

## Selamat Sempurna

## COMPANY NOTE

SMSM IJ / SMSM.JK

➤ **Market Cap**  
**US\$376.5m**  
Rp3,671,156m


➤ **Avg Daily Turnover**  
**US\$0.32m**  
Rp3,110m

➤ **Free Float**  
**41.9%**  
1,440 m shares

Current **Rp2,550**  
Target ➤ **Rp2,900**  
Previous Target **Rp2,900**  
Up/downside **13.7%**

**SHORT TERM (3 MTH)** **LONG TERM**  
TRADING BUY **OUTPERFORM**  
TRADING SELL NEUTRAL  
UNDERPERFORM

**Notes from the Field**



**Hadi SOEGIARTO**  
T (62) 21 3006 1722  
E hadi.soegiarto@cimb.com

Company Visit  Expert Opinion   
Channel Check  Customer Views

*"We are optimistic on 2013 prospects on the back of strong domestic economy and recovery in our export markets."*

— Ang Andri Priyadi, CFO

## Safe and sound

SMSM should continue to do well as export sales recover and the domestic auto industry continues to flourish. Its dividend commitment and export-oriented business model protect against domestic concerns like inflation, fuel subsidy reductions and rupiah weakness.

We reiterate our Outperform rating and maintain our forecasts and DCF-based target price (WACC: 13.0%, LTG: 5.0%). Catalysts include a firmer global outlook and strong domestic auto sales.

### Myriad recovery signs ➤

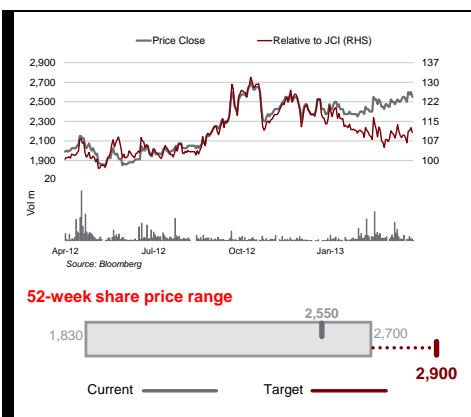
SMSM's 2012 results beat expectations, posting a 4Q12 recovery that was stronger than generally expected, led by export sales (70% of total). Things are looking up for 2013 as the global economy is picking up steam, causing global auto parts players to be more optimistic. Management targets a modest recovery in export sales, supported by new OES contracts in developed markets, while the domestic auto segment is expected to be robust, driven by both new OEM contracts and the ever-expanding replacement auto parts market.

### Shelter against domestic concerns ➤

SMSM's reliance on exports means that it is well-insulated against domestic concerns, such as inflation and fuel subsidy cuts. It also stands to gain from the weakness in the rupiah due to its net exposure to the dollar, which contributed to its record gross margin in 2012.

### Positive dividend outlook ➤

SMSM should disburse a final dividend in June of a minimum Rp20 per share, according to management guidance, having paid out 49% of its 2012 net profit as interim dividends in 2H12. 2013 capex is expected to be around Rp100bn-120bn, which could be funded by internal cash (2013 EBITDA is Rp526bn). We continue to like SMSM for its disciplined capital management and consistent growth, a combination that should gradually increase its ROAE.



### 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)	17.89	16.23	14.12	12.34	10.71
DPS (Rp)	80.0	130.0	129.0	147.4	197.8
Dividend Yield	3.14%	5.10%	5.06%	5.78%	7.76%
EV/EBITDA (x)	12.14	10.91	9.91	8.93	7.75
P/FCFE (x)	28.96	13.60	24.21	16.89	13.08
Net Gearing	36.7%	33.4%	24.5%	21.3%	13.1%
P/BV (x)	5.54	5.69	5.06	4.53	4.23
Recurring ROE	34.7%	34.6%	37.9%	38.8%	40.8%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.08	1.03	1.00

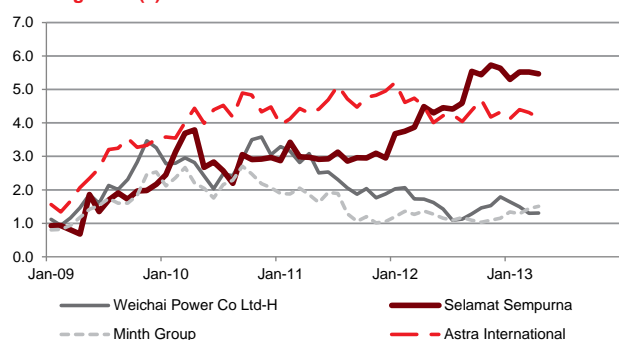
SOURCE: CIMB, COMPANY REPORTS

## PEER COMPARISON

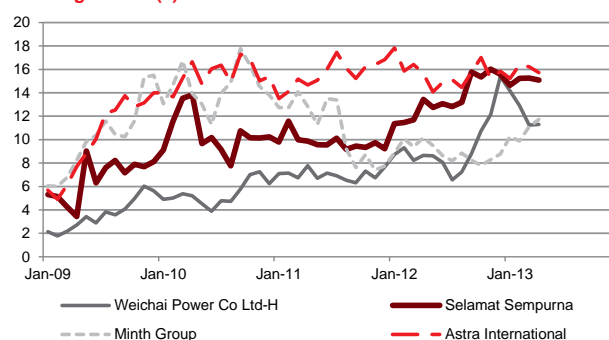
### Research Coverage

	Bloomberg Code	Market	Recommendation	Mkt Cap US\$m	Price	Target Price	Upside
Weichai Power Co Ltd-H	2338 HK	HK	NEUTRAL	6,754	25.60	28.60	11.7%
<b>Selamat Sempurna</b>	<b>SMSM IJ</b>	<b>ID</b>	<b>OUTPERFORM</b>	<b>376</b>	<b>2,550</b>	<b>2,900</b>	<b>13.7%</b>
Minth Group	425 HK	HK	NEUTRAL	1,641	11.82	9.80	-17.1%
Astra International	ASII IJ	ID	NEUTRAL	31,968	7,700	9,000	16.9%

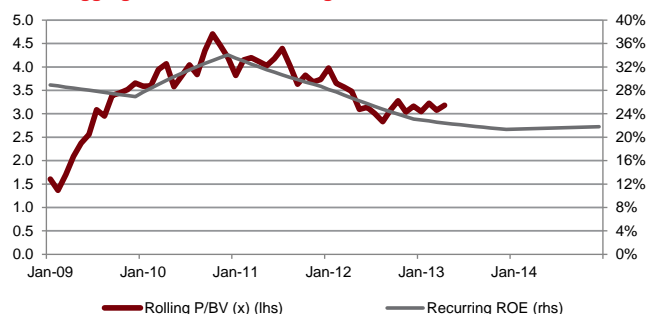
### Rolling P/BV (x)



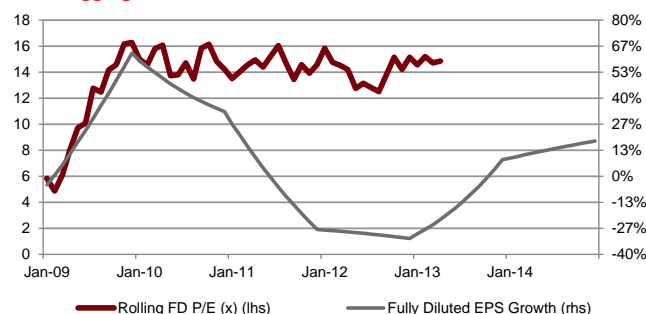
### Rolling FD P/E (x)



