

Selamat Sempurna, Tbk

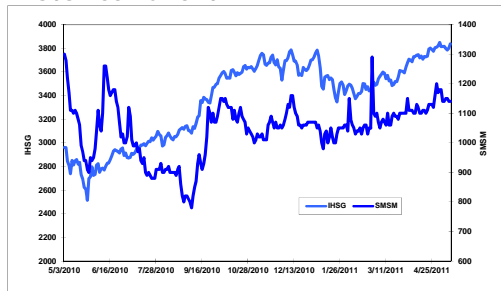
Primary Report

Target Price

Low	High
1,340	1,540

Automotive Component

Historical Chart

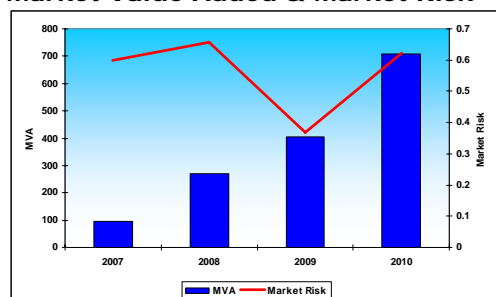


Source : Bloomberg

Stock Information

	Rp
Ticker code	SMSM
Market price as of May 12 th , 2011	1,150
Market price – 52 week high	1,300
Market price – 52 week low	780
Market cap – 52 week high (bn)	1,872
Market cap – 52 week low (bn)	1,123

Market Value Added & Market Risk



Shareholders

	(%)
PT Adrindo Intiperkasa	58.13
Public	41.87

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SMSM as a World-Class Automotive Components Producer

PT Selamat Sempurna, Tbk (“SMSM”) was first established in 1976, and mainly produces filters and radiators under the brand name of Sakura for filters and ADR for Radiators. SMSM also produces other automotive products, such as brake and fuel pipes, fuel tanks, and mufflers. SMSM now has a total production capacity of 72 million units for filter products, and around 1.95 million units of radiators per year, and with their world-class products SMSM has sold their products to more than 100 countries. In 2010, the total SMSM’s revenue from export activities reached 72.9% and continues to rise in 1Q11 to reach 74% of total SMSM’s sales. SMSM now owns around 70% of PT Panata Jaya Mandiri (“PJM”) shares, its subsidiary which produces filters for heavy equipment.

Strong Market Position in Domestic Market and Strong Revenue Growth in Export Sales

The worldwide car industry shows a recovery sign in 2010, as shown by an increased of 17% of car sales volume in America, a country that become the central of recession in 2008 – 2009 periods. Meanwhile in Indonesia, the total of car sales volume in 2010 reached 731,415 units, breaking the record of car sales volume in Indonesia. With this significant growth, SMSM’s revenue from the sales of filter and radiator in domestic market has up by 80% YoY and 44.3% YoY, respectively. While for exporting activities SMSM’s revenue has up by 13.67% YoY for filter production, and 1.23% YoY for radiators. In 2011, we expect the domestic and overseas car sales volume will reach 780,000 units and 75 million units, respectively. With such condition, we expect SMSM’s revenue will up by 15.12% YoY in 2011.

Better Gross and Operating Profit Margins Compared to Others

Compared to competitor that operates in the same industry, SMSM showed a better gross and operating profit margin. Smart raw material management, combined with cost efficiency which then creates better margins, and strong export sales are key success factor for SMSM to compete with its domestic peers.

Continue Expanding Its Production Capacity

As domestic and worldwide car production continue to show a positive growth, SMSM’s plans to expand its production capacity, by way of replacing or rejuvenating its machines, particularly its filter production machines. With this expansion the production capacity will improve from 72 million units to 96 million units in 2012, and we expected that it will increase SMSM’s revenue by 17% YoY in 2012.

Business Prospects

Considering a 6% YoY expected growth of worldwide car production and also 6% YoY of expected growth in domestic car sales, the prospect of an automotive parts industry, in which SMSM is one of the producers, still looks promising. Augmented with plans of increasing production capacity, we believe that SMSM’s revenue will be up by 15.12% YoY in 2011 and 13.8% CAGR during 2010 – 2015 periods.

