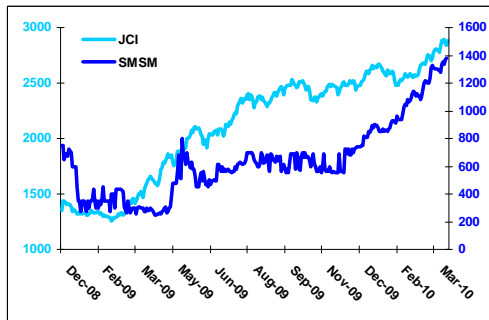


Selamat Sempurna, Tbk

Primary Report

Target Price

Low	High
1,620	1,780

Automotive Components Industry
Historical Chart


Source : Bloomberg

Stock Information

	Rp
Ticker code	SMSM
Market price as of April 27 th 2010	1,350
Market price – 52 week high	1,380
Market price – 52 week low	250
Market cap – 52 week high (bn)	1,986.7
Market cap – 52 week low (bn)	359.9

Shareholders

	(%)
PT Adrindo Intiperkasa	58.13
Others (each below 5%)	41.87

Long Experience

Selamat Sempurna, Tbk (“SMSM”) was established in 1976, SMSM and subsidiary have been growing as the best automotive component manufacturer in Indonesia. Its worldwide market covers more than 90 countries of export destination. Currently SMSM is covering 3% market share globally. SMSM’s core business consists of manufacturing radiators under the ADR brand name and filter primarily under the SAKURA brand name. Above the main products, SMSM also produces other high quality products such as brake and fuel pipe, fuel tanks, and muffler.

Growing Despite Unfavorable Condition

SMSM records moderate growth with Rp 1.37 tn sales in 2009, or growing 1.6% YoY from 2008 figure of Rp 1.35 tn. National and US car sales in 2009 dropped around 20% YoY. It should have impact to SMSM’s sales considering US is one of the biggest export markets. Gabungan Industri Alat-alat Mobil dan Motor “GIAMM” (Indonesian Automotive Component Association) also records that in 2009 local sales for automotive component decreased about 29.7% YoY and export dropped 35.2% YoY. Looking those bleak automotive industry back in 2009, moderate growth convinced us that SMSM still can grow in unfavorable condition.

Stable Margins

SMSM’s gross margin in 2009 is flimsy below 2008 achievement, but it booked better net margin after all. Gross margin in 2009 recorded for 23.0%, which was below 2008 margin of 24.3%, but we consider it was still in the normal range of SMSM’s last 5 years gross margin of 22.5% to 24.3%. It is even better if we consider higher net margin as a result of lower interest expense and some other revenues in 2009. SMSM booked 9.7% net margin in the period, comfyt above 5 years range of 6.8%-7.6%.

Business Prospects

Better automotive industry in 2010 is indicated by US’s car sales in 1Q10 that booked 16.8% YoY growth from 1.1 mn units in 1Q09 to 1.3 mn units in 1Q10. The Indonesia’s car sales recorded even better growth in 1Q10 with 73.5% YoY, from 100.257 units in 1Q09 to 173.989 units in 1Q10. With very positive sign in 1Q10, we believe SMSM could book 19.9% YoY sales growth in 2010 with Rp 1.65 tn sales, and 18.7% CAGR until 2014.

	2007	2008	2009	2010P	2011P
Revenue (Rp bn)	1,064.1	1,353.6	1,374.7	1,648.1	1,977.6
Pre-tax Profit (Rp bn)	130.6	143.6	185.9	241.0	292.1
Net Profit (Rp bn)	80.3	91.5	132.9	157.0	190.3
EPS (Rp)	56.0	64.0	92.3	109.1	132.2
EPS Growth (%)	21.7	14.3	44.2	18.2	21.2
P/E (x)	13.4	11.7	8.1	6.9	5.7
PBV (x)	2.2	2.0	2.2	1.9	1.7