### Peer Aggregate: P/BV vs Recurring ROE



### Peer Aggregate: FD P/E vs FD EPS Growth



### Valuation

	P/E (FD) (x)			P/BV (x)			EV/EBITDA (x)		
	Dec-12	Dec-13	Dec-14	Dec-12	Dec-13	Dec-14	Dec-12	Dec-13	Dec-14
Weichai Power Co Ltd-H	11.39	10.29	8.56	1.32	1.18	1.04	4.99	4.80	4.20
<b>Selamat Sempurna</b>	<b>15.74</b>	<b>13.82</b>	<b>12.34</b>	<b>5.69</b>	<b>5.06</b>	<b>4.53</b>	<b>10.91</b>	<b>9.91</b>	<b>8.93</b>
Minth Group	11.56	11.12	9.77	1.52	1.39	1.26	6.27	5.58	4.65
Astra International	16.05	15.04	12.75	4.38	3.75	3.17	13.83	11.93	9.80

### Growth and Returns

	Fully Diluted EPS Growth			Recurring ROE			Dividend Yield		
	Dec-12	Dec-13	Dec-14	Dec-12	Dec-13	Dec-14	Dec-12	Dec-13	Dec-14
Weichai Power Co Ltd-H	-46.6%	10.8%	20.2%	12.6%	12.1%	12.9%	0.26%	0.29%	0.35%
<b>Selamat Sempurna</b>	<b>9.9%</b>	<b>13.9%</b>	<b>12.0%</b>	<b>34.6%</b>	<b>37.9%</b>	<b>38.8%</b>	<b>5.10%</b>	<b>5.06%</b>	<b>5.78%</b>
Minth Group	7.2%	4.0%	13.8%	13.5%	13.2%	13.5%	2.75%	2.86%	3.25%
Astra International	9.2%	6.7%	18.0%	29.8%	26.8%	26.9%	2.57%	2.80%	2.99%

SOURCE: CIMB, COMPANY REPORTS

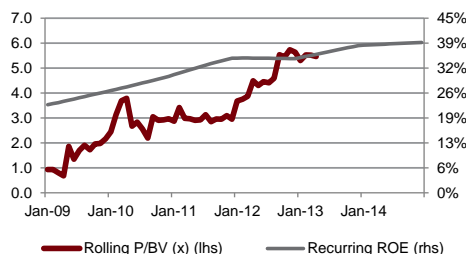
Calculations are performed using EFA™ Monthly Interpolated Annualisation and Aggregation algorithms to December year ends

## BY THE NUMBERS

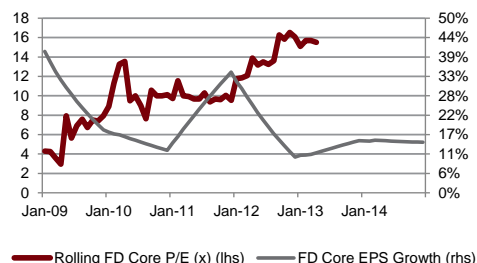
### Share price info

Share px perf. (%)	1M	3M	12M
Relative	4.7	-4	11.3
Absolute	5.2	7.4	28.8
Major shareholders		% held	
Adrindo Inti Perkasa			58.1

### P/BV vs Recurring ROE



### FD Core P/E vs FD Core EPS Growth



We expect earnings growth of 15%, closer to its historical growth, as the global market recovers

### Profit & Loss

(Rpb)	Dec-11A	Dec-12A	Dec-13F	Dec-14F	Dec-15F
<b>Total Net Revenues</b>	<b>2,072</b>	<b>2,164</b>	<b>2,418</b>	<b>2,701</b>	<b>3,058</b>
<b>Gross Profit</b>	<b>502</b>	<b>547</b>	<b>605</b>	<b>675</b>	<b>765</b>
<b>Operating EBITDA</b>	<b>335</b>	<b>375</b>	<b>411</b>	<b>459</b>	<b>522</b>
Depreciation And Amortisation	(7)	(12)	(13)	(14)	(15)
<b>Operating EBIT</b>	<b>328</b>	<b>363</b>	<b>398</b>	<b>445</b>	<b>507</b>
Total Financial Income/(Expense)	(30)	(27)	(26)	(20)	(17)
Total Pretax Income/(Loss) from Assoc.	0	(1)	0	0	0
Total Non-Operating Income/(Expense)	11	10	7	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>310</b>	<b>345</b>	<b>380</b>	<b>425</b>	<b>490</b>
Exceptional Items	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>310</b>	<b>345</b>	<b>380</b>	<b>425</b>	<b>490</b>
Taxation	(68)	(76)	(76)	(85)	(98)
Exceptional Income - post-tax	0	0	0	0	0
<b>Profit After Tax</b>	<b>242</b>	<b>269</b>	<b>304</b>	<b>340</b>	<b>392</b>
Minority Interests	(29)	(35)	(38)	(43)	(49)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0	0
Other Adjustments - post-tax	0	0	0	0	0
<b>Net Profit</b>	<b>212</b>	<b>233</b>	<b>266</b>	<b>298</b>	<b>343</b>
Recurring Net Profit	205	226	260	298	343
<b>Fully Diluted Recurring Net Profit</b>	<b>205</b>	<b>226</b>	<b>260</b>	<b>298</b>	<b>343</b>

Relatively low capex needs should ensure a sustainable dividend pay-out

### Cash Flow

(Rpb)	Dec-11A	Dec-12A	Dec-13F	Dec-14F	Dec-15F
EBITDA	335.4	374.7	410.9	458.7	521.7
Cash Flow from Inv. & Assoc.	0.0	0.0	0.0	0.0	0.0
Change In Working Capital	(125.1)	(31.5)	(82.8)	(90.2)	(112.2)
(Incr)/Decr in Total Provisions	0.0	0.0	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0	0.0
Other Operating Cashflow	138.1	114.5	107.1	105.5	97.6
Net Interest (Paid)/Received	(29.6)	(27.3)	(25.6)	(19.8)	(17.3)
Tax Paid	(68.1)	(76.2)	(75.9)	(85.1)	(98.0)
<b>Cashflow From Operations</b>	<b>250.6</b>	<b>354.1</b>	<b>333.7</b>	<b>369.1</b>	<b>391.8</b>
Capex	(123.5)	(103.5)	(101.7)	(101.7)	(131.7)
Disposals Of FAs/subsidiaries	2.7	1.5	0.0	0.0	0.0
Acq. Of Subsidiaries/Investments	0.0	(28.1)	0.0	0.0	0.0
Other Investing Cashflow	(6.5)	(7.8)	0.0	0.0	0.0
<b>Cash Flow From Investing</b>	<b>(127.3)</b>	<b>(137.9)</b>	<b>(101.7)</b>	<b>(101.7)</b>	<b>(131.7)</b>
Debt Raised/(repaid)	3.5	53.8	(80.3)	(50.0)	20.6
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(124.5)	(227.2)	(185.7)	(212.2)	(284.7)
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Other Financing Cashflow	0.0	0.0	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>(121.0)</b>	<b>(173.5)</b>	<b>(266.0)</b>	<b>(262.2)</b>	<b>(264.1)</b>

## BY THE NUMBERS

SMSM gradual shift to higher ticket price items rather than chasing volume conserves its production capacity

