

U/R

Target Price, Rp

U/R

SMSM IJ/SMSM.JK

Last Price, Rp 4,565

No. of shares (mn) 1,439

Market Cap, Rp bn 6,572

(US\$ mn) 541

3M T/O, US\$mn 0.2

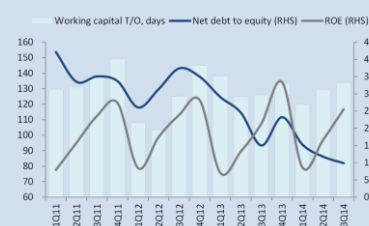
Last Recommendation

25-Jul-14	BUY	Rp4,350
09-May-14	BUY	Rp4,350
09-Jan-14	HOLD	Rp3,350

9M14 Results, A/F, % (ABOVE)

	9M14, Rp bn	A/F, %
Revenues	1,933	71.3
EBITDA	478	79.3
Net profit	274	83.9

Key chart: Gearing and ROE



Danareksa vs. Consensus

	Our	Cons	% Diff
Target Price, IDR	4,350	4,275	1.8
EPS 2014F, IDR	227	232	-2.2
PE 2014F, x	20.1	19.7	2.0

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

AUTOMOTIVE PARTS/9M14 RESULT

Selamat Sempurna

Beneficiary of rupiah depreciation

SMSM's net profits grew a brisk 42%y-y to Rp274bn in 9M14 driven by: 1) solid revenues growth of 16%y-y on the back of exports sales recovery, 2) a significant improvement in the gross margin (+4.1%) amidst further depreciation of the rupiah relative to the USD, and 3) the company's greater economies of scale. Thus, even though the revenues figures are in line with our expectation (71% of FY14F), the net profits are above (84% of FY14F). Given SMSM's better-than-expected profitability, a potential upgrade in earnings is on the cards.

Solid revenues growth continues

SMSM's revenues grew a brisk 16%y-y in 9M14 to Rp1.9tn driven by export sales recovery. During the period, total export sales jumped 34%y-y vs. the domestic decline of 10%y-y. The recovery in export sales took place across the board including Asia, the US and Europe. Meanwhile, the decline in domestic sales was mainly attributable to lower Karoseri sales from Hydraxle Perkasa given depressed commodity prices. On a quarterly basis, revenues were down 4% reflecting the normal low seasonality in the third quarter of the year. On a year-on-year comparison, however, revenues still rose 11%.

Strong exports recovery

SMSM's solid performance in 9M14 was mainly driven by strong export sales. Export sales accounted for 69% of SMSM's total sales in 9M14 (vs. 60% in 9M13); thus, SMSM continued to enjoy higher profitability amidst further rupiah depreciation. Product wise, the main export product (filters) recorded 30%y-y sales growth in 9M14. Going forward, we believe this trend can continue throughout the year, with filter sales giving a further boost to SMSM's export business.

Margins improvement amidst rupiah depreciation

SMSM's gross margin widened to 30.8% in 3Q14 thanks to the further depreciation of the rupiah. As a result, the gross margin in 9M14 was maintained at a relatively high level of 28.7%. The weak rupiah at the present time, combined with the larger export portion and soft steel prices, will create a blue sky scenario for SMSM. Moreover, the company's greater economies of scale also pushed the opex to sales ratio down to 7.8% in 9M14. Thus, SMSM's EBITDA margin improved to 20.8%, with the net margin widening to 14.2% in 9M14.

Lower gearing, potentially high dividends

As of September 2014, SMSM's balance sheet remained very strong with only 10% net gearing and a Rp96bn cash balance. The main financing comprising of Rp80bn of bonds will mature in 2015 and internal cash flow should be sufficient to repay them. Hence, SMSM may become a net cash company by the end of 2015. Nonetheless, with its reputation as a big dividend player, SMSM's dividend payout may increase going forward. At the current share price, we expect a dividend yield of around 3%, although this figure could be higher considering the company's idle cash and the fact there is no major capex planned in the immediate future.

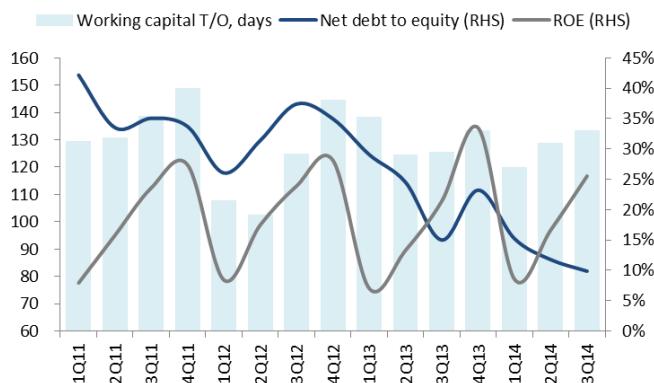
	2012	2013	2014F	2015F	2016F
Revenue, Rp bn	2,269	2,373	2,710	3,094	3,457
EBITDA, Rp bn	508	534	602	689	749
EBITDA Growth, %	18.7	5.1	12.7	14.4	8.8
Net Profit, Rp bn	252	321	327	393	439
Core Profit, Rp bn	252	282	327	393	439
Core EPS, Rp	175	196	227	273	305
Core EPS Growth, %	20.1	11.9	16.0	20.1	11.7
Net Gearing, %	35.0	23.2	11.4	1.8	Net cash
PER, x	26.1	20.5	20.1	16.7	15.0
Core PER, x	26.1	23.3	20.1	16.7	15.0
PBV, x	7.2	6.5	5.7	4.9	4.2
EV/EBITDA, x	13.5	12.7	11.1	9.5	8.6
Yield, %	2.3	2.5	3.0	3.6	4.0