Source: PT Selamat Sempurna Tbk., Pefindo Estimates

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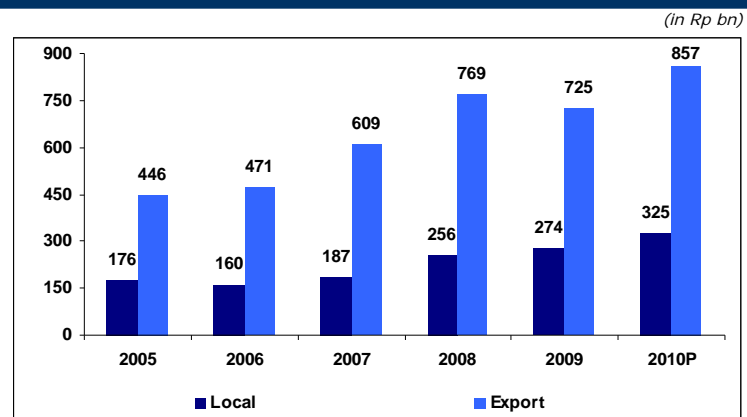
BUSINESS INFORMATION

Experienced Since 1976

SMSM was established in 1976, and today, SMSM and its subsidiaries have been growing as the best automotive component manufacturer in Indonesia, with high quality and diversified products, particularly filter and radiator products and with worldwide market covering more than 90 countries of export destination. SMSM's core business consists of manufacturing radiators under the ADR brand name and filter primarily under the SAKURA brand name. Above the main products, SMSM also produces other high quality products such as brake and fuel pipe, fuel tank, and muffler.

Filter

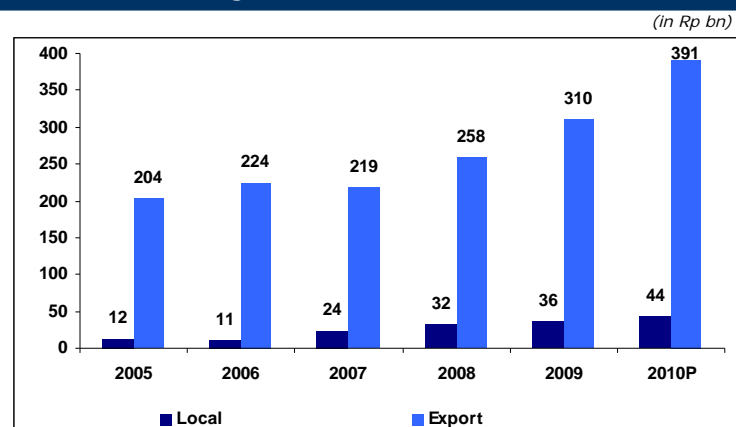
Filter is one of SMSM and Subsidiaries's main products which divided in 2 (two) types of filter, air and liquid filter - such as oil filter and hydraulic filter, and fuel filter. SMSM's production covers all segments such as Original Equipment Manufacturing (OEM), Original Equipment Spare parts (OES), After Market house brand (SAKURA) and private branding. Meanwhile, PJM, SMSM's Subsidiary, mainly focuses on the heavy equipment and industrial segments such as bus, truck, tractor, train, gas turbine and others. In filter manufacturing, SMSM and Subsidiary have technical assistance from Tennex Corporation, Japan and Donaldson Company Inc., USA.

Figure 1 : Filter Sales

Source: PT Selamat Sempurna Tbk

Radiator

Besides filter, Radiator is also one of SMSM main products. In radiator production, SMSM has technical assistance from Tokyo Radiator Mfg.Co.Ltd., Japan. Based on the technical assistance agreement, SMSM must pay Tokyo Radiator royalty fee at the rate of 5% of net sales of the licensed products. In local market most of radiator products are used as Original Equipment Manufacturing (OEM) parts, meanwhile for export market are to supply AM (aftermarket) customers.

Figure 2 : Radiator Sales

Source: PT Selamat Sempurna Tbk

Product Certification

In the quality aspect, SMSM and its subsidiaries had received the ISO 9002:1994 certificates. In the Automotive Industry in particular, SMSM and its subsidiaries also received an ISO/TS 16949:2002 certificates, marked it as the first company in Indonesia to get this certification. That shows SMSM's commitment to continuously improve its quality management system in order to increase the customers' trust and to ensure the customers' satisfaction.