### Balance Sheet

(Rpb)	Dec-11A	Dec-12A	Dec-13F	Dec-14F	Dec-15F
Total Cash And Equivalents	18	59	25	31	26
Total Debtors	394	431	481	537	608
Inventories	380	382	428	480	544
Total Other Current Assets	24	27	27	31	35
<b>Total Current Assets</b>	<b>816</b>	<b>899</b>	<b>962</b>	<b>1,078</b>	<b>1,214</b>
Fixed Assets	491	489	473	448	443
Total Investments	10	37	37	37	37
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	11	16	16	16	16
<b>Total Non-current Assets</b>	<b>512</b>	<b>542</b>	<b>526</b>	<b>501</b>	<b>496</b>
Short-term Debt	146	174	174	174	174
Current Portion of Long-Term Debt	0	80	0	79	0
Total Creditors	106	106	119	133	150
Other Current Liabilities	88	102	106	116	128
<b>Total Current Liabilities</b>	<b>340</b>	<b>463</b>	<b>399</b>	<b>502</b>	<b>452</b>
Total Long-term Debt	159	80	79	0	0
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	40	76	76	26	126
<b>Total Non-current Liabilities</b>	<b>199</b>	<b>156</b>	<b>155</b>	<b>26</b>	<b>126</b>
Total Provisions	6	3	3	3	3
<b>Total Liabilities</b>	<b>545</b>	<b>621</b>	<b>557</b>	<b>531</b>	<b>581</b>
Shareholders' Equity	663	645	725	811	868
Minority Interests	120	175	206	238	260
<b>Total Equity</b>	<b>783</b>	<b>820</b>	<b>931</b>	<b>1,049</b>	<b>1,129</b>

### Key Ratios

	Dec-11A	Dec-12A	Dec-13F	Dec-14F	Dec-15F
Revenue Growth	32.7%	4.4%	11.7%	11.7%	13.2%
Operating EBITDA Growth	44.2%	11.7%	9.7%	11.6%	13.7%
Operating EBITDA Margin	16.2%	17.3%	17.0%	17.0%	17.1%
Net Cash Per Share (Rp)	(199.6)	(190.5)	(158.5)	(154.9)	(102.5)
BVPS (Rp)	460.6	448.2	503.6	563.0	603.2
Gross Interest Cover	10.44	12.26	14.26	20.15	25.92
Effective Tax Rate	22.0%	22.1%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	54.3%	80.3%	69.9%	71.3%	83.1%
Accounts Receivables Days	62.32	69.62	68.60	68.61	68.17
Inventory Days	79.89	86.23	81.53	81.81	81.46
Accounts Payables Days	26.87	24.05	22.63	22.63	22.49
ROIC (%)	30.6%	26.3%	28.0%	29.7%	32.1%
ROCE (%)	33.9%	32.5%	34.2%	35.9%	39.0%

### Key Drivers

	Dec-11A	Dec-12A	Dec-13F	Dec-14F	Dec-15F
ASP (% chg, main prod./serv.)	7.9%	3.1%	5.0%	4.5%	4.5%
Unit sales grth (% , main prod./serv.)	8.3%	-1.9%	8.0%	8.0%	10.0%
Util. rate (% , main prod./serv.)	60.7%	59.5%	64.3%	69.4%	61.1%
ASP (% chg, 2ndary prod./serv.)	5.1%	6.9%	4.0%	5.0%	0.0%
Unit sales grth (% ,2ndary prod/serv)	3.8%	-9.7%	0.0%	0.0%	5.0%
Util. rate (% , 2ndary prod/serv)	43.5%	39.0%	40.1%	40.1%	42.1%
Unit raw mat ASP (%chg,main)	15.0%	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	20.4%	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	15.7%	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	63.6%	N/A	N/A	N/A	N/A

SOURCE: CIMB, COMPANY REPORTS

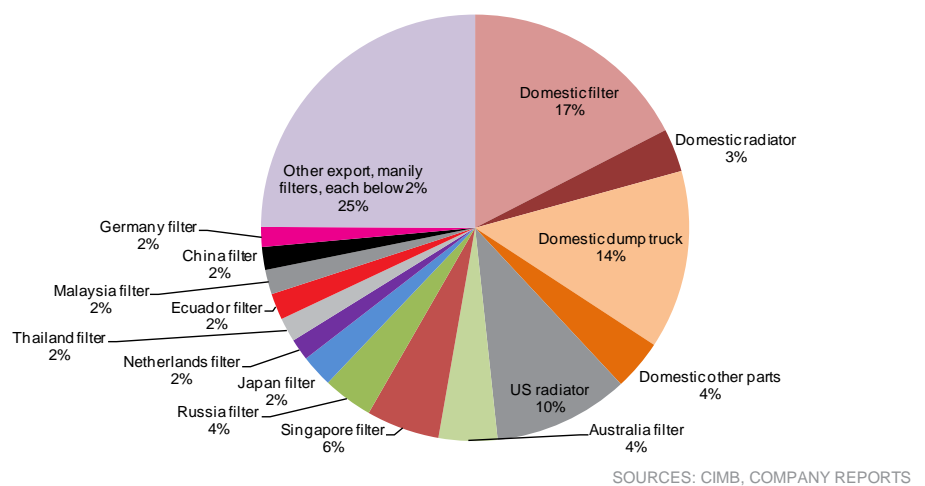
# Showing its resilience

## 1. OUTLOOK

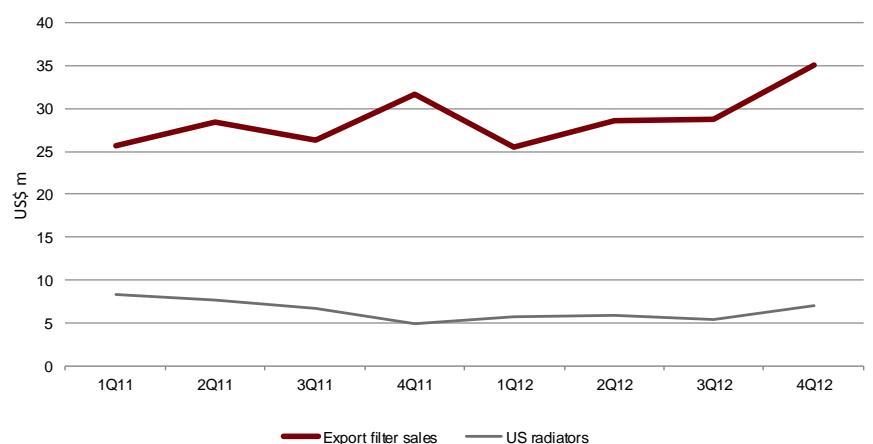
### 1.1 Recovery on the cards ▶

SMSM's recent FY12 results beat our and consensus expectations by 6-7% due largely to a sales recovery that arrived quicker and stronger than expected. Filter and radiator export sales, which are the most vulnerable to changing sentiments in the global markets, recovered in 4Q12 as foreign distributors became more optimistic about the 2013 outlook. Export sales grew 24% qoq or 10.2% yoy after languishing for most of the past year. Strong sales were seen across all export markets, including Asia, America and Europe, with the US seeing the strongest recovery. In addition, domestic sales rebounded to normal in 4Q12 (up 25% qoq) after plunging 24% qoq in 3Q12 due to a setback in the heavy equipment segment.

