

AUTOMOTIVE PARTS SECTOR/FY12 RESULTS

HOLD

Target Price, Rp	2,550
Upside	2.0%
SMSM IJ/SMSM.JK	
Last Price, Rp	2,500
No. of shares (bn)	1,439
Market Cap, Rp bn	3,599
(US\$ mn)	369
3M T/O, US\$mn	0.07

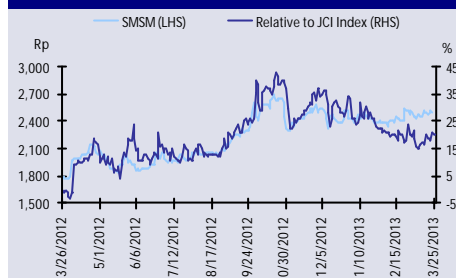
Selamat Sempurna

FY12 Result – Beating Expectations

A record 20th year of revenues growth

SMSM's FY12 results are above our expectation, and mark a record 20th straight year of revenues growth, mainly driven by consolidation of Hydraxle Perkasa (HP) in 3Q12 and the strategy-shift toward the domestic and Asia markets. Net profits rose 9.9%yoy to Rp233 bn on the back of a 4.4%yoy increase in revenues to Rp2.1 tn in FY12. Margins also showed an improvement (gross and net margins of 25.3% and 10.8%, respectively), driven by lower material costs in addition to better operational efficiency. On a qoq basis, the 4Q12 revenues surged 72.8% due to the full consolidation of HP's revenues. For the time being, we maintain our HOLD call on the counter.

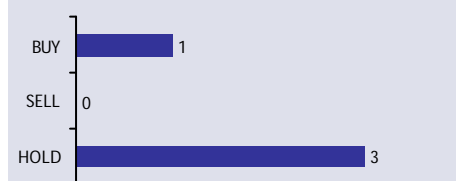
SMSM relative to JCI Index



The HP acquisition helped boost revenues

2012 was a tough year for SMSM, especially in its export markets. Revenues from filter products only grew 1.2%yoy while radiator revenues contracted 3.5%yoy, yet as expected. The decline in radiator revenues owed more to lower volumes, reflecting the slowing demand and inventory channeled to the US market, SMSM's biggest export destination for radiators. Nonetheless, the management's move to acquire HP in mid-2012 was astute, in our view, since it added inorganic revenues of Rp340 bn to its top line. Furthermore, the shift in focus from the US and Europe to Africa, Asia and the domestic market led to exports growth of 1.7%yoy and 9.2%yoy higher sales on the domestic market, mainly coming from the replacement market although strong OEM demand also helped.

Market Recommendation



Better margins as well

SMSM managed its costs effectively. This was thanks to good inventory management and better operational efficiency, helping the company to deal with volatile raw material prices, especially of steel and aluminum. The cost of revenues only edged up 3.0%yoy while operating expenses increased 5.7%yoy. As a result, SMSM booked a higher gross margin (+101bps yoy) and a higher operating margin (+90bps yoy). Product-wise, the filter and radiator gross margins improved to 25.4% (FY11: 23.8%) and 21.3% (2011: 20.8%), respectively.

Danareksa vs Consensus

	Our	Cons	% Diff
Target price, IDR	2,550	2,500	2.0
EPS 2013F, IDR	140	163	-14.1
PE 2013F, x	17.8	15.3	16.3

Solid balance sheet

SMSM's balance sheet remains healthy with net gearing of 33% as of December 2012. As the capacity utilization for filters and radiators stands at the 50-60% level, we don't think the company will need to undertake significant capex over the next two years, and that the company will only set aside Rp100 bn for maintenance capex. One plus point in SMSM's favor are its generous dividends (the 2012 interim dividend was Rp80/share, 49% DPR). For the 2012 final dividend, we believe they will be at least Rp25/share, culminating in a total DPR of 65% for FY12, offering an attractive FY12 dividend yield of 4.2%.



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

Year end to Dec	2010	2011	2012F	2013F	2014F
Revenue, Rp bn	1,562	1,808	1,951	2,354	2,658
EBITDA, Rp bn	305	386	412	479	536
EBITDA Growth, %	14.6	26.7	6.5	16.4	11.8
Net Profit, Rp bn	150	201	206	228	262
Core Profit, Rp bn	151	193	202	227	262
Core EPS, Rp	105	134	140	157	182
Core EPS Growth, %	11.2	27.9	4.5	12.3	15.7
Net Gearing, %	46.7	36.7	32.2	20.2	14.1
PER, x	24.4	18.3	17.8	16.1	14.0
Core PER, x	24.3	19.0	18.2	16.2	14.0
PBV, x	6.5	5.5	4.5	3.9	3.4
EV/EBITDA, x	12.9	10.1	9.6	8.1	7.1
Yield, %	3.7	3.9	4.2	4.4	4.7

