

Thursday, 3 May 2012

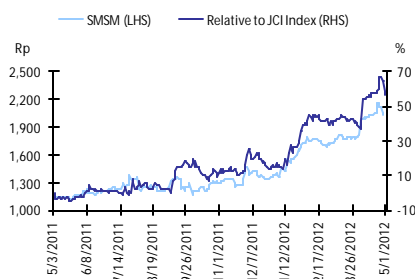
**BUY**

Bloomberg Code	SMSM IJ
Price, Rp	2,050
Mkt Cap Rp bn	2,932
Target Price, Rp	2,491

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**SMSM relative price to JCI Index**

## AUTOMOTIVE PARTS SECTOR/1Q12 RESULT

# Selamat Sempurna

## 1Q 12 Results – In line

**Results in line with Expectations**

SMSM's 1Q12 earnings edged up 1.2% yoy to Rp 48bn, in line with our expectations. The increase in profits was supported by higher filter sales (+1.5% yoy) and higher domestic market sales (+19.1% yoy), despite lower radiator sales (-17.1% yoy) and lower export market sales (-5.7% yoy). Revenues grew by 0.7% yoy to Rp 425bn, reaching 20.9% of our full year forecast. Overall, we maintain our BUY call on expectations that the company can still achieve our Rp 2tn of FY12 targeted revenues. Our TP of Rp 2,491 implies PER FY12-13 of 15.2-14.0x. At the current share price of Rp 2,050, the stock trades at PER FY12 12.5x.

**Slight Increases in the Top and Bottom lines**

Some 77.2% of the company's revenues were contributed by filter sales, up 1.5% yoy to Rp 355bn. Despite the lower radiator sales (down by 17.1% yoy), the company still recorded revenues growth. The stronger revenues were driven by higher sales on the domestic market (up 19.1%), accounting for 30% of the company's revenues, in spite of lower sales on the export market (down 5.7%). SMSM faced tougher conditions in export markets, as revenues from Asia, America, and Australia declined by 4.4%, 15.4%, and 10.5% yoy, respectively. This owed to excess inventories of SMSM's products held by business customers in export markets. Even so, the potential demand from export markets is still high. Note that Donaldson Inc., one of SMSM's competitors in the global filter market, is setting its FY12 target revenues as high as US\$ 2,400bn, which is 11x higher than SMSM's targeted revenues.

**Maintained Margins**

SMSM managed its costs well thanks to good inventory management, helping the company to cope with fluctuations in raw material prices. Overall, the cost of revenues edged up 0.5% yoy, resulting in a 20bps higher gross margin. Product wise, filters maintained a gross margin of around 25% while the gross margin on radiators improved to 22%. And while its operating expenses to sales ratio increased by 60bps, SMSM still maintained its EBITDA and net margin of 21.7% and 11.4%, respectively.

**Final Dividends**

Regarding its final dividends from FY11 earnings, the company has not disclosed the amount of the dividend. However, given the company's dividend growth policy, we believe a minimum Rp 50/share will be distributed as final dividends, 36% of its FY11 EPS, with a dividend yield of 2.4%. For FY11, interim dividends of Rp 50/share were distributed.

Year to Dec, Rp bn	2010	2011	2012F	2013F	2014F
Revenue, Rp bn	1,562	1,808	2,033	2,286	2,571
EBITDA, Rp bn	305	386	434	486	543
EBITDA Growth, %	14.6	26.7	12.3	11.9	11.9
Net Profit, Rp bn	150	201	235	256	294
Core Profit, Rp bn	151	193	236	256	294
Core EPS, Rp	105	134	164	178	205
Core EPS Growth, %	11.2	27.9	21.9	8.6	15.0
Net Gearing, %	51.0	40.6	30.0	17.8	6.8
PER, x	23.8	17.9	15.2	14.0	12.2
Core PER, x	23.7	18.6	15.2	14.0	12.2
PBV, x	6.9	5.9	5.0	4.2	3.5
EV/EBITDA, x	12.6	9.9	8.8	7.7	6.7
Dividend Yield, %	3.8	2.0	3.5	3.2	3.7

Danareksa research reports are also available at Reuters Mulfex and First Call Direct and Bloomberg.