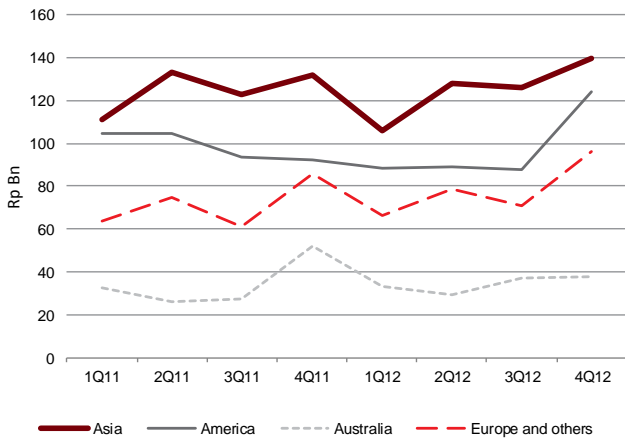
**Figure 1: The top revenue contributors: domestic filter sales, export filter sales, domestic dump truck sales and US radiator sales**



**Figure 2: The strong 4Q12 was led by strong export filter sales and recovery in US radiator sales**

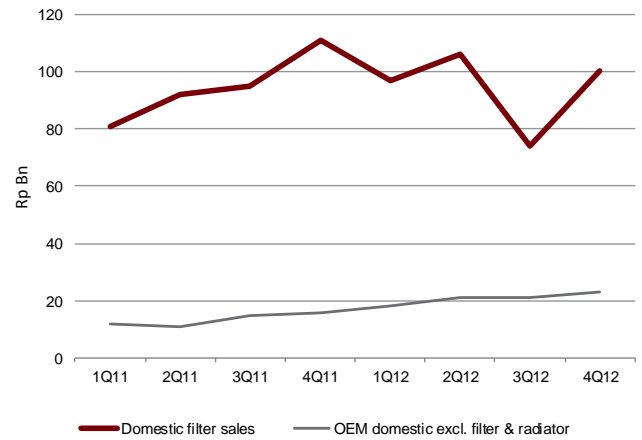


**Figure 3: Good sales momentum across all export regions**



SOURCES: CIMB, COMPANY REPORTS

**Figure 4: SMSM captured more market share for domestic OEM auto parts while the worst has passed for domestic heavy equipment replacement parts (dip in 3Q12)**



SOURCES: CIMB, COMPANY REPORTS

All in all, last year's overall organic sales growth amounted to only 3.5% while export growth inched up 1.2% and domestic organic growth jumped 8.1%. This sets a very modest base from which to grow in 2013. Positive signs have already been identified so far in 2013. SMSM has received new OES manufacturing contracts from leading global brands from the UK, France, Germany, Netherlands and the U.S. In addition, despite fears of a slowdown in domestic heavy-duty auto sales, new orders are already coming from Isuzu, prompting SMSM and its partner Tokyo Radiator to double their investments in their PT Tokyo Radiator Selamat Sempurna JV.

**Figure 5: Increased production plans for its Tokyo Radiator JV a positive demand sign**

	Original plan	Revised plan since February 2013
Joint venture company name	PT Tokyo Radiator Selamat Sempurna	
Total paid in capital	Rp17.2bn	Rp33.7bn
Shareholder composition	Tokyo Radiator Mfg. Co. Ltd. 67%, Selamat Sempurna 33%	
Products	Auto radiator and intercooler	
Production capacity	65,000 units of radiators / year 50,000 units of intercoolers / year	150,000 units of radiators / year 125,000 units of intercoolers / year
Market segment	Indonesian domestic OEM (Nissan, etc)	Indonesian domestic OEM (Nissan, Isuzu, etc)
2013F initial sales target (Apr to Dec)	Rp57bn	N/A
Start of commercial operation	Apr-13	Jun-13
Location	ADR industrial complex	

SOURCES: CIMB, COMPANY REPORTS

## 1.2 2013 looking up ▶

There are two main reasons why we are optimistic about 2013 growth, both of which were absent in 2012: 1) a fundamentally strong global economic outlook, and 2) modest inventory levels of SMSM distributors across the globe. Meanwhile, management believes that the period of destocking has passed and distributors are generally going into 2013 with more modest inventory levels. Distributors react to a positive outlook by quickly increasing their inventory levels but can also quickly reduce their inventory levels at signs of a slowdown, which for most of 2012 was the case.

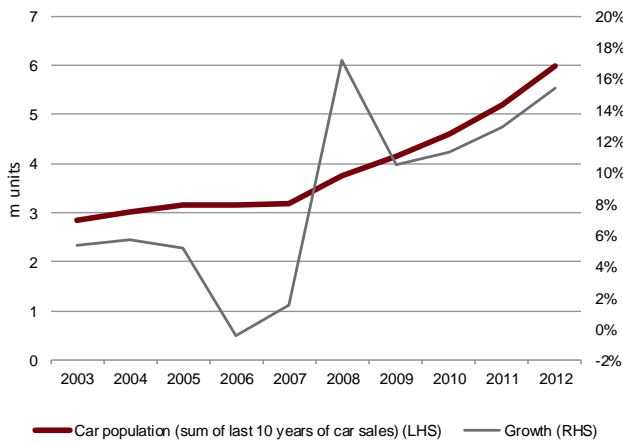
**Figure 6: Global economic outlook becoming more positive**

<i>Real GDP Growth %</i>	2011A	2012E	2013F	2014F	2015F
<b>World</b>	<b>2.7</b>	<b>2.3</b>	<b>2.4</b>	<b>3.1</b>	<b>3.3</b>
<b>High income</b>	<b>1.6</b>	<b>1.3</b>	<b>1.3</b>	<b>2.0</b>	<b>2.3</b>
OECD Countries	1.5	1.2	1.1	2.0	2.3
Euro Area	1.5	-0.4	-0.1	0.9	1.4
Japan	-0.7	1.9	0.8	1.2	1.5
United States	1.8	2.2	1.9	2.8	3.0
Non-OECD countries	5.0	2.9	3.5	3.8	3.8
<b>Developing countries</b>	<b>5.9</b>	<b>5.1</b>	<b>5.5</b>	<b>5.7</b>	<b>5.8</b>
East Asia and Pacific	8.3	7.5	7.9	7.6	7.5
China	9.3	7.9	8.4	8.0	7.9
Indonesia	6.5	6.1	6.3	6.6	6.6
Thailand	0.1	4.7	5.0	4.5	4.5
Europe and Central Asia	5.5	3.0	3.6	4.0	4.3
Russia	4.3	3.5	3.6	3.9	3.8
Turkey	8.5	2.9	4.0	4.5	5.0
Romania	2.5	0.6	1.6	2.2	3.0
Latin America and Caribbean	4.3	3.0	3.5	3.9	3.9
Brazil	2.7	0.9	3.4	4.1	4.0
Mexico	3.9	4.0	3.3	3.6	3.6
Argentina	8.9	2.0	3.4	4.1	4.0
Middle East and N. Africa	-2.4	3.8	3.4	3.9	4.3
Egypt	1.8	2.2	2.6	3.8	4.7
Iran	1.7	-1.0	0.6	1.6	2.8
Algeria	2.5	3.0	3.4	3.8	4.3
South Asia	7.4	5.4	5.7	6.4	6.7
India	6.9	5.1	6.1	6.8	7.0
Pakistan	3.0	3.7	3.8	4.0	4.2
Bangladesh	6.7	6.3	5.8	6.2	6.5
Sub-Saharan Africa	4.5	4.6	4.9	5.1	5.2
South Africa	3.1	2.4	2.7	3.2	3.3
Nigeria	6.7	6.5	6.6	6.4	6.3
Angola	3.4	8.1	7.2	7.5	7.8

SOURCES: WORLD BANK (January 2013)

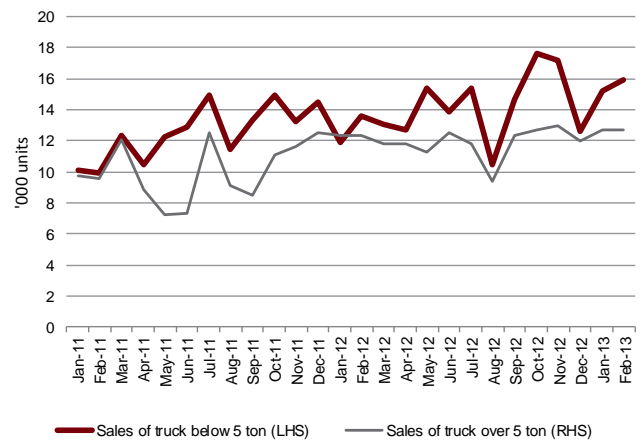
Domestically, SMSM is aiming to open two new branches in Kalimantan (Samarinda) and Sulawesi (Makassar), bringing the total to eight branches as of January 2013. These two markets have historically been handled by the East Java office, which management has deemed sub-optimal. Strong domestic auto parts prospects, both in the OEM and replacement segments, should more than offset the slowdown in the heavy equipment segment. SMSM has bagged contracts for Low Cost Green Car parts from Nissan (and potentially Suzuki) and increased the capacity of its JV with Tokyo Radiator to meet new orders from Isuzu.

