834	3,054
Operating EBITDA (Rpb)	402.6	432.5	519.6	557.6	598.3
Net Profit (Rpb)	251.6	320.4	323.8	361.5	393.9
Core EPS (Rp)	169.9	187.1	231.2	252.7	275.2
Core EPS Growth	19.2%	10.1%	23.6%	9.3%	8.9%
FD Core P/E (x)	22.31	20.26	16.39	15.00	13.77
DPS (Rp)	130.0	85.0	124.5	160.9	242.0
Dividend Yield	3.43%	2.24%	3.28%	4.25%	6.39%
EV/EBITDA (x)	14.84	13.38	10.78	9.93	9.26
P/FCFE (x)	25.64	30.39	29.40	22.73	15.41
Net Gearing	31.5%	19.7%	(1.7%)	(8.2%)	(8.4%)
P/BV (x)	8.46	6.51	5.63	5.02	4.87
ROE	39.1%	36.3%	36.8%	35.4%	35.9%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.16	1.03	

SOURCE: CIMB, COMPANY REPORTS

Figure 1: 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 (%)	
						2014	2015		2014	2015	2014	2015	2016	2014	2015	2016	2014
Astra International	ASII IJ	Hold	7,425	7,700	25,998	15.0	14.6	-3.3%	3.58	3.14	30.1%	22.8%	22.2%	12.3	11.9	2.9%	2.9%
Selamat Sempurna	SMSM IJ	Hold	3,605	3,850	449	19.3	15.6	6.8%	6.20	5.70	42.3%	36.9%	37.5%	11.5	10.6	2.4%	4.6%
Indonesia average						15.1	14.6	-3.2%	3.61	3.16	30.2%	23.0%	22.4%	12.2	11.8	2.9%	2.9%
Weichai Power Co Ltd-H	2338 HK	Hold	27.90	34.30	5,895	10.5	8.8	24.6%	1.57	1.36	15.8%	16.5%	16.1%	7.3	6.4	1.4%	1.7%
Minth Group	425 HK	Hold	12.04	16.80	1,697	10.2	8.7	19.0%	1.40	1.25	14.5%	15.2%	16.1%	6.5	5.3	3.1%	3.6%
Hong Kong average						10.5	8.8	23.4%	1.54	1.34	15.6%	16.3%	16.1%	7.2	6.2	1.7%	2.1%
Apollo Tyres Ltd	APTY IN	Add	159.1	148.3	1,329	10.8	9.6	12.3%	2.03	1.70	21.6%	19.6%	18.0%	5.6	5.3	0.6%	0.9%
Bharat Forge	BHFC IN	Reduce	407.8	295.0	1,573	26.5	20.5	19.0%	3.47	3.00	15.2%	16.0%	16.1%	10.4	9.2	0.8%	1.1%
Bosch Ltd	BOS IN	Add	10,537	12,047	5,484	37.4	30.2	9.7%	5.26	4.62	15.7%	16.1%	18.5%	22.3	18.6	0.5%	0.6%
Exide Industries Ltd	EXID IN	Hold	119.8	129.0	1,687	20.3	18.9	2.4%	2.78	2.54	14.2%	14.1%	14.8%	9.7	9.1	1.3%	1.6%
India average						24.4	20.7	10.0%	3.63	3.20	16.7%	16.5%	17.2%	11.8	10.6	0.7%	0.9%
Da Nang Rubber	DRC VN	Hold	44,100	40,333	174	10.1	9.8	15.0%	2.63	2.08	28.4%	23.6%	23.9%	7.3	6.3	3.8%	0.0%
Southern Rubber	CSM VN	Add	40,200	44,518	128	8.1	7.2	22.6%	2.22	1.70	30.8%	26.7%	25.9%	6.5	5.0	3.1%	0.0%
Vietnam average						9.1	8.5	18.5%	2.44	1.90	29.5%	25.0%	24.8%	6.9	5.6	3.5%	0.0%
Hankook Tire	161390 KS	Add	57,600	76,000	6,905	9.7	8.9	57.9%	1.82	1.53	19.9%	18.6%	16.6%	6.6	6.1	0.7%	0.7%
Korea average						9.7	8.9	57.9%	1.82	1.53	19.9%	18.6%	16.6%	6.6	6.1	0.7%	0.7%
Average (all)						14.1	12.7	9.9%	2.64	2.29	21.8%	19.2%	18.7%	9.8	9.0	2.0%	2.1%

