



## Selamat Sempurna

SMSM IJ / SMSM.JK

## FY12 RESULTS NOTE

<b>Market Cap</b> <b>US\$369.6m</b> Rp3,599,172m	<b>Avg Daily Turnover</b> <b>US\$0.30m</b> Rp2,910m	<b>Free Float</b> <b>41.9%</b> 1,440 m shares	Current Target Previous Target Up/downside	<b>Rp2,500</b> <b>Rp2,900</b> <b>Rp2,750</b> <b>16.0%</b>	<b>SHORT TERM (3 MTH)</b> TRADING BUY TRADING SELL	<b>LONG TERM</b> <b>OUTPERFORM</b> NEUTRAL UNDERPERFORM
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**Share price info**

Share price perf. (%)	1M	3M	12M
Relative	-5.8	-8	20.3
Absolute	-2	5.3	40.4

Major shareholders	% held
Adrindo Inti Perkasa	58.1

## Bouncing back

A strong 4Q12 sales rebound, combined with favourable forex and raw material prices, pushed core profit higher than our and consensus expectations. Recovery has come earlier and stronger than expected, outlining a rosy outlook that could prompt consensus upgrades.

FY12 core earnings formed 106% of our forecast and 107% of consensus. We increase our FY13 EPS number by 5% and FY14 EPS by 2% on demand recovery. Our DCF-based target price (WACC: 13.2%, LTG: 5.0%) is raised while our rating is upgraded to Outperform from Neutral.

### Record high gross margin

Export sales rebounded strongly in the 4Q12 (up 24% qoq) led by strong US radiator sales that increased 31% qoq after a mediocre 9M12. Domestic sales kept its momentum by finishing the year up 9% despite the severe slowdown in the heavy equipment segment. Gross margin also carved up a new high of 25.3%, up from 24.2% last year, supported by: 1) a weakening rupiah, 2) favourably weak steel prices, and 3) increased Hydraxle economies of scale. The weak rupiah and steel prices have persisted so far in 2013, suggesting that the high margin could potentially be maintained.

### Recovery getting firmer

Although we have been expecting a recovery, the strong 4Q12 showing has reaffirmed our confidence in SMSM's ability to deliver. Export recovery should be led by the US market (12% of sales) which is poised to rebound from its weak performance in 2012. Even as Asian markets (23% of sales) continue to grow, SMSM has also been successful in grabbing a larger slice of the flat European market. Domestic auto parts (15% of sales) are seeing an expanding replacement target market after the car population increased by 15% in 2012.

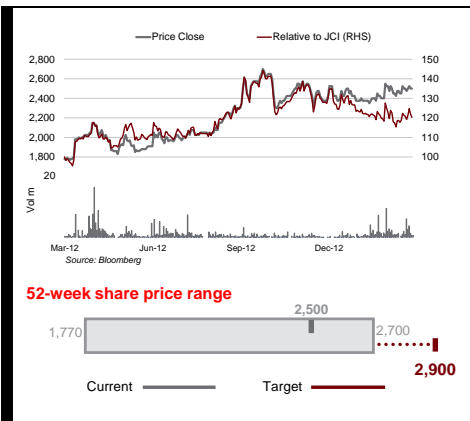
### Valuation looks attractive

Having lagged the market and global filtration peers since the beginning of the year, the stock's current valuation at 13.8x FY13 and 12.1x FY14 P/E looks attractive. A firmer global outlook and strong auto pick-up from the LCGC launch are the key catalysts.