	2008	2009	2010	2011P	2012P
Revenue (Rp bn)	1,353.6	1,374.7	1,561.8	1,797.9	2,110.1
Pre-tax Profit (Rp bn)	143.6	185.9	204.8	288.0	336.2
Net Profit (Rp bn)	91.5	132.9	150.4	202.0	235.7
EPS (Rp)	64.0	92.3	104.5	140.3	163.8
EPS Growth (%)	14.3	44.2	13.2	34.3	16.7
P/E (x)	10.2	8.1	10.2	8.2*	7.0*
PBV (x)	1.7	2.2	3.0	2.8*	2.3*

Source: PT Selamat Sempurna Tbk., Pefindo Equity & Index Valuation Division Estimates
* Based on SMSM’s Share Price as of March 31st, 2011 – Rp 1,150 / share

BUSINESS INFORMATION

Business Profile

PT Selamat Sempurna, Tbk ("SMSM") was established since 1976, which then acquired PT Andhi Chandra Automotive Products ("ACAP") in 1994. ACAP went public in 2000, and then consolidate with SMSM in 2006, as a part of creating efficiency and effectiveness. The core business of SMSM is manufacturing automotive components, mainly radiators under the brand name of ADR and filters primarily under the brand name of Sakura. Other than the main products, SMSM also produces other automotive products, such as brake and fuel pipes, fuel tanks, and mufflers. With its high quality and world class products, SMSM has sold their products to over than 100 countries, with Asia and Amerika as their main market, with around 54% and 25% of contribution for SMSM's revenue in 2010. SMSM now has a total production capacity of 72 million units for filter products, and around 1.95 million units of radiators products per year.

Figure 1 : Some of SMSM's Products



Source: PT Selamat Sempurna Tbk., Pefindo Equity & Index Valuation Division

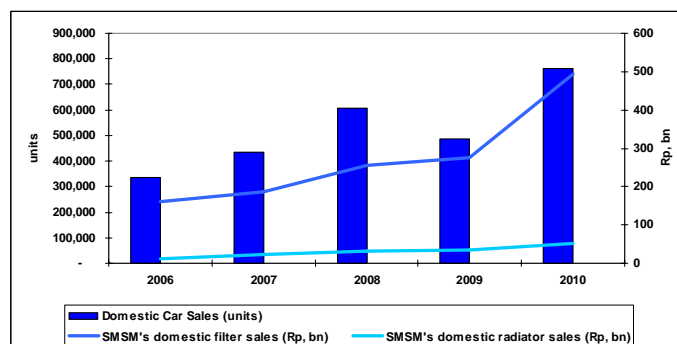
SMSM is a member of ADR group, an automotive components manufacturer, and currently the majority of SMSM's shares are owned by PT Adrindo Intiperkasa, with total ownerships of 58.13%. SMSM owns around 70% of PT Panata Jaya Mandiri ("PJM") shares, its subsidiary which produces filters for heavy equipment vehicles.

2010 : Fantastic Year of Domestic Car Sales has Dragged SMSM's Revenue Up

In the domestic car industry, the year of 2010, will be remembered as one of the fantastic year, in which total volume of car sales in Indonesia reached 731,415 units, breaking the record of car sales volume in Indonesia. It's also beyond the targeted car sales volume of 720 thousand units. Compared to the 2009 period, the volume of car sales has up by 57% YoY, since the total of car sales in 2009 only reached 486.2 thousand units. With this significant growth of car sales, SMSM's revenue, particularly the revenue from filter and radiator that sold in domestic market, also experienced a significant growth. The 2010 total revenue from sales of filter in domestic market reached Rp 494.35 billion or ups by 80% YoY, and the revenue from the sales of radiator in domestic market reached Rp 51.6 billion or ups by 44.3% YoY.

Many factors causing the growth of domestic car sales in 2010, such as the growth of Indonesian economy which reached 6.1% YoY, manageable inflation, relative stable of banks interest rate, and also increasing numbers of middle to high class people.