SOURCES: CIMB, COMPANY REPORTS

Profit & Loss

(Rpb)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Total Net Revenues	2,373	2,620	2,834	3,054
Gross Profit	638	750	807	867
Operating EBITDA	432	520	558	598
Depreciation And Amortisation	(11)	(12)	(12)	(13)
Operating EBIT	421	508	545	585
Financial Income/(Expense)	(27)	(20)	(11)	(4)
Pretax Income/(Loss) from Assoc.	(4)	(4)	(4)	(4)
Non-Operating Income/(Expense)	69	(9)	0	0
Profit Before Tax (pre-EI)	459	475	530	577
Exceptional Items	0	0	0	0
Pre-tax Profit	459	475	530	577
Taxation	(108)	(120)	(134)	(145)
Exceptional Income - post-tax	0	0	0	0
Profit After Tax	351	355	397	432
Minority Interests	(30)	(31)	(35)	(38)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0
Other Adjustments - post-tax	0	0	0	0
Net Profit	320	324	362	394
Recurring Net Profit	269	333	364	396
Fully Diluted Recurring Net Profit	269	333	364	396

Balance Sheet

(Rpb)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Total Cash And Equivalents	93	100	108	114
Total Debtors	561	619	670	721
Inventories	398	444	479	515
Total Other Current Assets	45	49	55	59
Total Current Assets	1,097	1,212	1,312	1,410
Fixed Assets	492	448	398	343
Total Investments	36	36	36	36
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	76	76	76	76
Total Non-current Assets	604	560	510	454
Short-term Debt	212	0	0	0
Current Portion of Long-Term Debt	0	80	0	0
Total Creditors	164	181	196	211
Other Current Liabilities	147	156	167	177
Total Current Liabilities	523	417	363	388
Total Long-term Debt	80	0	0	0
Hybrid Debt - Debt Component	0	0	0	0
Total Other Non-Current Liabilities	91	185	145	125
Total Non-current Liabilities	171	185	145	125
Total Provisions	0	0	0	0
Total Liabilities	694	602	508	513
Shareholders' Equity	838	970	1,087	1,120
Minority Interests	169	200	227	231
Total Equity	1,007	1,169	1,313	1,351

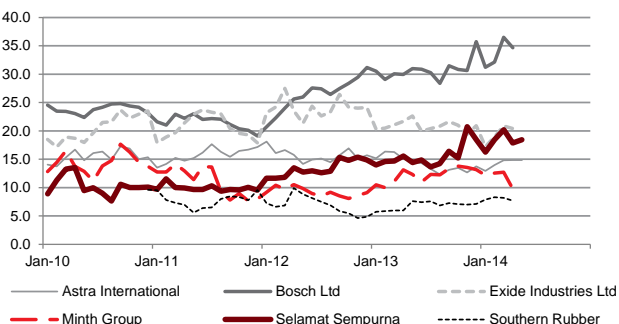
Cash Flow

(Rpb)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
EBITDA	432.5	519.6	557.6	598.3
Cash Flow from Inv. & Assoc.	0.0	0.0	0.0	0.0
Change In Working Capital	111.2	(94.5)	(78.1)	(79.8)
(Incr)/Decr in Total Provisions	0.0	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0
Other Operating Cashflow	32.1	92.8	99.3	79.0
Net Interest (Paid)/Received	(27.1)	(19.6)	(11.0)	(3.9)
Tax Paid	(107.8)	(119.8)	(133.6)	(145.4)
Cash Flow From Operations	440.9	378.4	434.3	448.2
Capex	(96.8)	(74.2)	(74.2)	(74.2)
Disposals Of FAs/subsidiaries	46.2	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(101.0)	0.0	0.0	0.0
Other Investing Cashflow	(55.3)	0.0	0.0	0.0
Cash Flow From Investing	(206.9)	(74.2)	(74.2)	(74.2)
Debt Raised/(repaid)	(54.4)	(118.6)	(120.0)	(20.0)
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(158.9)	(179.2)	(231.7)	(348.5)
Preferred Dividends	0.0	0.0	0.0	0.0
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	(213.3)	(297.8)	(351.7)	(368.5)
Total Cash Generated	20.6	6.4	8.3	5.5
Free Cashflow To Equity	179.5	185.6	240.0	354.0
Free Cashflow To Firm	264.2	327.0	374.2	381.1

Key Ratios

	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Revenue Growth	4.6%	10.4%	8.2%	7.7%
Operating EBITDA Growth	7.4%	20.1%	7.3%	7.3%
Operating EBITDA Margin	18.2%	19.8%	19.7%	19.6%
Net Cash Per Share (Rp)	(138.1)	13.7	75.1	78.9
BVPS (Rp)	581.8	673.5	755.0	777.8
Gross Interest Cover	13.90	22.22	38.43	82.24
Effective Tax Rate	23.5%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	38.2%	55.3%	64.1%	88.5%
Accounts Receivables Days	78.83	81.80	82.61	82.99
Inventory Days	86.49	82.13	83.10	83.23
Accounts Payables Days	27.48	33.67	33.93	34.05
ROIC (%)	27.1%	32.2%	33.6%	35.6%
ROCE (%)	33.2%	40.1%	42.8%	44.2%

Rolling FD P/E (x)