### Results Comparison

Rp bn	4QFY12	4QFY11	yoy % chg	qoq % chg	4QFY12 cum	4QFY11 cum	yoy % chg	Prev. FY12F	Comments
Revenue	548	502	9.1	17.6	2,164	1,808	19.7	2,165	In-line, 100% of our forecast
Operating costs	(363)	(387)	(6.1)	(1.3)	(1,679)	(1,408)	19.3	(1,695)	In-line at 98% of our forecast
EBITDA	184	115	60.2	88.8	485	400	21.1	470	
EBITDA margin (%)	34	23			22	22	1.2	22	
Depn & amort.	(43)	(34)	27.1	62.9	(112)	(94)	18.7	(130)	
EBIT	141	81	74.0	98.4	373	306	21.9	340	Ahead as gross margin was above our expectation
Interest expense	(8)	(7)	10.9	0.0	(30)	(28)	4.2	(29)	by 1.4% points
Interest & invt inc	0	0	(100.0)	(100.0)	2	2	27.6	2	
<b>Pretax profit</b>	<b>72</b>	<b>75</b>	<b>(3.1)</b>	<b>10.4</b>	<b>345</b>	<b>280</b>	<b>23.3</b>	<b>322</b>	
Tax	(14)	(16)	(10.6)	2.0	(76)	(60)	26.3	(62)	
Tax rate (%)	20	22			22	22	2.4	19	
Minority interests	(7)	(5)	35.3	10.4	(35)	(18)	92.1	(36)	
<b>Net profit</b>	<b>51</b>	<b>53</b>	<b>(4.5)</b>	<b>13.1</b>	<b>233</b>	<b>201</b>	<b>16.1</b>	<b>224</b>	
<b>Core net profit</b>	<b>50</b>	<b>61</b>	<b>(18.3)</b>	<b>18.4</b>	<b>225</b>	<b>205</b>	<b>9.8</b>	<b>213</b>	Ahead of our expectation by 6% and consensus by 7%
EPS (Rp)	35	37	(4.5)	13.1	162	140	16.1	156	due to stronger than expected gross margin
Core EPS (Ep)	35	43	(18.3)	18.4	156	143	9.8	148	

SOURCE: CIMB, COMPANY REPORTS

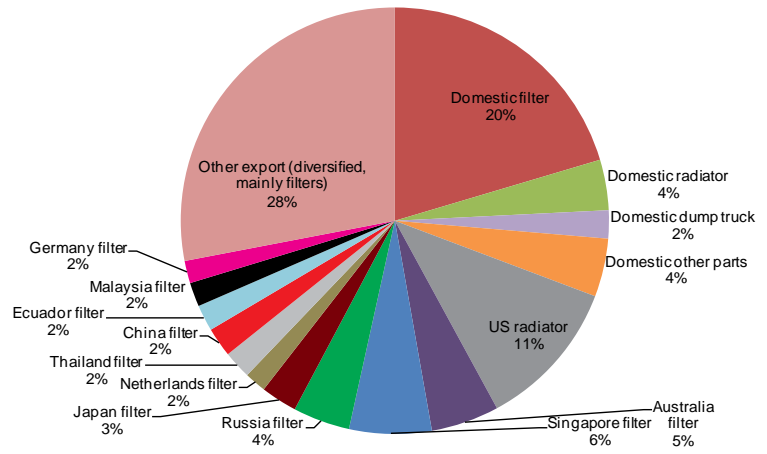


### Financial Summary

	Dec-11A	Dec-12A	Dec-13F	Dec-14F	Dec-15F
Revenue (Rpb)	2,072	2,164	2,418	2,701	3,058
Operating EBITDA (Rpb)	335.4	374.7	410.9	458.7	521.7
Net Profit (Rpb)	212.2	233.2	265.6	297.6	342.7
Core EPS (Rp)	142.5	157.1	180.6	206.7	238.0
Core EPS Growth	34.6%	10.2%	15.0%	14.5%	15.2%
FD Core P/E (x)	17.54	15.91	13.84	12.10	10.50
DPS (Rp)	80.0	130.0	129.0	147.4	197.8
Dividend Yield	3.20%	5.20%	5.16%	5.89%	7.91%
EV/EBITDA (x)	11.92	10.71	9.73	8.78	7.61
P/FCFE (x)	28.39	13.33	23.73	16.56	12.82
Net Gearing	36.7%	33.4%	24.5%	21.3%	13.1%
P/BV (x)	5.43	5.58	4.96	4.44	4.14
Recurring ROE	34.7%	34.6%	37.9%	38.8%	40.8%
% Change In Core EPS Estimates			4.65%	1.73%	0.24%
CIMB/consensus EPS (x)			1.11	1.04	