**Figure 7: A quickly increasing domestic car population is a strong growth catalyst. SMSM captures around 40% of the replacement car filter market in Indonesia**



SOURCES: CIMB, COMPANY REPORTS

**Figure 8: Heavy-duty truck sales still languishing but have normalised after a bad 2012**

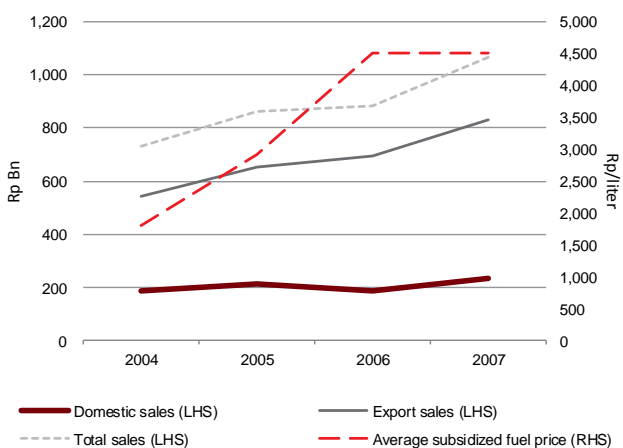


SOURCES: CIMB, COMPANY REPORTS

### 1.3 Resilient against domestic concerns

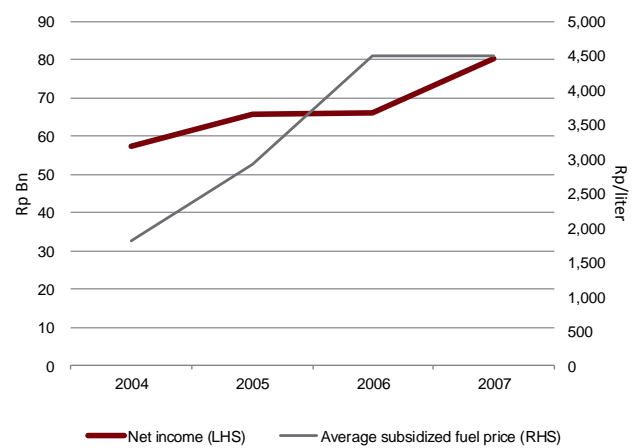
An export-oriented make-up allows SMSM to weather domestic risks, such as inflation, a weakening rupiah and fuel subsidy reduction. When the price of subsidised 'premium' fuel increased 149% from Rp1,810 to Rp4,500 per litre, SMSM managed to record sales CAGR and net profit CAGR of 9.8% and 7.4%, respectively. This can partly be explained by SMSM's larger exposure to exports, where growth was unaffected by the fuel price increase. Domestic sales held on fairly well, staying flat during 2004-2006 before coming back strongly in 2007.

**Figure 9: SMSM still recorded sales growth CAGR of 9.8% when subsidised fuel prices increased 149% in 2005-2006...**



SOURCES: CIMB, COMPANY REPORTS

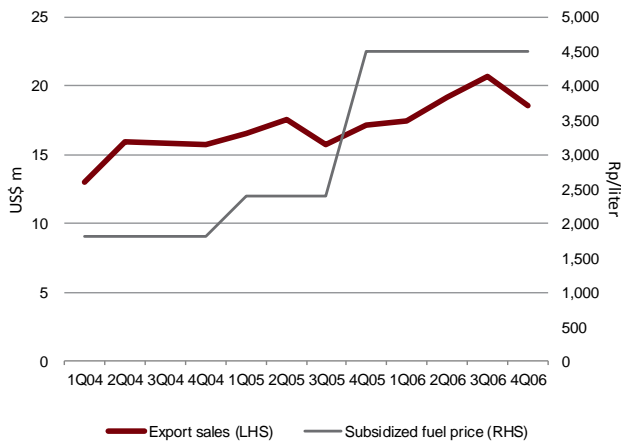
**Figure 10: ... while net profit posted 7.4% CAGR**



SOURCES: CIMB, COMPANY REPORTS

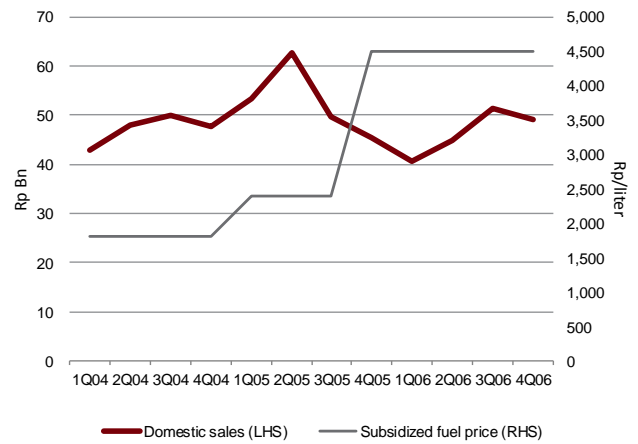


**Figure 11: Export sales growth was pretty much unaffected...**



SOURCES: CIMB, COMPANY REPORTS

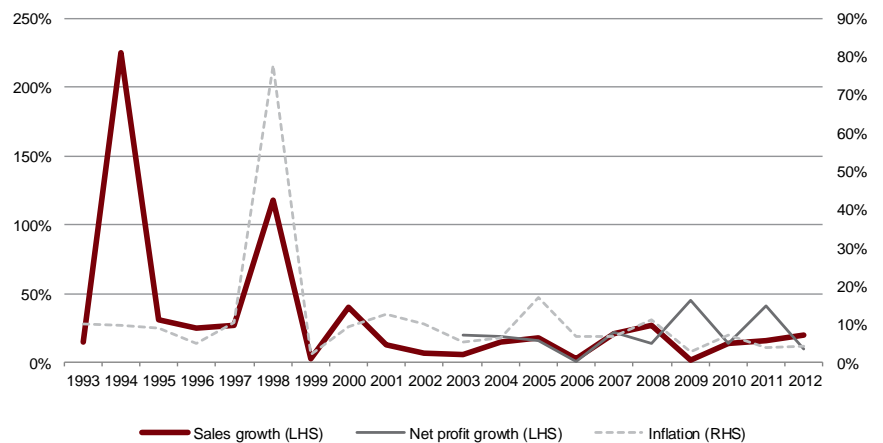
**Figure 12: ... acting as a buffer against slowdown in domestic sales**



SOURCES: CIMB, COMPANY REPORTS

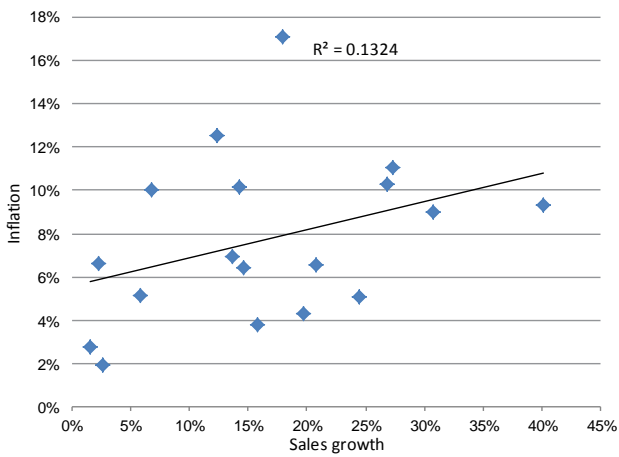
Likewise, SMSM's sales and earnings performance is generally insulated against inflation due to its export exposure. On the other hand, SMSM will benefit from the weakening of the rupiah given its net US\$ exposure. As shown in the chart below, we forecast a 2.4% positive impact on net profit for every 1% depreciation of the rupiah against the US\$. The gross margin reached record levels in 2012 due to the weakening rupiah and benign steel prices.