Key Drivers

	Dec-13A	Dec-14F	Dec-15F	Dec-16F
ASP (% chg, main prod./serv.)	9.2%	7.0%	5.0%	5.0%
Unit sales grth (% , main prod./serv.)	-0.9%	3.0%	2.0%	2.0%
Util. rate (% , main prod./serv.)	59.0%	60.8%	62.0%	63.2%
ASP (% chg, 2ndary prod./serv.)	5.1%	9.0%	5.0%	5.0%
Unit sales grth (% ,2ndary prod/serv)	-1.5%	2.0%	0.0%	0.0%
Util. rate (% ,2ndary prod/serv)	39.4%	40.2%	40.2%	40.2%
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A

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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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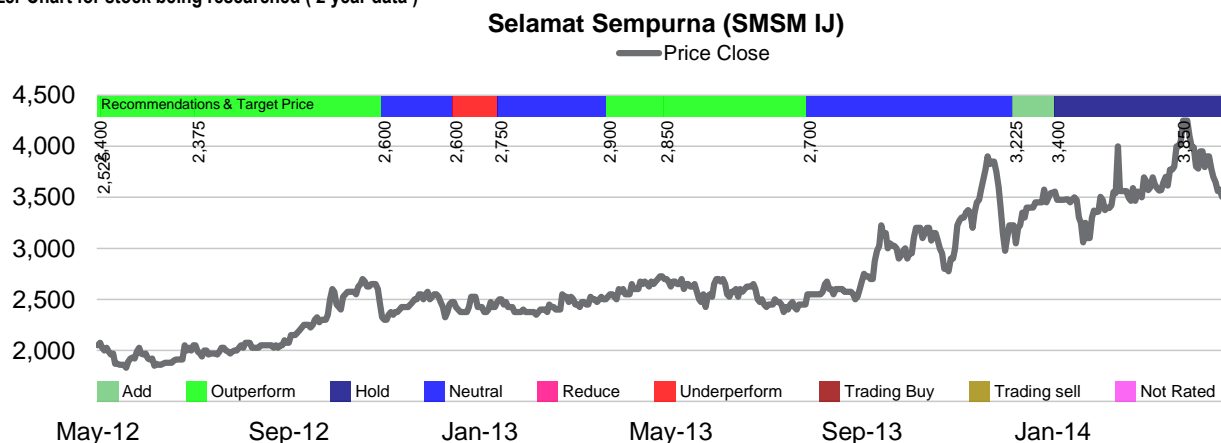
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2014		
1358 companies under coverage for quarter ended on 31 March 2014		
	Rating Distribution (%)	Investment Banking clients (%)
Outperform/Buy/Trading Buy/Add	52.6%	5.9%
Neutral/Hold	31.7%	5.4%
Underperform/Sell/Trading Sell/Reduce	15.7%	5.2%

Spitzer Chart for stock being researched (2 year data)



As at the time of publishing this report CIMB is phasing in an absolute recommendation structure for stocks (Framework #1). Please refer to all frameworks for a definition of any recommendations stated in this report.

CIMB Recommendation Framework #1

Stock Ratings	Definition
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock.

Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

CIMB Stock Recommendation Framework #2 *

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 3% 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 3% or more 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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CIMB Stock Recommendation Framework #3 **

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.

** 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 2013.

AAV – Good, **ADVANC** - Excellent, **AMATA** - Very Good, **ANAN** – Good, **AOT** - Excellent, **AP** - Very Good, **BANPU** - Excellent, **BAY** - Excellent, **BBL** - Excellent, **BCH** – Good, **BCP** - Excellent, **BEC** - Very Good, **BGH** - not available, **BJC** – Very Good, **BH** - Very Good, **BIGC** - Very Good, **BTS** - Excellent, **CCET** – Very Good, **CENTEL** – Very Good, **CK** - Excellent, **CPALL** - Very Good, **CPF** – Excellent, **CPN** - Excellent, **DELTA** - Very Good, **DTAC** - Excellent, **EGCO** – Excellent, **GLOBAL** - Good, **GLOW** - Very Good, **GRAMMY** – Excellent, **HANA** - Excellent, **HEMRAJ** - Excellent, **HMPRO** - Very Good, **INTUCH** – Excellent, **ITD** – Very Good, **IVL** - Excellent, **JAS** – Very Good, **KAMART** – not available, **KBANK** - Excellent, **KKP** – Excellent, **KTB** - Excellent, **LH** - Very Good, **LPN** - Excellent, **MAJOR** – Very Good, **MAKRO** – Very Good, **MCOT** - Excellent, **MINT** - Excellent, **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** – Very Good, **SPALI** - Excellent, **STA** - Good, **STEC** - Very Good, **TCAP** - Excellent, **THAI** - Excellent, **THCOM** – Excellent, **TICON** – Very Good, **TISCO** - Excellent, **TMB** - Excellent, **TOP** - Excellent, **TRUE** - Excellent, **TTW** – Excellent, **TUF** - Very Good, **VGI** – Excellent, **WORK** – Good.