



Yuniv Trezeno, CFA
 +62 (21) 2598 6888
yuniv.trezeno@id.oskgroup.com

BUY \hat{U}

Target

IDR2,250

Previous

IDR2,250

Price

IDR2,050

Automotive Parts

Selamat Sempurna produces automotive filters and radiators for the domestic market and exports to 105 countries.

Stock Statistics

Bloomberg Ticker	SMSM JJ
Share Capital (m)	1,440
Market Cap (IDRbn)	2,951
52 week H L Price (IDR)	2,225 1,160
3mth Avg Vol ('000)	1,277
YTD Returns	50.8
Beta (x)	0.9

Major Shareholders (%)

PT. Adrindo Intiperkasa	58.0
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Share Performance (%)

Month	Absolute	Relative
1m	2.5	0.0
3m	0.0	3.0
6m	17.8	15.9
12m	53.0	55.0

6-month Share Price Performance



1H12 Results Review

Selamat Sempurna

Margins Looking Better

Satisfactory bottom-line, flat top-line. Selamat Sempurna (SMSM)'s 1H12 net income of IDR112bn (+13% y-o-y, +33% q-o-q) was in line with expectations, and comprising 48% of our forecast. The top-line numbers, though, were a rather flat IDR893bn (+2% y-o-y and +10% q-o-q), making up only 44% of our forecast. On a q-o-q basis, revenue indicated a regular and seasonally stronger 2Q. We expect 3Q to be slightly weaker due to the Lebaran holiday, and 4Q to post the strongest results within the financial year. SMSM's exports to the American continent declined 15% y-o-y, mainly due to the demand for radiators. An uptrend in domestic sales, however, offset the effect and resulted in flat overall growth.

Better margins. On the bright side, the 18.2% operating margin was a 1.3% improvement from the previous quarter, bringing the first six months' margin to 17.6%, which is better than the FY12 estimate of 15.8%, even if we are to factor in higher expenditures expected in 4Q. The improvement in gross margins was partly due to the appreciation of the USD, lower raw material prices and higher operational efficiency.

Volumes slightly below. Volume-wise, filter sales fell slightly below our estimates, at 28.2m units, and comprising 45% of our FY12f numbers. Radiator sales only reached 376k units, or 41% of FY12f, although it has begun to pick up by 16% on a q-o-q basis.

Consolidating Hydaxle. SMSM recently purchased 2% of Hydaxle for IDR9.4bn, raising its stake in the company to 51%. This investment will require SMSM to consolidate Hydaxle in the future although this would not make a significant impact on its bottom-line. Hydaxle's performance in 1H12 was satisfactory, with net income jumping 22% q-o-q to IDR23bn, or 71% of our estimates for FY12.

Payout Day! SMSM just announced that it will distribute IDR72bn, or IDR50/share (64% payout ratio; 2.4% interim dividend yield), from its 1H12 net income as an interim dividend. The dividend will be paid on 21 Sept 2012. We reiterate our view that SMSM is an interesting dividend play with an estimated yield of 6.3% based on FY12 earnings.

Maintain BUY. We maintain forecast and our BUY recommendation as well as our TP of IDR2,250, which implies 14.0x-12.0x earnings for FY12-FY13. The counter is currently trading at 12.7x-10.9x FY12-FY13 earnings.

FYE (IDRbn)	FY10	FY11	FY12f	FY13f	FY14f
Revenue	1,562	1,808	2,050	2,319	2,609
Net profit	150	201	232	270	308
% chg y-o-y	13.2	33.5	15.5	16.2	14.2
EPS (IDR)	104	140	161	187	214
DPS (IDR)	95	100	129	150	171
Dividend yield (%)	4.6	4.9	6.3	7.3	8.3
ROAE (%)	29.6	35.7	35.6	36.8	38.8
ROAA (%)	15.0	18.2	18.7	19.5	21.0
PER (x)	19.6	14.7	12.7	10.9	9.6
BV/share (IDR)	361	421	484	534	569
P/BV (x)	5.7	4.9	4.2	3.8	3.6
EV/EBITDA (x)	10.5	8.3	7.5	6.6	6.0