Notes: 2010-2011 SMSM only, 2012F-2014F consolidated SMSM and HP

Exhibit 1. SMSM FY12 Results

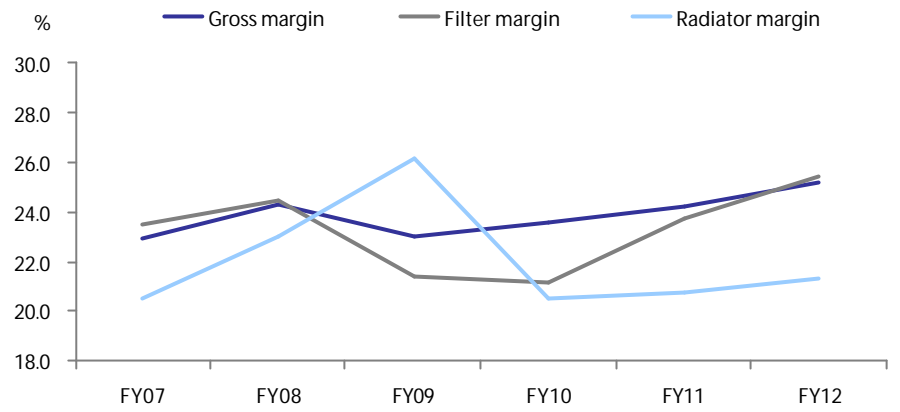
(in Rp bn)	FY12	FY11*	%	4Q12	3Q12	%	4Q11	%	FY12F	%
Revenues	2,164	2,072	4.4	805	466	72.8	766	5.0	1,951	110.9
COGS	1,617	1,570	3.0	603	355	69.9	587	2.6	1,460	110.8
Gross profit	547	502	8.8	202	111	82.3	179	12.8	491	111.4
Opex	184	174	5.7	64	43	49.1	71	(9.5)	182	100.9
Operating profit	363	328	10.5	138	68	103.4	108	27.4	309	117.6
EBITDA	475	428	10.9	181	94	92.0	148	22.6	412	115.3
Net interest	(27)	(30)	(7.9)	(8)	(8)	11.4	(10)	(13.2)	(30)	92.2
Other income (exp)	9	11	(16.2)	(4)	5	(185.8)	6	(172.9)	5	169.9
Pre-tax income	345	310	11.3	125	65	91.3	105	19.6	284	121.2
Income tax	(76)	(68)	11.9	(30)	(14)	111.3	(24)	25.2	(56)	135.2
Minorities	(35)	(29)	20.5	(19)	(6)	206.0	(16)	20.0	(22)	161.1
Net profit	233	212	9.9	76	45	69.0	65	17.5	206	113.1
(in %)										
Gross margin	25.3	24.2		25.1	23.8		23.4		25.2	
Operating margin	16.8	15.9		17.1	14.6		14.1		15.8	
EBITDA margin	21.9	20.7		22.5	20.2		19.3		21.1	
Net margin	10.8	10.2		9.4	9.6		8.4		10.6	

Source: Company, Danareksa

Exhibit 2. Sales breakdown

(in Rp bn)	FY12	FY11	%	4Q12	3Q12	%	4Q11	%	FY12F	%
By Product										
Filter	1,560	1,541	1.2	449	359	25.1	432	4	1,552	100.5
Radiator	385	399	(3.5)	114	91	25.3	101	13	379	101.5
Karoseri	296	263	12.4	267	29	820.4	263	1	149	199.0
Others	122	101	20.9	56	27	109.3	63	(10)	57	214.9
Elimination	(199)	(232)	(14.3)	(80)	(40)	103.1	(92)	(13)	(186)	107.0
By Geographical										
Domestic	825	755	9.2	407	144	183.3	405	0.5		
Export	1,339	1,317	1.7	398	322	23.6	362	10.1		
Asia	499	497	0.5	140	126	10.8	130	7.0		
America	390	395	(1.4)	124	88	41.1	92	34.4		
Australia	138	139	(0.6)	38	37	2.2	52	(26.5)		
Europe and Others	312	286	9.0	96	71	35.8	87	10.7		
By Product (%)										
Filter	66.0	66.9		50.7	71.0		50.3			
Radiator	16.3	17.3		12.8	18.0		11.8			
Karoseri	12.5	11.4		30.1	5.7		30.6			
Others	5.2	4.4		6.4	5.3		7.3			
By Geographical (%)										
Domestic	38.1	36.4		50.5	30.8		52.8			
Export	61.9	63.6		49.5	69.2		47.2			
Asia	23.1	24.0		17.3	27.1		17.0			
America	18.0	19.1		15.4	18.9		12.0			
Australia	6.4	6.7		4.7	8.0		6.8			
Europe & Others	14.4	13.8		12.0	15.2		11.4			

Source: Company, Danareksa

Exhibit 3. Margins improvement

Source: Company

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