Exhibit 1. SMSM's 9M14 Results

	9M13	9M14	y-y%	3Q13	2Q14	3Q14	q-q, %	y-y, %	2014F	A/F, %
(in Rp bn)										
Revenues	1,664	1,933	16.2	572	667	637	(4.5)	11.3	2,710	71.3
Gross profit	409	554	35.5	137	190	196	2.9	43.0	711	77.9
Operating profit	266	403	51.4	93	137	146	6.6	57.3	472	85.3
EBITDA	345	478	38.6	120	162	173	6.8	43.6	602	79.3
Net interest	(20)	(19)	(6.0)	(6)	(6)	(6)	0.2	(1.8)	(26)	71.7
Pre-tax income	274	396	44.2	111	133	143	7.3	28.6	447	88.6
Net profit	193	274	42.4	79	92	98	6.6	24.2	327	83.9
(in %)										
Gross Margin	24.6	28.7		23.9	28.5	30.8			26.3	
Opex to sales	8.6	7.8		7.8	8.1	7.9			8.8	
Operating Margin	16.0	20.8		16.2	20.5	22.9			17.4	
EBITDA Margin	20.7	24.7		21.0	24.2	27.1			22.2	
Net Margin	11.6	14.2		13.9	13.8	15.5			12.1	
(in Rp bn)										
By Product										
Filter	1,138	1,481	30.1	386	507	493	(2.8)	27.7		
Radiator	293	297	1.5	102	105	96	(9.4)	(6.6)		
Karoseri	150	108	(28.1)	55	38	32	(17.4)	(42.5)		
Distribution	242	240	(0.9)	81	85	79	(7.0)	(1.7)		
Others	198	242	22.1	63	84	74	(11.9)	17.0		
Elimination	(357)	(436)	21.9	(115)	(151)	(136)	(10.2)	18.6		
By Geographical										
Domestic	673	604	(10.3)	224	217	187	(13.8)	(16.5)		
Export	991	1,329	34.1	348	450	450	(0.1)	29.2		
Asia	374	501	33.9	133	175	176	0.8	32.1		
America	298	388	30.2	100	129	126	(2.7)	25.3		
Australia	99	135	36.3	34	46	46	0.3	37.4		
Europe and Others	220	305	38.9	81	100	101	1.7	25.9		

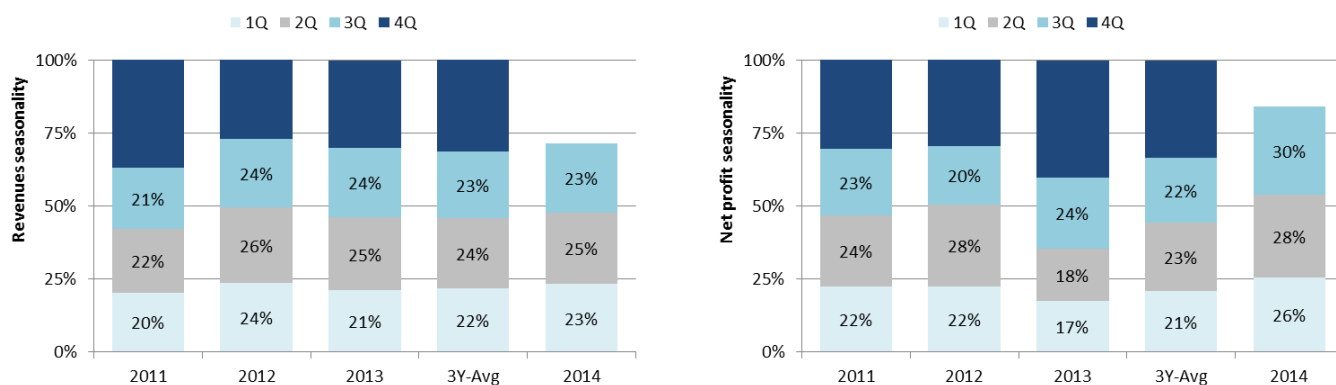
Source: Company, Danareksa Sekuritas

Exhibit 2. Moving towards being a net cash company



Source: Company

Exhibit 4. Better than the seasonality thanks to the improving margins



Source: Company, Danareksa Sekuritas

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