**Exhibit 1. Result highlights 1Q 12 (Rp bn)**

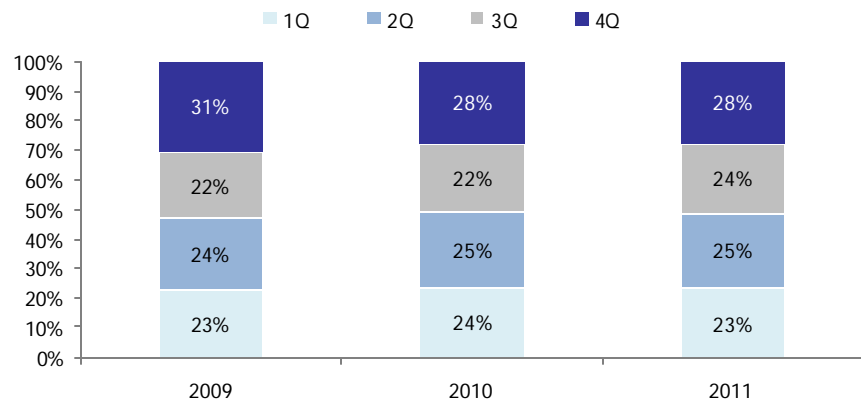
	4Q 11	1Q 12	QoQ, %	3M 11	3M 12	YoY %	FY12F	A/F %
Sales	502	425	(15.4)	422	425	0.7	2,033	20.9
COGS	(364)	(316)	(13.3)	-314	-316	0.5	-1,508	20.9
Gross Profit	138	109	(21.0)	108	109	1.2	525	20.8
Operating Expenses	(62)	(37)	(39.7)	-35	-37	7.2	-189	19.7
Operating Profit	76	72	(5.8)	73	72	(1.7)	336	21.4
EBITDA	106	92	(12.9)	92	92	0.8	434	21.3
Other Income (Expenses)	(2)	(4)	145.7	-7	-4	(36.0)	-13	33.0
Pre-tax Income	75	67	(9.5)	66	67	1.9	322	20.9
Income Tax	(16)	(15)	(9.6)	-14	-15	2.6	-69	21.2
Minority Interest	(5)	(5)	(10.3)	-4	-5	7.7	-18	25.5
Net Profit	53	48	(9.4)	48	48	1.2	235	20.5
Core Profit	49	47	(3.9)	47	47	(0.0)	236	20.1
Gross Margin, %	27.5	25.7		25.5	25.7			25.8
OpEx to Sales, %	12.3	8.8		8.2	8.8			9.3
Operating Margin, %	15.2	16.9		17.3	16.9			16.5
EBITDA Margin, %	21.1	21.7		21.7	21.7			21.3
Net Margin, %	10.6	11.4		11.3	11.4			11.6
Core Margin, %	9.8	11.2		11.2	11.2			11.6

Source: Company, Danareksa

**Exhibit 2. Revenues breakdown 1Q 12 (Rp bn)**

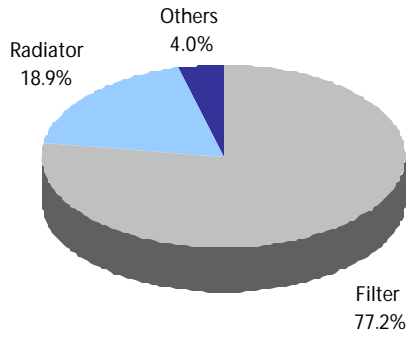
	4Q 11	1Q 12	QoQ, %	3M 11	3M 12	YoY, %
<b>By Product</b>						
Filter	432	355	(17.7)	350	355	1.5
Radiator	101	87	(13.9)	105	87	(17.1)
Others	16	18	15.1	12	18	48.4
Elimination	(47)	(36)	(23.6)	(46)	(36)	(21.6)
<b>By Geographical</b>						
Domestic	140	130	(7.1)	109	130	19.1
Export	362	294	(18.6)	312	294	(5.7)
Asia	24	106	339.2	111	106	(4.4)
America	82	89	8.4	105	89	(15.4)
Australia	40	33	(17.2)	37	33	(10.5)
Europe and Others	216	67	(69.1)	60	67	11.7

Source: Company, Danareksa

**Exhibit 3. Revenues seasonality**

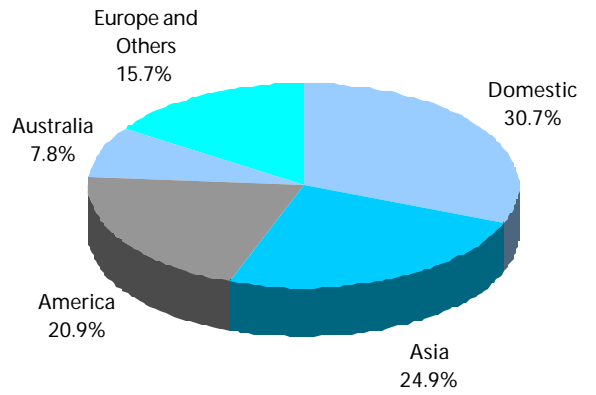
Source: Company, Danareksa

**Exhibit 4. Revenues by product 1Q 12**



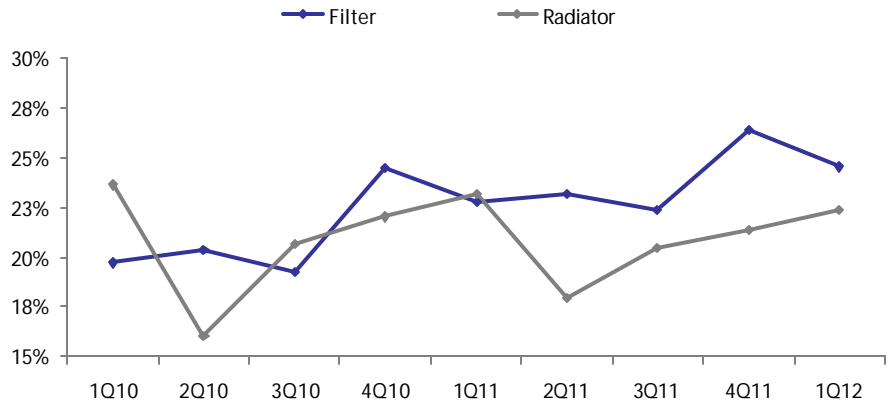
Source: Company, Danareksa

**Exhibit 5. Revenues by sales destination 1Q 12**



Source: Company, Danareksa

**Exhibit 6. Maintained its filter and radiator Profit Margins**



Source: Company, Danareksa

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