

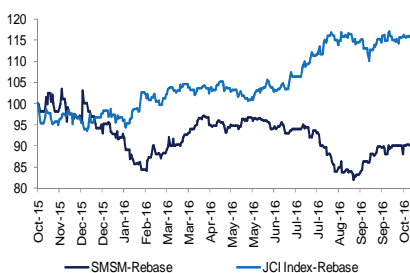
HOLD (Unchanged)

StockData

Target price (Rp)	Rp4,620
Prior TP (Rp)	5,380
Shareprice (Rp)	Rp4,500
Upside/downside (%)	+2.7
Sharesoutstanding (m)	1,440
Marketcap. (US\$ m)	499
Free float (%)	15.8
Avg. 6m dailyT/O (US\$ m)	0.0

Price Performance

	3M	6M	12M
Absolute (%)	0.0	-4.7	-8.7
Relative to JCI (%)	-3.5	-16.2	-27.8
52whigh/low (Rp)	4,500 - 4,100		



Major Shareholders

Adrindo Intiperkasa	58.1%
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Estimate Change; Vs. Consensus

	2016F	2017F
Latest EPS (Rp)	292	320
Vs. Prior EPS (%)	-16.5	-8.5
Vs. Consensus (%)	-1.6	-12.5

Source: Bloomberg

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Lack of growth

- Net profit growing marginally
- Filter sales dominate revenue
- Balance sheet remains healthy
- Hold reiterated, new TP Rp4,620

Marginal growth. Selamat Sempurna's net profit only grew 6.7% yoy to Rp328bn in 9M16, driven by margin improvement especially from trading activities. Total revenue was nearly flat at Rp2.0tn as decline in exports was offset by growth in domestic demand. Exports accounted for about 59.3% of total revenue, with the remaining from the domestic market. In 3Q16, total revenue fell -7.3% qoq, but net income was flat due to lower interest expense. Despite having a sound balance sheet, Selamat Sempurna continues to struggle to penetrate the export market. Domestic market opportunities remain relatively limited due to a competitive market.

Filter sales is the largest contributor. Filter sales account for about 60% of total revenue, flat compared to last year. The second largest contributor was radiators, 9.5% of total sales, with sales down 19.6% yoy. The acquisition of Bradke has improved the company's trading distribution network. The trading division grew 59.0% yoy compensating for weak sales in filtration and radiator products. The body maker division is also struggling as demand fell -23.1% yoy. Selamat Sempurna has no issue of production capacity since its utilization rate runs at around 50-60%. The global slowdown has had a significant impact on manufacturing and mining activities, reflecting slower demand for Selamat Sempurna's products.

Balance sheet is healthy. Despite facing revenue headwinds, Selamat Sempurna's balance sheet remains strong, with net gearing of 1% as of Sep16. The company has been able to lower its debt level from last year. Routine capex is budgeted around Rp100bn, mostly used for investment in stamping dices. The management has kept this discipline for the past three years. With an expected EBITDA of Rp705bn in FY16, Selamat Sempurna should have plenty of room to maintain its dividend policy of 40-45% payout ratio.

Hold Reiterated. We see Selamat Sempurna still facing headwinds in its main products sold to the export market. We think the global slowdown is the main cause. Domestic market opportunities also remain limited due to low growth. Nevertheless, Selamat Sempurna's balance sheet remains intact with sustainable ability to distribute dividend. We have lowered our DCF target price to Rp4,620 to reflect relatively weak financial performance.

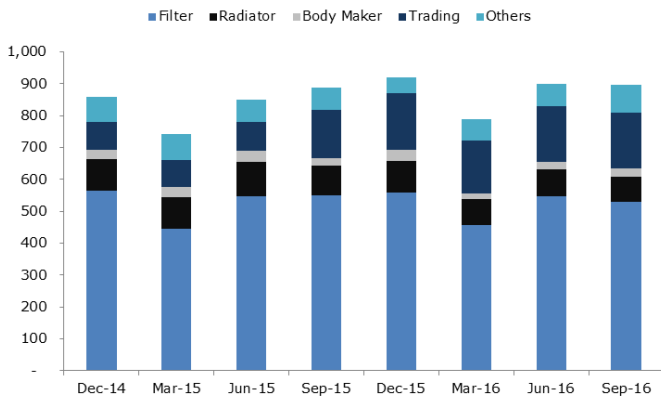
Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue(RpBn)	2,633	2,803	2,820	3,144	3,449
EBITDA(RpBn)	656	696	705	756	788
EBITDA Growth (%)	25.3	6.0	1.3	7.2	4.3
Net Profit(RpBn)	390	428	420	460	485
EPS (Rp)	271	297	292	320	337
EPS Growth (%)	26.7	9.6	(1.7)	9.5	5.4
Net Gearing (%)	16.0	13.2	(12.8)	(22.4)	(28.4)
PER (x)	18.0	16.4	16.7	15.3	14.5
PBV (x)	6.1	4.9	4.1	3.5	3.1
Dividend Yield (%)	2.8	2.7	2.7	2.9	3.1
EV/EBITDA (x)	10.4	9.8	10.3	9.9	9.7