Figure 2 : Domestic Car Sales, SMSM's Filter & Radiator Sales



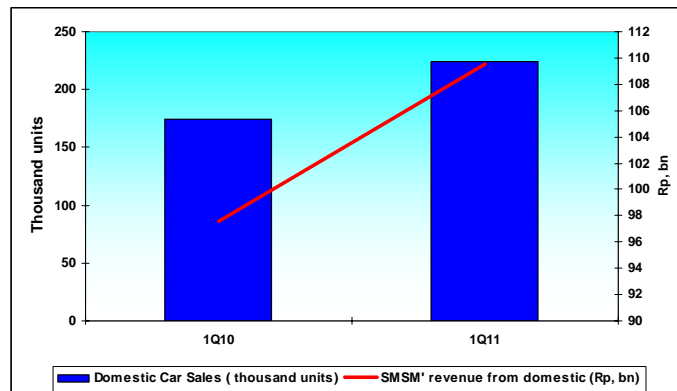
Source : GAIKINDO, PT Selamat Sempurna Tbk, Pefindo Equity & Index Valuation Division

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Domestic Car Sales Outlook in 2011 : Challenges Ahead

During January – March 2011, domestic car sales volume reached 224.4 thousand units, improved by 29.2% YoY compared to the same period in 2010 which only reached 174.1 thousand units. Stable supply of cars to dealers and stable sales price of cars supported this growth of sales. However, we predict the domestic car industry will be facing challenges in 2011. Progressive tax that has been implemented in several provinces has caused a short time drop of car sales, such as happened in East Java. Increasing cost of changing car's ownerships name and restrictions on subsidized gasoline also become challenges that might hamper the growth of domestic car sales industry. However, since those policy is not fully employed throughout Indonesia, the car sales industry still experience growth during 1Q11, which at the end also impacting on the sales of filters and radiators produced by SMSM to domestic markets that reached Rp 109.5 billion, improved by 12.1% YoY compared to the 1Q10 period which only reached Rp 97.6 billion.

Figure 3 : Domestic Car Sales and SMSM's Revenue from Domestic Market in 1Q11



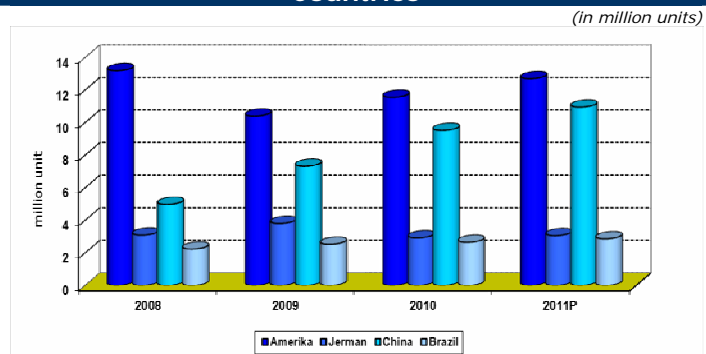
Source : GAIKINDO, PT Selamat Sempurna Tbk, Pefindo Equity & Index Valuation Division

Worldwide Car Production and Sales Continue to Grow

Worldwide car production in 2011 is expected to reach 75 million units, outperformed the production in 2010 which only reached 71 million units. Increasing demand from the new powerful economy countries, particularly China, pushed many car producers to increase their production to meet demand. The car sales volume in China has increased by 16.2% YoY in January 2011, to reach 1.53 million units. The sign of recovery also emerged in the America's car industry, as its sales has increased by 17% YoY to reached 1.26 million cars in January 2011, above average of monthly car sales volume in 2010 which only reached 1.23 million units.

This positive growth also impacting on SMSM's revenue from their exported products, as it rise to Rp 312.2 billion during 1Q11 higher by 13.8% YoY compared to the 1Q10 period which only reached Rp 274.4 billion.

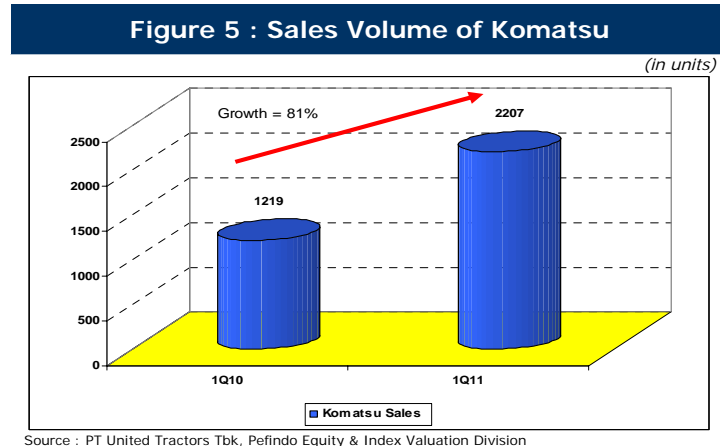
Figure 4 : Number of Car Sales in Several Countries