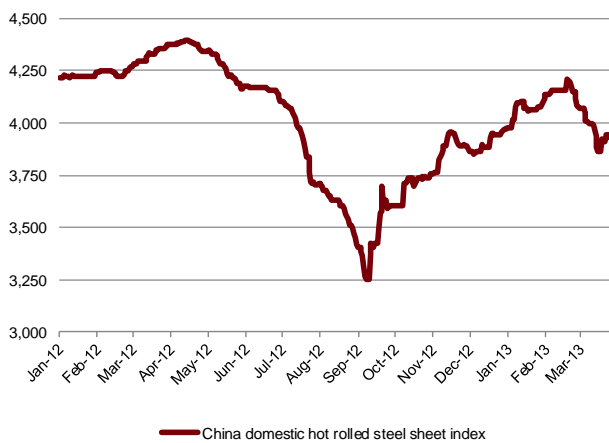
SOURCE: CIMB, COMPANY REPORTS

Figure 1: SMSM segmentation. Domestic filter, US radiator, and Asian market generally have good outlook



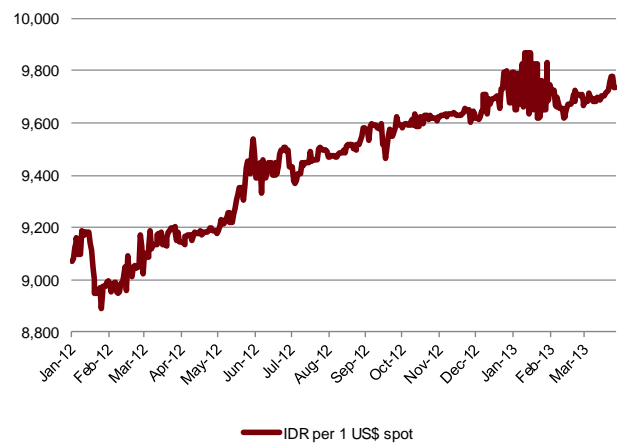
SOURCES: CIMB, COMPANY REPORTS

Figure 2: Steel price continues to be favourable for SMSM



SOURCES: BLOOMBERG

Figure 3: A persistently weakening rupiah has benefited SMSM



SOURCES: BLOOMBERG

**Figure 4: Sector comparison – CIMB coverage**

Company	Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
						CY 2013	CY 2014		CY 2013	CY 2014	CY 2015	CY 2013	CY 2014	CY 2013	CY 2014		
Astra International	ASII IJ	NEUTRAL	7,750	9,000	32,219	15.1	12.8	11.0%	3.77	3.19	26.8%	26.9%	25.3%	11.2	9.2	2.8%	3.0%
Selamat Sempurna	SMSM IJ	OUTPERFORM	2,500	2,900	370	13.8	12.1	13.5%	4.96	4.44	37.8%	38.8%	40.8%	9.8	8.8	5.2%	5.9%
<b>Indonesia average</b>						<b>14.5</b>	<b>12.5</b>	<b>12.3%</b>	<b>4.37</b>	<b>3.82</b>	<b>32.3%</b>	<b>32.9%</b>	<b>33.0%</b>	<b>10.5</b>	<b>9.0</b>	<b>4.0%</b>	<b>4.4%</b>
Tan Chong Motor Holdings	TCM MK	NEUTRAL	5.10	5.38	1,076	10.3	9.1	30.7%	1.56	1.37	16.1%	16.0%	14.5%	7.4	6.8	2.7%	2.9%
UMW Holdings	UMWH MK	OUTPERFORM	13.50	14.45	5,098	12.0	11.4	14.5%	3.02	2.73	26.6%	25.2%	24.0%	6.2	6.0	4.9%	5.2%
<b>Malaysia average</b>						<b>11.2</b>	<b>10.3</b>	<b>22.6%</b>	<b>2.29</b>	<b>2.05</b>	<b>21.4%</b>	<b>20.6%</b>	<b>19.3%</b>	<b>6.8</b>	<b>6.4</b>	<b>3.8%</b>	<b>4.1%</b>