Source : SMSM,IndoPremier

Share Price Closing as of : 26-October-2016

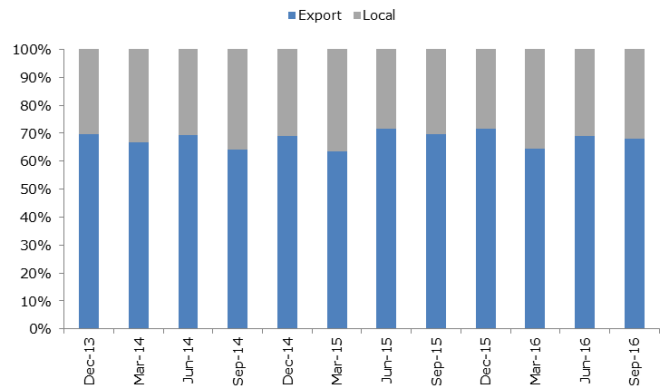
SMSM Results Note

Fig. 1: Quarterly revenue breakdown



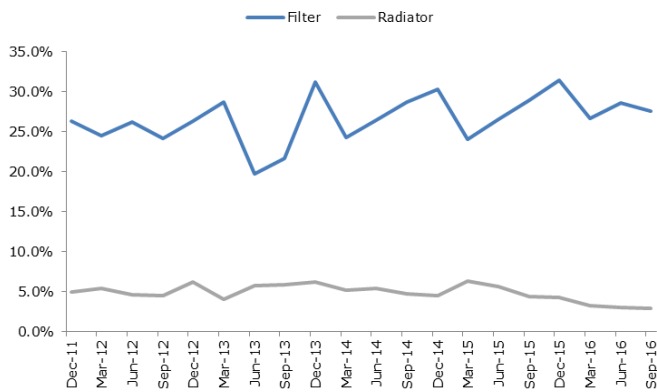
Source: EXCL

Fig. 2: Revenue breakdown



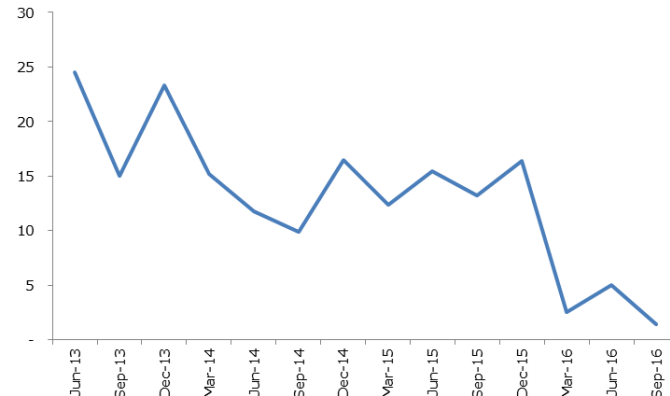
Source: EXCL

Fig. 3: Quarterly margin of Filter and radiator products



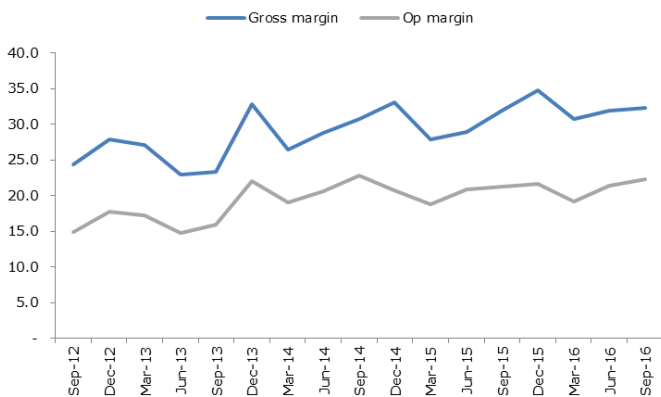
Source: EXCL

Fig. 4: Net gearing



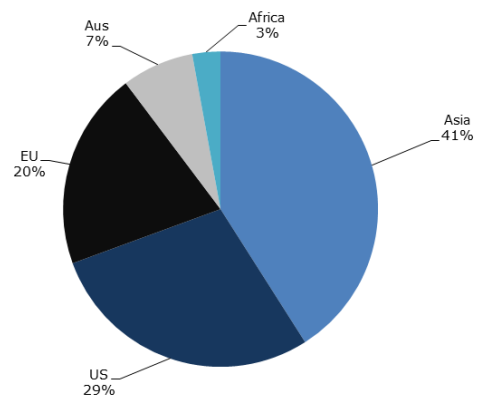
Source: EXCL

Fig. 5: Consolidated gross and operating margin



Source: EXCL

Fig. 6: Export break down by destination



Source: EXCL

SMSM Results Note

Fig 7: Result 9M16 financial highlights

Rpbn	9M16	9M15	+/- %	3Q16	2Q16	+/- %	FY16 F	% of forecast
Revenue	2,044	2,042	0.1	705	761	(7.3)	2,820	72.5%
Gross profit	647	605	6.9	228	264	(13.8)	890	72.7%
Op Profit	429	416	3.1	157	165	(4.9)	583	73.6%
Pre tax income	464	445	4.4	171	139	23.4	581	79.9%
Net income	328	308	6.7	120	120	0.1	420	78.1%
GPM	31.7	29.7		32.3	34.7		31.6	
OPM	21.0	20.4		22.2	21.7		20.7	
NPM	16.1	15.1		17.0	15.7		20.6	