Source : Global Auto Report, Pefindo Equity & Index Valuation Division

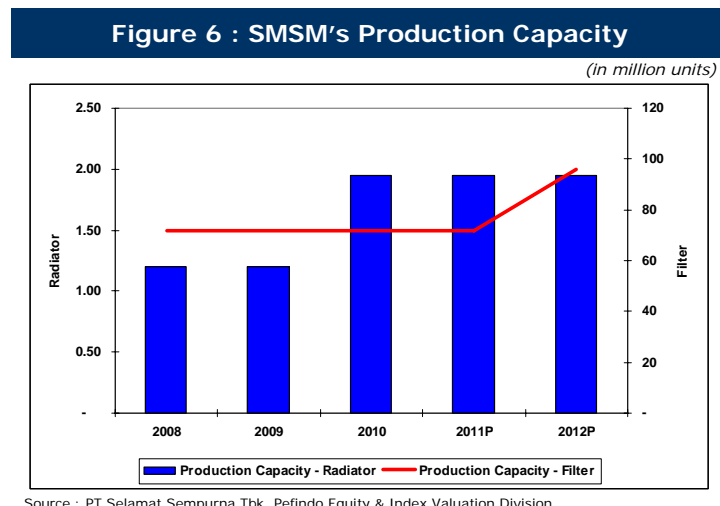
Swelled of Domestic Heavy Equipment Industry Inline with the Growth of Domestic Mining Industry

As the Indonesian mining industry, particularly coal, improving, the requirement for heavy equipment needed for production and exploration activities also improving. During the 1Q11, the total sales volume of heavy equipment vehicles, particularly Komatsu, has reached 2,207 units, rise by 81% YoY compared to the same period in 2010 which only reached 1,219 units. We believe that this growth will lighten the prospect of SMSM, particularly PJM – its subsidiary, since PJM is focusing on the production of filters used for heavy equipment vehicles.



Expanding Production Capacity to Meet Demand

As domestic and worldwide cars and heavy equipment continue to show an improvement, SMSM's plans to expand its production capacity, particularly on the filter production, until it reached around 96 million units in 2012, or improved by 33.3% from the current capacity of 72 million units. SMSM plans to reach such production capacity by way of replacing or rejuvenation of its machines. With this expansion we expected that SMSM's revenue will improve by 17% YoY in 2012.

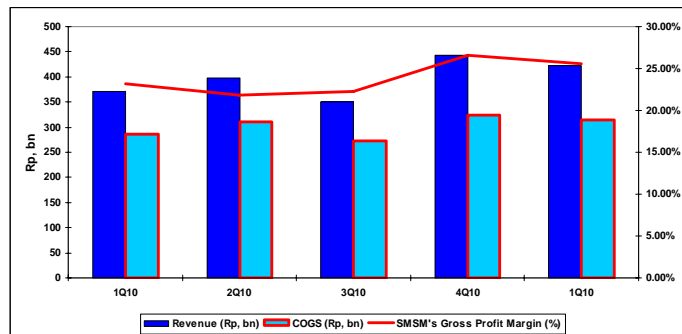


FINANCE

Smart Raw Materials Management Made SMSM's Gross Profit Margin Better

In the activity of producing their products, SMSM's required imported raw materials, in which its amount reach around 90% of SMSM's raw materials cost, or around 40% - 50% of SMSM's total production cost. Those imported raw materials include steel plates, aluminum, and copper, in which their prices are fluctuated. With such condition, SMSM needs a smart raw materials management in order to maintain sufficient raw materials needed as well as the timing of purchase. Particularly in the 4Q10 and 1Q11, SMSM has shown their ability in managing their raw materials, proved by their gross profit margin which reached 26.6% and 25.5%, higher than average gross profit margin in 2010 of 23.5%. We believe that SMSM has done well in their raw materials management, as they buy more raw materials needed when the price is relatively low in the market.