**Figure 13: Due to SMSM's export exposure, the impact of inflation on total sales, if any, is small**



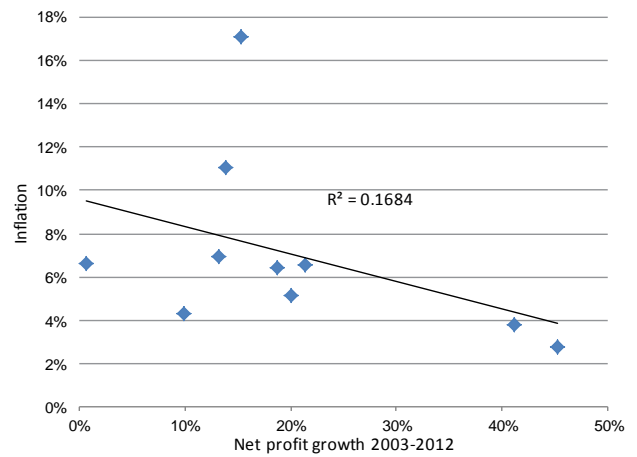
SOURCES: CIMB, COMPANY REPORTS

**Figure 14: Regression analysis: growth in sales cannot be sufficiently explained by inflation**



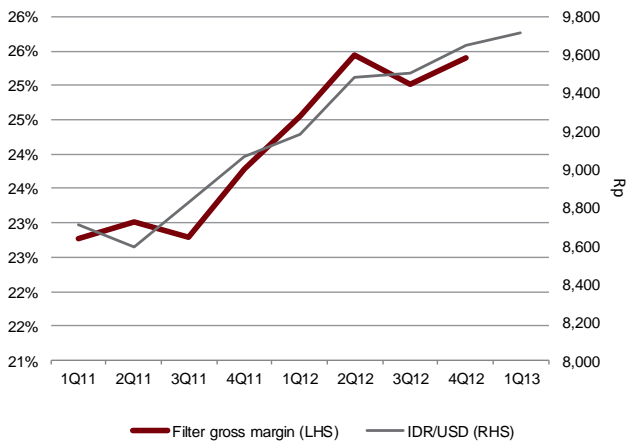
SOURCES: CIMB, COMPANY REPORTS

**Figure 15: Regressions analysis: Likewise, growth in profit cannot be sufficiently explained by inflation**



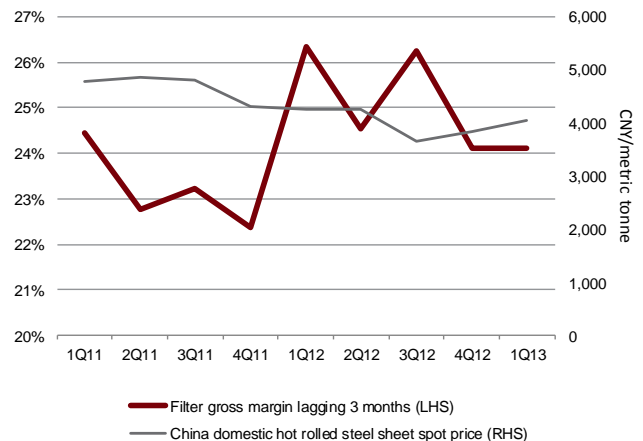
SOURCES: CIMB, COMPANY REPORTS

**Figure 16: A weak rupiah pushed SMSM's gross margin to record levels...**



SOURCES: CIMB, COMPANY REPORTS

**Figure 17: ... assisted by relatively low steel prices**



SOURCES: CIMB, COMPANY REPORTS

**Figure 18: Our sensitivity analysis suggests that SMSM's net profit could rise 2.4% for every 1% depreciation in the rupiah against the US\$, ceteris paribus**

	in m US\$
Estimated US\$ sales	174
Estimated US\$ COGS	(78)
Currency forward hedge	(13)
<b>Net US\$ exposure</b>	<b>83</b>
2013F net profit (Rp Bn)	266
<b>Impact to net profit for every 1% of Rp weakness against US\$</b>	<b>2.4%</b>
Base average IDR/USD assumption (Rp)	9,771

SOURCES: CIMB, COMPANY REPORTS

### 1.4 Dividend outlook is positive ►

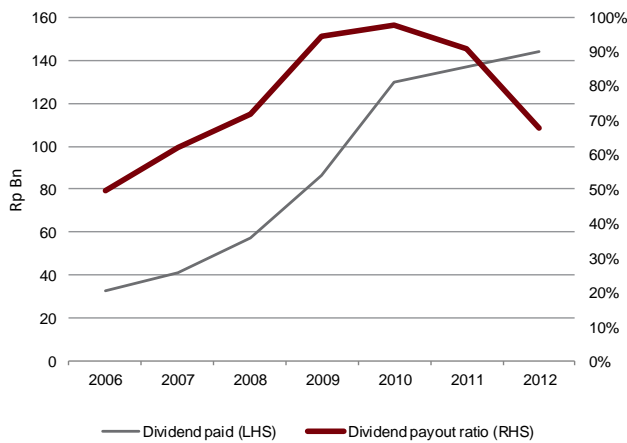
SMSM is planning to disburse a final dividend payment after its AGM in June. The final dividend pay-out is expected to be at least Rp20 per share, consistent with management guidance that it will increase the nominal dividend paid each

year. SMSM paid out 49% of its 2012 net profit as interim dividends last year. 2013 capex is expected to be a tame Rp100bn-120bn as capacity utilisation is still well below 70%. Capex would be funded by internal cash (2013 EBITDA is Rp526bn) and leverage is expected to be stable in 2013.

## 2. VALUATION AND RECOMMENDATION ▶

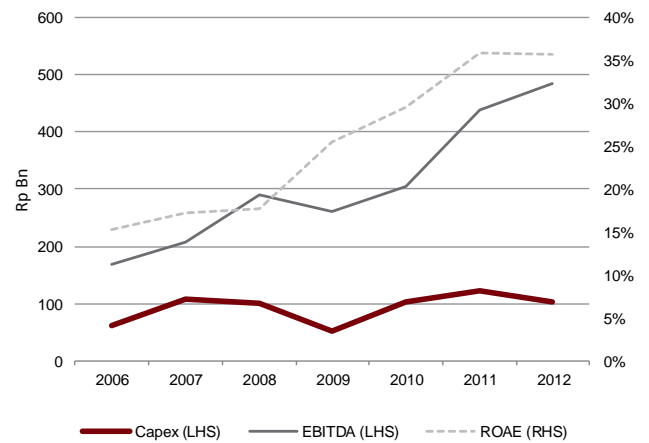
We continue to like this company for its track record of managing internal and external risk factors and consistently delivering growth. A very disciplined capital management, through measured capital spending and strong dividend pay-outs, should allow ROAE to continue to go up. We reiterate our Outperform rating.