Brilliance China Automotive	1114 HK	OUTPERFORM	10.24	13.40	6,633	10.4	8.7	na	2.99	2.23	33.7%	29.2%	na	108.9	88.6	0.0%	0.0%
Dongfeng Motor Group	489 HK	OUTPERFORM	10.26	15.60	11,393	6.8	6.3	9.0%	1.16	1.01	18.4%	17.0%	15.6%	2.2	1.4	2.1%	2.3%
Geely Automobile Holdings	175 HK	OUTPERFORM	3.85	4.50	4,100	9.8	8.3	11.6%	1.69	1.43	18.9%	19.0%	16.4%	7.6	6.1	1.2%	1.4%
Great Wall Motor	2333 HK	UNDERPERFORM	26.85	22.00	14,202	12.4	12.0	-1.5%	2.59	2.23	22.6%	20.0%	17.3%	7.9	7.3	2.2%	2.2%
Guangzhou Auto - H	2238 HK	NEUTRAL	6.31	6.70	5,858	8.7	7.7	na	0.93	0.86	11.2%	11.6%	na	na	na	3.5%	3.9%
Qingling Motors Company-H	1122 HK	OUTPERFORM	2.07	2.29	662	11.6	10.4	12.1%	0.56	0.55	4.9%	5.3%	5.8%	5.5	5.1	7.2%	8.0%
Mint Group	425 HK	NEUTRAL	11.56	9.80	1,606	10.8	9.5	11.8%	1.36	1.23	13.2%	13.5%	14.1%	5.6	4.7	2.9%	3.3%
Weichai Power Co Ltd-H	2338 HK	NEUTRAL	25.85	28.60	7,048	10.4	8.7	13.7%	1.19	1.05	12.1%	12.9%	12.8%	5.0	4.4	0.3%	0.3%
<b>Hong Kong average</b>						<b>10.1</b>	<b>8.9</b>	<b>9.4%</b>	<b>1.56</b>	<b>1.32</b>	<b>16.9%</b>	<b>16.1%</b>	<b>13.7%</b>	<b>20.4</b>	<b>16.8</b>	<b>2.4%</b>	<b>2.7%</b>
<b>Average all countries</b>						<b>11.0</b>	<b>9.8</b>	<b>12.6%</b>	<b>2.15</b>	<b>1.86</b>	<b>20.2%</b>	<b>19.6%</b>	<b>18.7%</b>	<b>16.1</b>	<b>13.5</b>	<b>2.9%</b>	<b>3.2%</b>

SOURCES: CIMB, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range	90 – 100	80 – 89	70 – 79	Below 70 or No Survey Result
Description	Excellent	Very Good	Good	N/A