Figure 7 : SMSM's Revenue, COGS and Gross Profit Margin

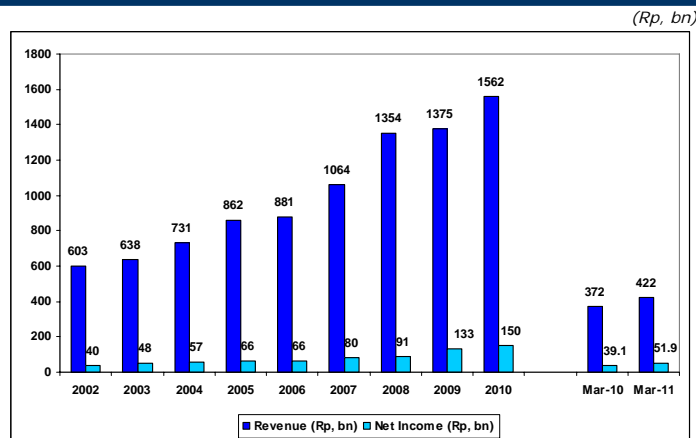


Source : PT Selamat Sempurna Tbk, Pefindo Equity & Index Valuation Division

Consecutive Growth of Sales and Net Income Proved SMSM's Potency

As a going concern company, SMSM continue to improve the quality of their products as well as their marketing activities. Besides that, SMSM continue to perform a cost efficiency which made their net income also growing for nine consecutive years. This continuing growth also showed SMSM ability in facing the turbulence of worldwide economy, such as in 2008 – 2009 economy crisis due to the U.S. sub-prime mortgages. During that time, SMSM revenue continue to grow by 27.3% YoY and 1.6% YoY during 2008 and 2009, while its net income continue to grow by 13.75% YoY and 46.15% YoY. We are confidence that the trend will continue in 2011, by looking at the fact that SMSM's revenue and net income showed a growing of 13.4% YoY and 32.3% YoY in 1Q11.

Figure 8 : SMSM's Revenue and Net Profit



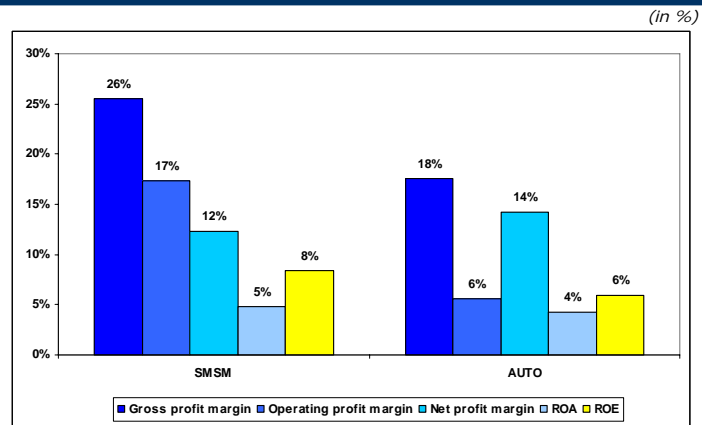
Source : PT Selamat Sempurna Tbk, Pefindo Equity & Index Valuation Division

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Better Gross and Operating Profit Margins Compared to Others

Compared to competitor that operates in the same industry, SMSM showed a better gross and operating profit margin. In 1Q11, SMSM state gross, operating and net margins of 25.5%, 17.3%, and 11.3%, respectively, while for competitor, the gross, operating and net margins are 17.6%, 5.6%, and 14.2%, respectively. SMSM's gross and operating profit margins, which is better from the competitor, showed SMSM ability to generate income from their main activities combined with cost efficiency which then creates better margins.