Supported by International Technical Assistance

SMSM has integrated production facilities, starting from initial design of products, design of equipment and mould, laboratory control for products' quality to the finishing of products. SMSM is also supported by technical assistance from the foremost automotive component manufacturer, such as Tokyo Radiators Mfg.Co.Ltd, Tennex Corp., and Donaldson Company inc., in order to be able to meet the products specification required by customers. SMSM's marketing strategies are consistent with the overall corporate motto as to give the customer a better choice in consistently high quality products at competitive prices.

Figure 3 : Some of SMSM Products



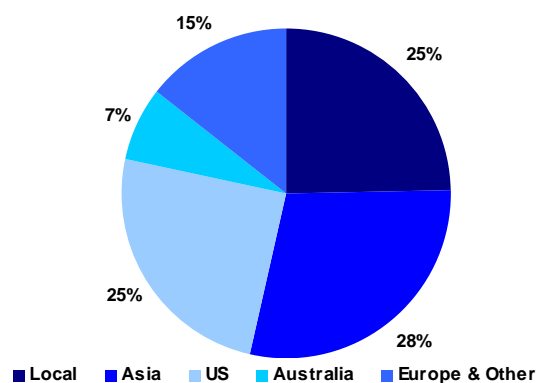
Source: PT Selamat Sempurna Tbk

Ready for Free Trade Implementation

In the future, SMSM will face several challenges with the implementation of more globalize Free Trade Area. In the competition aspect, this condition will create an ever increasing competition. But the market growth potential is still very promising in the long term. Reflecting on this, we believe that the future of automotive components industry is promising.

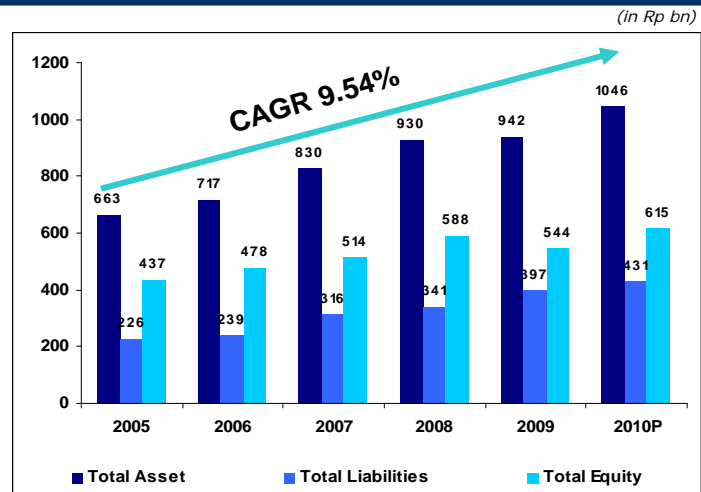
To accommodate that condition, SMSM has already had well-planned strategies, such as developing distribution network and various promotions through international or local exhibitions, improving after sales service, technology and production capacity, the product quality and delivery time, which in turn will improve customers' satisfaction.

Figure 4 : Sales by Region



Source: PT Selamat Sempurna Tbk., Pefindo

Figure 5 : Assets, Liabilities, and Equity



Source: PT Selamat Sempurna Tbk., Pefindo

Subsidiaries and Associated Companies

In running its business, SMSM is supported by two companies as follows:

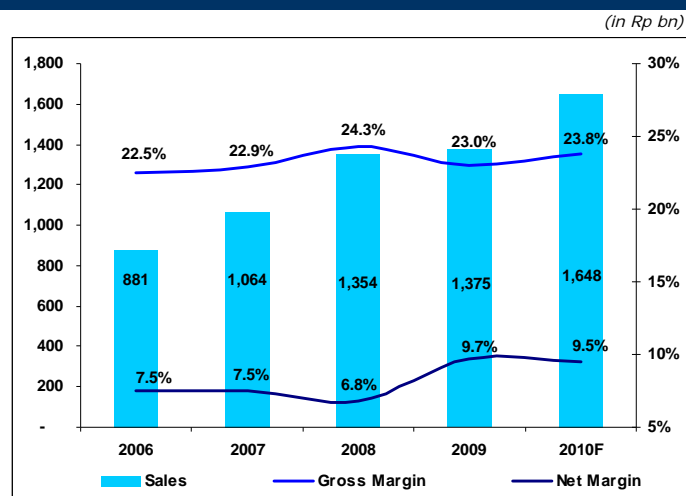
1. **PT Panata Jaya Mandiri (PJM)**, a subsidiary (70% ownership). PJM scope of activities mainly comprises of manufacturing of filter products, such as air cleaner, replacement filter and acoustic/muffler for heavy duty engines.
2. **PT International Steel Indonesia (ISI)**, an associated company, engaged in steel processing industry and commenced its commercial operation in October 2006.