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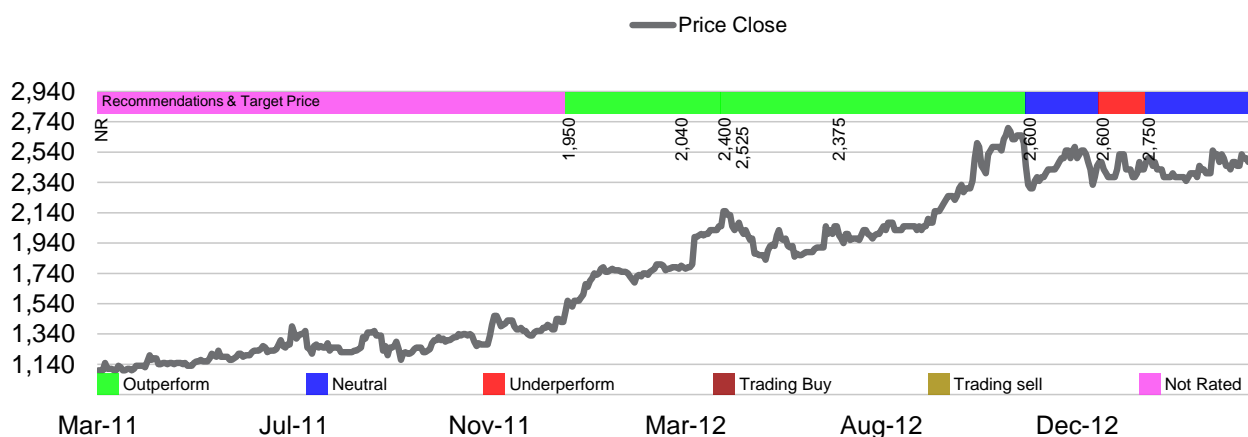
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Spitzer Chart for stock being researched ( 2 year data )



Distribution of stock ratings and investment banking clients for quarter ended on 28 February 2013		
957 companies under coverage		
	Rating Distribution (%)	Investment Banking clients (%)
Outperform/Buy/Trading Buy	51.7%	8.6%
Neutral	34.9%	4.3%
Underperform/Sell/Trading Sell	13.4%	7.1%

**Recommendation Framework #1 \***

**Stock**

- OUTPERFORM:** The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months.
- NEUTRAL:** The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.
- UNDERPERFORM:** The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.
- TRADING BUY:** The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.
- TRADING SELL:** The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.

**Sector**

- OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.
- NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.
- UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.
- TRADING BUY:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.
- TRADING SELL:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

\* This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Korea Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

### Recommendation Framework #2 \*\*

#### Stock

**OUTPERFORM:** Expected positive total returns of 10% or more over the next 12 months.

**NEUTRAL:** Expected total returns of between -10% and +10% over the next 12 months.

**UNDERPERFORM:** Expected negative total returns of 10% or more over the next 12 months.

**TRADING BUY:** Expected positive total returns of 10% or more over the next 3 months.

**TRADING SELL:** Expected negative total returns of 10% or more over the next 3 months.

#### Sector

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +10% (or better) or -10% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +10% to -10%; both over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 12 months.

**TRADING BUY:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 3 months.

**TRADING SELL:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 3 months.

\*\* This framework only applies to stocks listed on the Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

#### Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2011.

AAV – not available, ADVANC - Excellent, AMATA - Very Good, AOT - Excellent, AP - Very Good, BANPU - Excellent, BAY - Excellent, BBL - Excellent, BCH - Good, BEC - Very Good, BECL - Very Good, BGH - not available, BH - Very Good, BIGC - Very Good, BTS - Very Good, CCET - Good, CK - Very Good, CPALL - Very Good, CPF - Very Good, CPN - Excellent, DELTA - Very Good, DTAC - Very Good, GLOBAL - not available, GLOW - Very Good, GRAMMY – Excellent, HANA - Very Good, HEMRAJ - Excellent, HMPRO - Very Good, INTUCH – Very Good, ITD - Good, IVL - Very Good, JAS – Very Good, KAMART – not available, KBANK - Excellent, KK - Excellent, KTB - Excellent, LH - Very Good, LPN - Excellent, MAJOR - Very Good, MCOT - Excellent, MINT - Very Good, PS - Excellent, PSL - Excellent, PTT - Excellent, PTTGC - not available, PTTEP - Excellent, QH - Excellent, RATCH - Excellent, ROBINS - Excellent, RS - Excellent, SC – Excellent, SCB - Excellent, SCC - Excellent, SCCC - Very Good, SIRI - Very Good, SPALI - Very Good, STA - Very Good, STEC - Very Good, TCAP - Very Good, THAI - Very Good, THCOM – Very Good, TISCO - Excellent, TMB - Excellent, TOP - Excellent, TRUE - Very Good, TUF - Very Good, WORK - Good.