**Figure 19: Dividends paid are increasing each year. The apparent blip in the pay-out ratio last year was mainly because of the Hydraxle acquisition**



SOURCES: CIMB, COMPANY REPORTS

**Figure 20: Strong cash generation and low capex requirement should assist SMSM's aspiration to increase nominal dividend payments each year**



SOURCES: CIMB, COMPANY REPORTS

**Figure 21: Regional sector comparison**

Peers ticker	Market cap (US\$ m)	Name	Main products	FY13F P/E (x)	FY14F P/E (x)	2012-2013		2013F dividend yield	2013F ROAE
						EPS Growth	EPS		
SMSM IJ	376	Selamat Sempurna	Filter and radiator	14.1	12.3	15.0%	5.1%	37.9%	
AUTO IJ	1,542	Astra Otoparts	Various auto part	16.1	13.6	-11.4%	2.7%	18.5%	
MASA IJ	386	Multistrada Arah Sarana	Automotive tires	10.4	10.4	N/A	0.0%	8.1%	
GJTL IJ	947	Gajah Tunggal	Automotive tires	8.1	6.9	0.5%	0.5%	19.0%	
<b>Indonesian auto parts average</b>				<b>12.2</b>	<b>10.8</b>	<b>1.4%</b>	<b>2.1%</b>	<b>20.9%</b>	
ASII IJ	31,968	Astra International	Cars, heavy equipment	15.0	12.7	5.7%	2.8%	26.8%	
<b>Total Indonesian average</b>				<b>12.7</b>	<b>11.2</b>	<b>2.5%</b>	<b>2.2%</b>	<b>22.1%</b>	
<b>Thailand and Malaysia</b>									
STANLY TB	623	Thai Stanley Electric	Automotive light bulbs	11.0	9.8	86.7%	3.0%	17.4%	
SAT TB	383	Somboon Advance Technology	Axle shafts, spring, brakes	11.1	9.7	24.7%	3.3%	20.6%	
IHL TB	102	Interhides	Leather automotive upholstery	10.9	9.3	10.2%	4.8%	27.6%	
AH TB	248	Aapico Tech	Car assembly jigs and dies	10.6	9.3	-25.0%	3.7%	14.3%	
APM MK	322	APM Automotive Holdings	Various auto parts	8.7	8.3	-0.4%	5.3%	13.1%	
<b>Thai and Malaysian auto parts average</b>				<b>10.5</b>	<b>9.3</b>	<b>19.2%</b>	<b>4.0%</b>	<b>18.6%</b>	
<b>Other global peers</b>									
CLC US	2,528	Clarcor Inc	Industrial and auto filters	19.9	18.0	6.0%	1.1%	13.3%	
DCI US	5,137	Donaldson Co Inc	Filtration system and parts	20.5	18.1	-1.3%	1.0%	25.4%	
<b>Average others</b>				<b>20.2</b>	<b>18.1</b>	<b>2.4%</b>	<b>1.0%</b>	<b>19.4%</b>	
<b>Average - ALL</b>				<b>13.0</b>	<b>11.5</b>	<b>10.1%</b>	<b>2.8%</b>	<b>20.2%</b>	

SOURCES: CIMB, COMPANY REPORTS

**Figure 22: 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 2013	CY 2014	CY 2015	CY 2013	CY 2014	CY 2013	CY 2014
Astra International	ASII IJ	NEUTRAL	7,700	9,000	31,968	15.0	12.7	11.0%	3.75	3.17	26.8%	26.9%	25.3%	11.1	9.1	2.8%	3.0%
Selamat Sempurna	SMSM IJ	OUTPERFORM	2,550	2,900	376	14.1	12.3	13.4%	5.06	4.53	37.9%	38.8%	40.8%	9.9	8.9	5.1%	5.8%
<b>Indonesia average</b>						<b>14.6</b>	<b>12.5</b>	<b>12.2%</b>	<b>4.41</b>	<b>3.85</b>	<b>32.3%</b>	<b>32.9%</b>	<b>33.0%</b>	<b>10.5</b>	<b>9.0</b>	<b>3.9%</b>	<b>4.4%</b>
Tan Chong Motor Holdings	TCM MK	NEUTRAL	5.19	5.38	1,108	10.5	9.3	30.7%	1.58	1.39	16.1%	16.0%	14.5%	7.5	7.0	2.7%	2.9%
UMW Holdings	UMWH MK	OUTPERFORM	13.32	14.45	5,090	11.9	11.2	14.5%	2.98	2.69	26.6%	25.2%	24.0%	6.2	6.0	5.0%	5.3%
<b>Malaysia average</b>						<b>11.2</b>	<b>10.3</b>	<b>22.6%</b>	<b>2.28</b>	<b>2.04</b>	<b>21.4%</b>	<b>20.6%</b>	<b>19.3%</b>	<b>6.9</b>	<b>6.5</b>	<b>3.8%</b>	<b>4.1%</b>
Brilliance China Automotive	1114 HK	NEUTRAL	9.02	11.00	5,839	11.3	9.5	21.3%	2.90	2.22	29.3%	26.4%	22.7%	na	na	0.0%	0.0%
Dongfeng Motor Group	489 HK	OUTPERFORM	10.68	16.00	11,852	6.7	6.3	9.4%	1.19	1.03	19.1%	17.5%	16.0%	2.3	1.5	2.0%	2.2%
Geely Automobile Holdings	175 HK	OUTPERFORM	3.49	4.50	3,714	8.9	7.5	11.6%	1.53	1.29	18.9%	19.0%	16.4%	6.9	5.5	1.3%	1.6%
Great Wall Motor	2333 HK	UNDERPERFORM	25.75	22.00	13,404	11.9	11.5	-1.5%	2.48	2.13	22.6%	20.0%	17.3%	7.5	6.9	2.2%	2.3%
Guangzhou Auto - H	2238 HK	NEUTRAL	5.96	5.90	5,435	11.2	7.8	45.9%	0.95	0.88	8.8%	11.6%	11.9%	na	na	4.3%	6.2%
Qingling Motors Company-H	1122 HK	OUTPERFORM	1.99	2.29	636	11.1	10.0	12.1%	0.54	0.53	4.9%	5.3%	5.8%	5.2	4.8	7.5%	8.4%
Mintch Group	425 HK	NEUTRAL	11.82	9.80	1,641	11.0	9.7	11.8%	1.39	1.26	13.2%	13.5%	14.1%	5.8	4.9	2.9%	3.3%
Weichai Power Co Ltd-H	2338 HK	NEUTRAL	25.60	28.60	6,754	10.3	8.6	13.7%	1.18	1.04	12.1%	12.9%	12.8%	5.0	4.3	0.3%	0.3%
<b>Hong Kong average</b>						<b>10.3</b>	<b>8.9</b>	<b>15.5%</b>	<b>1.52</b>	<b>1.30</b>	<b>16.1%</b>	<b>15.8%</b>	<b>14.6%</b>	<b>5.4</b>	<b>4.7</b>	<b>2.6%</b>	<b>3.0%</b>
<b>Average all countries</b>						<b>11.2</b>	<b>9.7</b>	<b>16.2%</b>	<b>2.13</b>	<b>1.85</b>	<b>19.7%</b>	<b>19.4%</b>	<b>18.5%</b>	<b>6.7</b>	<b>5.9</b>	<b>3.0%</b>	<b>3.4%</b>

SOURCES: CIMB, COMPANY REPORTS

## DISCLAIMER

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the "Restrictions on Distributions" set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

Unless otherwise specified, this report is based upon sources which CIMB considers to be reasonable. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research.

Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of CIMB or its affiliates to any person to buy or sell any investments.

CIMB, its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

CIMB or its affiliates may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CIMB may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. CIMB prohibits the analyst(s) who prepared this research report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

Reports relating to a specific geographical area are produced by the corresponding CIMB entity as listed in the table below. The term "CIMB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, CIMB Group Holdings Berhad ("CIMBGH") and its affiliates, subsidiaries and related companies.