FINANCE

Moderate Growth in 2009

In 2009 SMSM recorded moderate growth with Rp 1.37 tn sales, or growing 1.6% YoY from its previous year figure of Rp 1.35 tn. The moderate growth is quite impressing if we look into national and US car sales in 2009, which dropped around 20% YoY, considering US is one of the biggest export markets for SMSM. Gabungan Industri Alat-alat Mobil dan Motor "GIAMM" (Indonesian Automotive Component Association) also records that in 2009 automotive component local sales decreased about 29.7% YoY and export dropped 35.2% YoY. Looking those bleak automotive industries back in 2009, SMSM's last moderate growth convinced us that SMSM can still grow in an unfavorable condition.

Figure 6: Sales, Gross Margin and Net Margin



Source: PT Selamat Sempurna Tbk., Pefindo

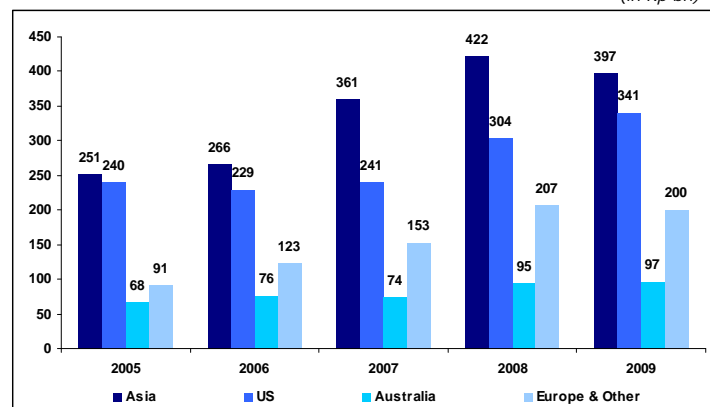
Relatively Stable Margins

SMSM's gross margin and operating margin in 2009 are flimsy below 2008 achievement, but it booked better net margin overall. Gross margin in 2009 recorded for 23.0%, which was below 2008 margin of 24.3%, but we consider it was in the normal range of SMSM's last 5 years gross margin of 22.5% to 24.3%. The same condition also happened in SMSM's operating margin, so we mark that SMSM has managed their margin well. It is even better if we consider higher net margin as a result of lower interest expense and some other revenues in the period. SMSM booked 9.7% net margin in 2009, comfy above 5 years range of 6.8%-7.6%.

Opportunities in Export Market

More than 75% of SMSM's sales are intended for export market. They reached the highest level in 2006 figure with export value of 78.8% from total sales. Supported by technical assistance from the foremost automotive component manufacturer, SMSM currently has 3% market share of global automotive component market. Since 2006, SMSM's export sales have been continuously growing; resulting in 12.3% CAGR within 2006-2009. As GIAMM's data showed, despite 35.2% decrease in Indonesian automotive component export, SMSM can still maintain their export by 0.7% growth in 2009. We believe that SMSM's product quality will lead it to a better performance in line with better expectation in automotive industry ahead; we estimate in 2010 SMSM will book Rp 1.26 tn export sales, or growing 22.1% YoY.