Source: SMSM, IndoPremier

SMSM Results Note

Year To 31 Dec (RpBn)	2014A	2015A	2016F	2017F	2018F
Income Statement					
Net Revenue	2,633	2,803	2,820	3,144	3,449
Cost of Sales	(1,848)	(1,933)	(1,929)	(2,180)	(2,430)
Gross Profit	785	870	890	964	1,018
SG&A Expenses	(237)	(289)	(307)	(337)	(368)
Operating Profit	548	581	583	627	650
Net Interest	(24)	(21)	(2)	9	21
Forex Gain (Loss)	0	0	0	0	0
Others-Net	17	24	0	0	0
Pre-Tax Income	541	584	581	636	671
Income Tax	(120)	(122)	(128)	(140)	(148)
Minorities	(30)	(34)	(33)	(36)	(38)
Net Income	390	428	420	460	485
Balance Sheet					
Cash & Equivalent	76	123	320	547	732
Receivable	575	614	580	647	709
Inventory	432	561	423	478	533
Other Current Assets	51	71	55	61	67
Total Current Assets	1,134	1,369	1,377	1,733	2,041
Fixed Assets - Net	493	715	693	665	676
Goodwill	0	0	0	0	0
Non Current Assets	74	70	70	70	70
Total Assets	1,749	2,220	2,207	2,534	2,854
ST Loans	132	77	0	0	0
Payable	152	177	0	179	200
Other Payables	101	143	99	112	125
Current Portion of LT Loans	127	141	0	0	0
Total Current Liab.	513	538	258	291	325
Long Term Loans	0	95	101	101	78
Other LT Liab.	89	147	144	148	152
Total Liabilities	603	780	503	540	556
Equity	194	194	194	194	194
Retained Earnings	811	1,026	1,257	1,510	1,777
Minority Interest	142	220	254	290	328
Total SHE + Minority Int.	1,147	1,440	1,704	1,994	2,299
Total Liabilities & Equity	1,749	2,220	2,207	2,534	2,854

Source : SMSM,IndoPremier

SMSM Results Note

Year to 31 Dec	2014A	2015A	2016F	2017F	2018F
Cash Flow					
Net Income (Excl.Extraordinary&Min.Int)	420	461	453	496	523
Depr. & Amortization	102	96	122	128	138
Changes in Working Capital	(77)	(81)	92	(97)	(93)
Others	(6)	(12)	(7)	(38)	(52)
Cash Flow From Operating	441	464	661	489	517
Capital Expenditure	(107)	(314)	(100)	(100)	(150)
Others	6	7	11	22	33
Cash Flow From Investing	(101)	(307)	(89)	(78)	(117)
Loans	(68)	54	(212)	0	(23)
Equity	0	0	0	0	0
Dividends	(195)	(192)	(189)	(207)	(218)
Others	(56)	53	20	23	27
Cash Flow From Financing	(318)	(85)	(382)	(184)	(215)
Changes in Cash	22	72	190	228	185
Financial Ratios					
Gross Margin (%)	29.8	31.0	31.6	30.7	29.5
Operating Margin (%)	20.8	20.7	20.7	20.0	18.8
Pre-Tax Margin (%)	20.6	20.8	20.6	20.2	19.4
Net Margin (%)	14.8	15.3	14.9	14.6	14.1
ROA (%)	22.6	21.5	19.0	19.4	18.0
ROE (%)	36.2	33.1	26.7	24.9	22.6
ROIC (%)	32.5	29.9	28.0	28.7	26.9
Acct. Receivables TO (days)	78.5	76.4	76.3	71.1	71.7
Acct. Receivables - Other TO (days)	0.2	1.0	1.0	0.1	0.1
Inventory TO (days)	4.5	3.9	3.9	4.8	4.8
Payable TO (days)	31.2	31.1	31.7	28.3	28.5
Acct. Payables - Other TO (days)	0.6	5.1	5.1	0.7	0.7
Debt to Equity (%)	22.6	21.8	5.9	5.1	3.4
Interest Coverage Ratio (x)	0.1	0.0	0.0	0.0	0.0
Net Gearing (%)	16.0	13.2	(12.8)	(22.4)	(28.4)

Source : SMSM,IndoPremier

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INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period
HOLD : Expected total return between -10% and 10% within a 12-month period
SELL : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION.

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