Selamat Sempurna

Exhibit 1: 2Q12 results review

IDR (bn)	1Q12	2Q12	Chg q-o-q	1H11	1H12	Chg y-y	FY11f	% to FY	Comments
Sales	425	469	10%	875	893	2%	2,050	44%	Slightly below
GOGS	(316)	(344)	9%	(656)	(660)	1%	(1,548)		
Gross profit	109	124	14%	219	233	6%	502	46%	Slightly below
Selling expenses	(21)	(25)	15%	(40)	(46)	13%	(97)		
G&A expenses	(16)	(14)	-9%	(31)	(30)	-3%	(80)		
Operating expenses	(37)	(39)	5%	(71)	(76)	6%	(178)		
Operating profit	72	85	19%	148	157	6%	324	49%	In line
Interest income	0	0		1	1		2		
Forex gain (loss)	3	5		(7)	7		4		
Interest expense	(6)	(6)		(15)	(12)		(31)		
Others	(1)	(3)		11	(4)		-		
Other Expenses - Net	(4)	(3)	-22%	(10)	(8)	-22%	(25)		
Pre tax profit	67	87	29%	138	154	12%	311	50%	In line
Tax	(15)	(18)	20%	(30)	(32)	9%	(62)		
Earning before minority	53	69		108	122		248		
Minority interest	(5)	(5)	11%	(9)	(10)	9%	(16)		
Net profit	48	64	33%	99	112	13%	232	48%	In line
Gross profit margin	25.7%	26.5%		25.0%	26.1%		24.5%		
Operating profit margin	16.9%	18.2%		16.9%	17.6%		15.8%		
Net profit margin	11.4%	13.7%		11.3%	12.6%		11.3%		
Filter sales volume	13,627,096	14,583,745	7%	28,847,425	28,210,841	-2%	62,408,361	45%	Slightly below
Radiator sales volume	174,404	201,496	16%	470,863	375,900	-20%	925,227	41%	Below
Domestic	130	144	10%	225	274	22%			
Export - Asia	106	128	21%	244	234	-4%			
Export - America	89	89	0%	209	178	-15%			
Export - Australia	33	30	-11%	59	63	6%			
Export - Europe and others	67	78	18%	138	145	5%			
Total Export	294	325	10%	651	619	-5%			

Source: Company, OSK Research

OSK Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

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PT OSK NUSADANA SECURITIES INDONESIA

Kuala Lumpur	Hong Kong	Singapore
Malaysia Research Office OSK Research Sdn. Bhd. 6 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : +(60) 3 9207 7688 Fax : +(60) 3 2175 3202	Hong Kong Office OSK Securities Hong Kong Ltd. 12 th Floor, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908	Singapore Office DMG & Partners Research Ptd Ltd 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211
Jakarta	Shanghai	Phnom Penh
PT OSK Nusantara Securities Indonesia Plaza CIMB Niaga, 14th Floor, Jl. Jend. Sudirman Kav.25, Jakarta Selatan 12920, Indonesia. Tel : (6221) 2598 6888 Fax : (6221) 2598 6777	Shanghai Office OSK (China) Investment Advisory Co. Ltd. Room 6506, Plaza 66 No.1266, West Nan Jing Road 200040 Shanghai China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633	OSK Indochina Securities Limited No. 263, Ang Duong Street (St. 110), Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Cambodia. Tel: (855) 2399 2833 Fax: (855) 2399 1822
Bangkok		
OSK Securities (Thailand) PCL 191, Silom Complex Building 16th Floor, Silom Road, Silom, Bangrak, Bangkok 10500 Thailand Tel: +(66) 2200 2000 Fax : +(66) 2632 0191		