Figure 7: Export Sales

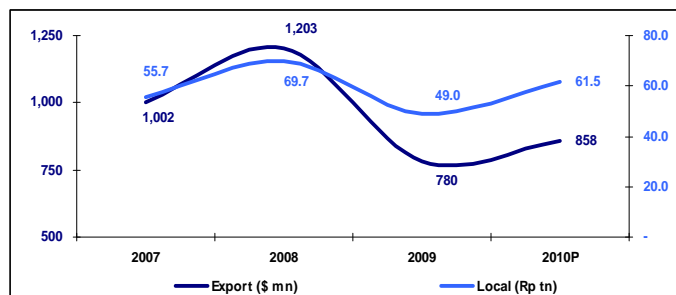


Source: PT Selamat Sempurna Tbk., Pefindo

Unfavorable Condition in 2009

Automotive industry suffered unfavorable condition in 2009; US car sales dropped 20.2% YoY from 6.8 mn units in 2008 to 5.4 mn units in 2009. Indonesia only booked 486.074 units car sales in 2009, flapping 20% YoY from 2008 figures of 607.865 units. In automotive component sales, GIAMM (Indonesian Automotive Component Association) records that local sales for automotive component in 2009 decreased about 29.7% YoY, from Rp 69.7 tn in 2008 to Rp 49.0 tn in 2009. Export sales for automotive component in 2009 record worse figure; it dropped 35.2% YoY.

Figure 8: Automotive Component Sales

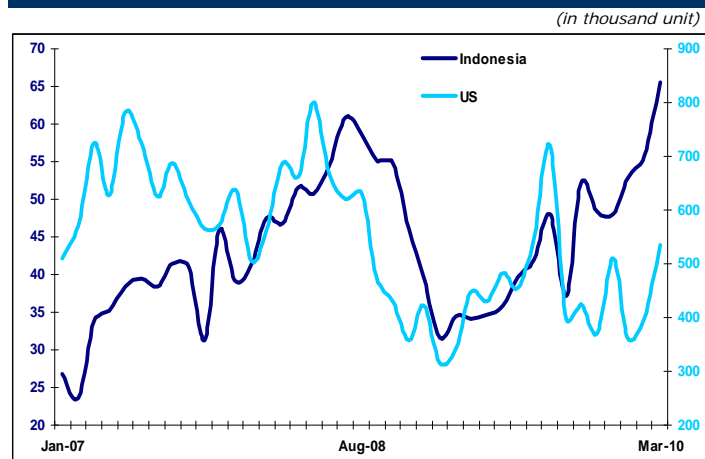


Source: GIAMM, Pefindo

Business Prospects

Despite cloudy automotive component industry in 2009, we believe in 2010 ahead the industry will be getting better. It is indicated by US' car sales in 1Q10 that booked 16.8% YoY growth from 1.1 mn units in 1Q09 to 1.3 mn units in 1Q10. Indonesia's car sales record even better growth in 1Q10 with 73.5% YoY, from 100.257 units in 1Q09 to 173.989 units in 1Q10. With very positive sign in 1Q10, we believe SMSM will book 19.9% YoY sales growth in 2010 with Rp 1.65 tn sales, and 18.7% CAGR until 2014.

Figure 9: Monthly Car Sales



Source: Bloomberg, Pefindo

SWOT ANALYSIS

Table 1: SWOT Analysis

Strength	Weakness
<ul style="list-style-type: none"> • Experience in automotive component industry since 1976. • Wide distribution network. • Being market leader and benchmark in filter and radiator market. • Technical support from competent party. • Adequate idle production capacity to accommodate sales growth. • Wide product diversification. 	<ul style="list-style-type: none"> • High import content in raw material. • Dependence on third party's technical assistance.
Opportunity	Threat
<ul style="list-style-type: none"> • Increasing after sales market due to increasing demand from vehicles owners. • Higher profit margin due to lower steel price. • The incoming free trade policy which potentially increase the Company's export market. 	<ul style="list-style-type: none"> • Imitation products in domestic and international market diminish customer trust • China's products offer lower price even in different quality. • Instability of Import tariff policy. • Increasing of raw material, electricity and fuel price create price disadvantage.

TARGET PRICE

VALUATION

- Methodology

We apply *Discounted Cash Flow* (DCF) method as the main valuation approach considering the income growth is a value driver in SMSM instead of asset growth.

Furthermore, we also apply *Guideline Company Method* (GCM) as comparison method.

This valuation is based on 100% shares price as of Desember 31st, 2009.

- Value Estimation

Target price for 12 months based on valuation as per Desember 31st, 2009 is as follows:

- ❖ Using DCF method with discount rate assumption 9.6%, is Rp 1,877 - Rp 2,087 per share.
- ❖ Using GCM method (PBV 2.95X and P/E 11.49X) is Rp 1,020 - Rp 1,060 per share.