Figure 9 : SMSM & Competitor Margins in 1Q11

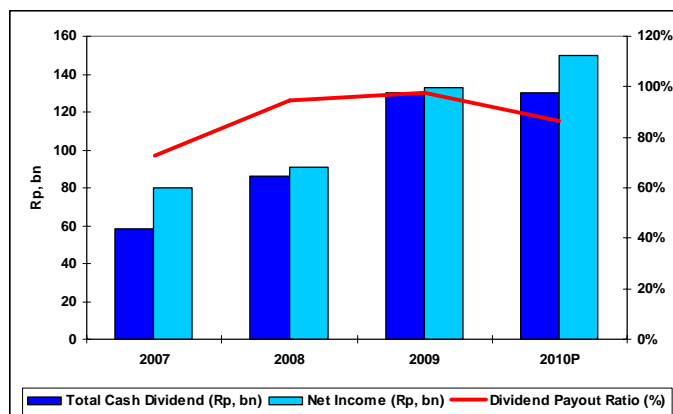


Source : PT Selamat Sempurna Tbk, Pefindo Equity & Index Valuation Division

Consistently Provide Dividends to Shareholders

During 2007 – 2010 periods, SMSM showed consistency of providing cash dividends to its shareholders. In 2007, SMSM paid interim cash dividend of Rp 20/share, and final cash dividend of Rp 20/share, while in 2008 SMSM paid a final dividend of Rp 60/share. In 2009, the total amount of cash dividend provided to shareholders is building up to Rp 90/share, which divided into interim cash dividend 1 (Rp 40/share), interim cash dividend 2 (Rp 25/share), and final cash dividend (Rp 25/share). In 2010, SMSM already provide interim cash dividend 1 and 2 to its shareholders, as much as Rp 40/share (interim 1) and Rp 25/share (interim 2), and we are confidence that SMSM will also provide a final cash dividend with minimum of Rp 25/share. This consistent and building-up payment of dividends is a good sign for SMSM's long term investors, since they will acknowledge that SMSM will continue to pay dividend even in the downturn industry condition.

Figure 9 : Total Dividend Cash, Net Income and Dividend Payout Ratio



Source : PT Selamat Sempurna Tbk, Pefindo Equity & Index Valuation Division

Continue to Improve Its Competitive Advantages

To sustain its growth in the future, SMSM continue to improve their competitive advantages in every aspect. To protect its products, SMSM has increased their number of trademark registration in their exported destination countries in order to protect their products from counterfeiting. Cost Reduction Program to make their products competitive and maintain the availability of its products on every countries, are being done in order to provide more added value to customers.

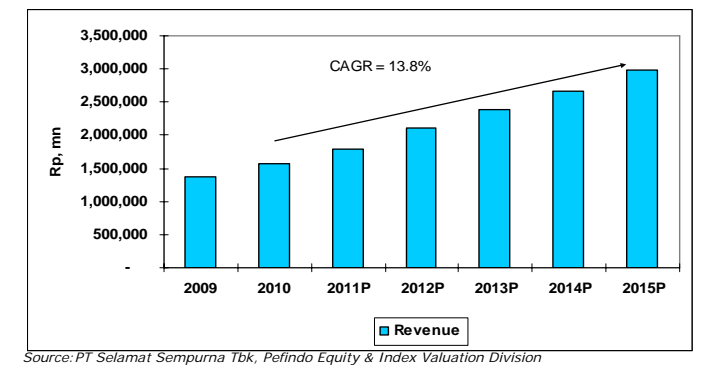
Received Many Awards in 2010

In 2010, as results of their exceptional works, SMSM received many awards from various parties. In January 2010, SMSM has been awarded by PT Hino Motors Manufacturing Indonesia for their quality target achievement. In April 2010, SMSM received the Automotive Component Manufacturer of the Year Award from Frost & Sullivan, and the latest was Appreciation and Gratitude for continuous support from PT Mitsubishi Krama Yudha Motors and Manufacturing.

Business Prospects

Considering a 6% YoY expected growth of worldwide car production and also 6% YoY of expected growth in domestic car sales, the prospect of an automotive parts industry, in which SMSM is one of the producers, still looks promising. Augmented with plans of increasing production capacity, we believe that SMSM's revenue will be up by 15.12% YoY in 2011 and 12.9% CAGR during 2010 – 2015 periods.