Country	CIMB Entity	Regulated by
Australia	CIMB Securities (Australia) Limited	Australian Securities & Investments Commission
Hong Kong	CIMB Securities Limited	Securities and Futures Commission Hong Kong
Indonesia	PT CIMB Securities Indonesia	Badan Pengawas Pasar Modal & Lembaga Keuangan (Bapepam)
India	CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)
Malaysia	CIMB Investment Bank Berhad	Securities Commission Malaysia
Singapore	CIMB Research Pte. Ltd.	Monetary Authority of Singapore
South Korea	CIMB Securities Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Thailand	CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

(i) As of April 8, 2013 CIMB has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) Dongfeng Motor Group, Tan Chong Motor Holdings, UMW Holdings, Weichai Power Co Ltd-H

(ii) As of April 9, 2013, the analyst(s) who prepared this report, has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report. CIMB may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. CIMB is under no obligation to update this report in the event of a material change to the information contained in this report. This report does not purport to contain all the information that a prospective investor may require. CIMB or any of its affiliates does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. Neither CIMB nor any of its affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CIMB and its affiliates' clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments thereof.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

**Australia:** Despite anything in this report to the contrary, this research is provided in Australia by CIMB Securities (Australia) Limited ("CSAL") (ABN 84 002 768 701, AFS Licence number 240 530). CSAL is a Market Participant of ASX Ltd, a Clearing Participant of ASX Clear Pty Ltd, a Settlement Participant of ASX Settlement Pty Ltd, and a participant of Chi X Australia Pty Ltd. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cth)) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. This research has been prepared without taking into account the objectives, financial situation or needs of the individual recipient.

**France:** Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

**Hong Kong:** This report is issued and distributed in Hong Kong by CIMB Securities Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities Limited. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected.

CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CHK. Unless permitted to do so by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the securities covered in this report, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong).

**India:** This report is issued and distributed in India by CIMB Securities (India) Private Limited ("CIMB India") which is registered with SEBI as a stock-broker under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 and in accordance with the provisions of Regulation 4 (g) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013. CIMB India is not required to seek registration with SEBI as an Investment Adviser.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of CIMB India and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by CIMB India or its affiliates.

**Indonesia:** This report is issued and distributed by PT CIMB Securities Indonesia ("CIMBI"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBI has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMBI. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBI. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesia residents except in compliance with applicable Indonesian capital market laws and regulations.

**Malaysia:** This report is issued and distributed by CIMB Investment Bank Berhad ("CIMB"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMB. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

**New Zealand:** In New Zealand, this report is for distribution only to persons whose principal business is the investment of money or who, in the course of, and for the purposes of their business, habitually invest money pursuant to Section 3(2)(a)(ii) of the Securities Act 1978.

**Singapore:** This report is issued and distributed by CIMB Research Pte Ltd ("CIMBR"). Recipients of this report are to contact CIMBR in Singapore in respect of any matters arising from, or in connection with, this report. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBR has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only. If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMBR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBR.

As of April 8, 2013, CIMBR does not have a proprietary position in the recommended securities in this report.

**South Korea:** This report is issued and distributed in South Korea by CIMB Securities Limited, Korea Branch ("CIMB Korea") which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea.

The views and opinions in this research report are our own as of the date hereof and are subject to change, and this report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial investment instruments and it is not intended as a solicitation for the purchase of any financial investment instrument.

This publication is strictly confidential and is for private circulation only, and no part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB Korea.

**Sweden:** This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

**Taiwan:** This research report is not an offer or marketing of foreign securities in Taiwan. The securities as referred to in this research report have not been and will not be registered with the Financial Supervisory Commission of the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold within the Republic of China through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Law of the Republic of China that requires a registration or approval of the Financial Supervisory Commission of the Republic of China.

**Thailand:** This report is issued and distributed by CIMB Securities (Thailand) Company Limited (CIMBS). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBS has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMBS. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBS.

#### Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

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

**United Arab Emirates:** The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

**United Kingdom and Europe:** In the United Kingdom and European Economic Area, this report is being disseminated by CIMB Securities (UK) Limited ("CIMB UK"). CIMB UK is authorised and regulated by the Financial Services Authority and its registered office is at 27 Knightsbridge, London, SW1X 7YB. This report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are persons that are eligible counterparties and professional clients of CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"); (c) are persons falling within Article 49 (2) (a) to (d) ("high net worth companies, unincorporated associations etc") of the Order; (d) are outside the United Kingdom; or (e) are persons to whom an invitation or inducement to

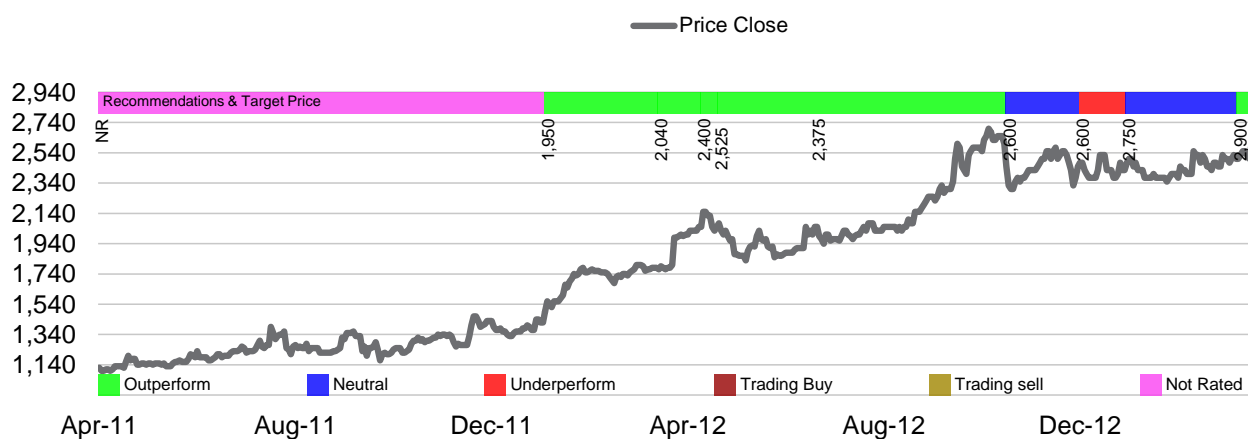
engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with any investments to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Only where this report is labelled as non-independent, it does not provide an impartial or objective assessment of the subject matter and does not constitute independent "investment research" under the applicable rules of the Financial Services Authority in the UK. Consequently, any such non-independent report will not have been prepared in accordance with legal requirements designed to promote the independence of investment research and will not be subject to any prohibition on dealing ahead of the dissemination of investment research.

**United States:** This research report is distributed in the United States of America by CIMB Securities (USA) Inc, a U.S.-registered broker-dealer and a related company of CIMB Research Pte Ltd, CIMB Investment Bank Berhad, PT CIMB Securities Indonesia, CIMB Securities (Thailand) Co. Ltd, CIMB Securities Limited, and is distributed solely to persons who qualify as "U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors whose ordinary business activities involve investing in shares, bonds and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major Institutional Investor must not rely on this communication. The delivery of this research report to any person in the United States of America is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. CIMB Securities (USA) Inc, is a FINRA/SIPC member and takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CIMB Securities (USA) Inc.

**Other jurisdictions:** In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Spitzer Chart for stock being researched ( 2 year data )



Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2013		
984 companies under coverage		
	Rating Distribution (%)	Investment Banking clients (%)
Outperform/Buy/Trading Buy	50.9%	8.1%
Neutral	35.2%	4.8%
Underperform/Sell/Trading Sell	13.9%	5.9%

**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, **TICON** – Good, **TISCO** - Excellent, **TMB** - Excellent, **TOP** - Excellent, **TRUE** - Very Good, **TUF** - Very Good, **WORK** – Good.