In order to obtain a value which represents both value indications, we have weighted both DCF and GCM methods by 70%:30%.

Based on the above calculation, target price of SMSM for 12 month is **Rp 1,620 - Rp 1,780** per share.

Table 2: DCF Method

	Conservative	Moderate	Aggressive
PV of Free Cash Flows – Rp bn	545	574	603
PV Terminal Value – Rp bn	2,333	2,456	2,579
Net Debt – Rp bn	(176)	(176)	(176)
Total Equity Value – Rp bn	2,702	2,853	3,005
Number of Share, mn shares	1.44	1.44	1.44
Fair Value per Share, Rp	1,877	1,982	2,087

Source: Pefindo Estimates

Table 3: Assumption

Risk free rate (%)	9.5
Risk premium (%)	5.0
Beta (x)	0.15
Cost of Equity (%)	10.2
Marginal tax rate (%)	28.0
WACC (%)	9.6

Source: Bloomberg, Pefindo Estimates

Table 4: GCM Comparison

	SMSM	AUTO	AVG
P/E	14.04	8.94	11.49
PBV	3.76	2.14	2.95
EV/EBITDA	7.79	11.92	7.49

Source: Bloomberg

(Rp bn)

Income Statement	2007	2008	2009	2010P	2011P
Sales	1,064	1,354	1,375	1,648	1,978
COGS	(820)	(1,025)	(1,058)	(1,256)	(1,510)
Gross Profit	244	329	316	392	467
Operating Expense	(94)	(116)	(126)	(148)	(173)
Operating Profit	150	213	190	244	295
Other Income (Charges)	(19)	(69)	(4)	(3)	(3)
Pre-tax Profit	131	144	186	241	292
Tax	(42)	(42)	(43)	(67)	(82)
Minority Interest	(8)	(10)	(10)	(16)	(20)
Net Profit	80	91	133	157	190

Source: PT Selamat Sempurna Tbk., Pefindo Estimates

Ratio	2007	2008	2009	2010P	2011P
Growth (%)					
Sales	20.76	27.21	1.56	19.89	19.99
Operating Profit	29.98	41.98	(10.88)	28.62	20.71
EBITDA	68.58	38.04	(0.63)	24.48	16.06
Net Profit	21.38	13.88	45.24	18.19	21.22
Profitability (%)					
Gross Margin	22.91	24.29	23.01	23.80	23.63
Operating Margin	14.10	15.73	13.81	14.81	14.90
EBITDA Margin	18.48	20.05	19.62	20.37	19.70
Net Margin	7.55	6.76	9.66	9.53	9.62
ROA	9.68	9.84	14.11	15.01	16.30
ROE	16.7	16.7	26.7	27.6	29.1
Solvability (X)					
Debt to Equity	0.65	0.62	0.80	0.76	0.71
Interest Bearing Debt to Equity	0.42	0.38	0.35	0.37	0.38
Debt to Asset	0.38	0.37	0.42	0.41	0.40
Liquidity (X)					
Current Ratio	1.71	1.82	1.59	1.76	1.91
Quick Ratio	0.78	0.84	0.79	0.90	1.00

Source: PT Selamat Sempurna Tbk., Pefindo Estimates

(Rp bn)

Balance Sheet	2007	2008	2009	2010P	2011P
Assets					
Current Assets					
Cash and cash equivalents	9	14	9	21	29
Receivables	208	244	279	334	401
Inventory	245	286	255	302	364
Other Assets	13	11	32	32	32
Total Current Assets	475	555	575	690	827
Fixed Assets	319	358	341	330	316
Other Assets	37	16	25	25	25
Total Assets	830	930	942	1,046	1,168
Liabilities					
Trade payables	53	51	128	128	128
Short-term payables	180	190	164	194	234
Other Short-term payables	45	64	70	70	70
Long-term payables	23	18	13	16	13
Other Long-term payables	15	18	22	22	22
Total Liabilities	316	341	397	431	467
Minority Interest	32	42	46	46	46
Total Equity	482	546	498	568	654

Source: PT Selamat Sempurna Tbk., Pefindo Estimates

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