Figure 10: SMSM's Revenue



SWOT ANALYSIS

Table 1: SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Experience in the automotive component industry since 1976. • Well known products in more than 100 countries. • Received technical assistance from affiliates. • Plans to increased its production capacity 	<ul style="list-style-type: none"> • Volatility of exchange rate might have impact on the product's sales price and also imported raw materials. • Dependence on third party's technical assistance.
Opportunities	Threats
<ul style="list-style-type: none"> • Probability of increasing revenue, since the domestic and overseas car industries showed an improvement in 2011. • Possibility of growing market for radiator products in overseas, due to the improvement on the overseas car industry. 	<ul style="list-style-type: none"> • Imitation products in domestic and international market diminish customer trust.

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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 March 31st, 2011.

- Value Estimation**

Target price for 12 months based on valuation as per March 31st, 2011 is as follows:

- ❖ Using DCF method with discount rate assumption 10.31%, is Rp 1,380 - Rp 1,540 per share.
- ❖ Using GCM method (PBV 3.02X and P/E 10.84X) is Rp 1,300 – Rp 1,520 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 1,340 - Rp 1,540** per share.

Table 2: DCF Method

	Conservative	Moderate	Aggressive
PV of Free Cash Flows – Rp bn	777.6	818.6	859.5
PV Terminal Value – Rp bn	1,442.4	1,518.4	1,594.3
Cash and Cash Equivalent, Rp bn	52.7	52.7	52.7
Net Debt – Rp bn	(287.7)	(287.7)	(287.7)
Total Equity Value – Rp bn	1,985.0	2,101.9	2,218.7
Number of Share, mn shares	1,440	1,440	1,440
Fair Value per Share, Rp	1,380	1,460	1,540

Source: Pefindo Equity & Index Valuation Division Estimates

Table 3: Assumption

Risk free rate (%)	7.61
Risk premium (%)	6.95
Beta (x)	0.62
Cost of Equity (%)	11.94
Marginal tax rate (%)	25.0
WACC (%)	10.31

Source: Bloomberg, Pefindo Equity & Index Valuation Division Estimates

Table 4 : GCM Comparison

	SMSM	AUTO	Average
Price, March 31 st 2011 [Rp]	1,150	13,800	
Market cap, March 31 st 2011 [Rp, bn]	1,656	10,626	
Sales 1Q11 [Rp, bn]	422	1,819	
Gross Profit 1Q11 [Rp, bn]	108	319	
Operating Profit 1Q11 [Rp, bn]	73	102	
Net Profit 1Q11 [Rp, bn]	52	259	
Total Asset 1Q11 [Rp, bn]	1,078	6,158	
Total Liabilities 1Q11 [Rp, bn]	458	1,776	
Total Equity 1Q11 [Rp, bn]	620	4,382	
Growth 1Q11 YoY			
Sales [%]	13.4	20.6	
Gross Profit [%]	24.7	21.5	
Operating Profit [%]	31.9	(21.7)	
Net Profit [%]	32.9	(6.8)	
Profitability 1Q11			
Gross Margin [%]	25.5	17.6	
Operating Margin [%]	17.3	5.6	
Net Margin [%]	12.3	14.2	
ROA [%]	4.8	4.2	
ROE [%]	8.4	5.9	
Leverage 1Q11			
DER [x]	0.7	0.4	
Valuation, May 2011			
P/E, [x]	10.45	11.23	10.84
P/BV, [x]	2.97	3.06	3.02

Source: Bloomberg, Pefindo Equity & Index Valuation Division Estimates

(Rp bn)

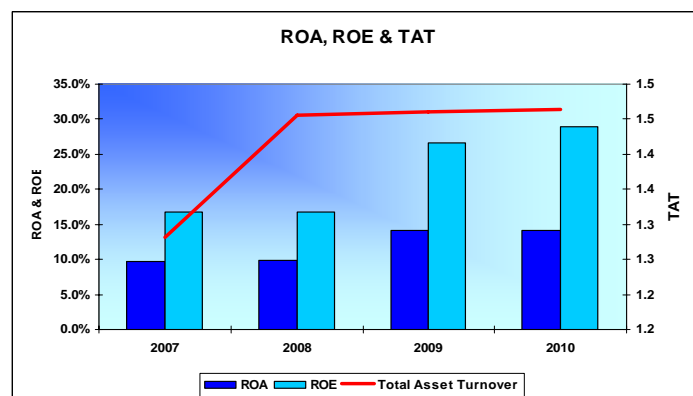
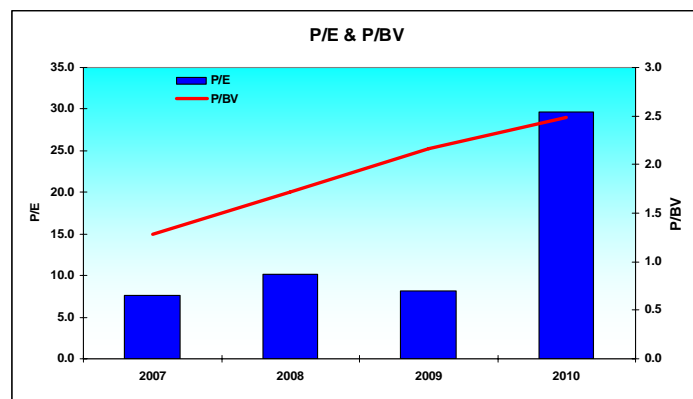
Income Statement	2008	2009	2010	2011P	2012P
Sales	1,354	1,375	1,562	1,798	2,110
COGS	(1,025)	(1,058)	(1,193)	(1,365)	(1,595)
Gross Profit	329	316	369	434	515
Operating Expense	(116)	(127)	(141)	(148)	(172)
Operating Profit	213	190	228	285	343
Other Income (Charges)	(69)	(4)	(23)	3	(7)
Pre-tax Profit	144	186	205	288	336
Tax	(42)	(43)	(40)	(72)	(84)
Minority interest in net Earnings of subsidiary	(10.0)	(10)	(14)	(14)	(16)
Net Profit	92	133	150	202	236

Source: PT Selamat Sempurna Tbk., Pefindo Equity & Index Valuation Division Estimates

(Rp bn)

Balance Sheet	2008	2009	2010	2011P	2012P
Assets					
Current Assets					
Cash & cash equivalents	14	9	14	21	44
Receivables	244	279	314	321	377
Inventory	286	255	307	299	350
Other Assets	11	32	26	42	42
Total Current Assets	555	575	662	683	811
Non Current Assets					
Fixed Assets	359	341	377	413	442
Other Assets	16	25	29	23	23
Total Non Current Assets	375	367	405	435	465
Total Assets	930	942	1,067	1,118	1,276
Liabilities					
Short Term Liabilities					
Trade payables	51	128	125	105	121
Short-term liabilities - bank	190	164	41	140	140
Other Short-term payables	64	70	139	41	41
Total Short Term Liabilities	305	362	304	286	302
Long Term Liabilities					
Long-term liabilities – bond	-	-	159	160	160
Other long term liabilities	36	35	36	38	38
Total Long Term Liabilities	36	35	194	198	198
Total Liabilities	341	397	499	483	499
Minority Interests in Equity of Subsidiary	42	46	49	46	46
Total Equity	546	498	519	589	730

Source: PT Selamat Sempurna Tbk., Pefindo Equity & Index Valuation Division Estimates



Ratio	2008	2009	2010	2011P	2012P
Growth (%)					
Sales	27.2	1.6	13.6	15.1	17.4
Operating Profit	42.0	(10.9)	20.1	25.3	20.3
EBITDA	38.0	(0.6)	13.4	32.0	16.1
Net Profit	14.3	44.2	13.2	34.3	16.7
Profitability (%)					
Gross Margin	24.3	23.0	23.6	24.1	24.4
Operating Margin	15.7	13.8	14.6	15.9	16.3
EBITDA Margin	20.1	19.6	19.6	22.4	22.2
Net Margin	6.8	9.7	9.6	11.2	11.2
ROA	9.8	14.1	14.1	18.1	18.5
ROE	16.7	26.7	29.0	34.3	32.3
Solvability (X)					
Debt to Equity	0.6	0.8	1.0	0.8	0.7
Debt to Asset	0.4	0.4	0.5	0.4	0.4
Liquidity (X)					
Current Ratio	1.8	1.6	2.2	2.4	2.7
Quick Ratio	0.8	0.8	1.1	1.2	1.4

Source: PT Selamat Sempurna Tbk., Pefindo Equity & Index Valuation Division Estimates

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