

EQUITY RESEARCH

Cement Sector

Update

Overweight

Stocks

Indocement
Holcim
Semen Gresik

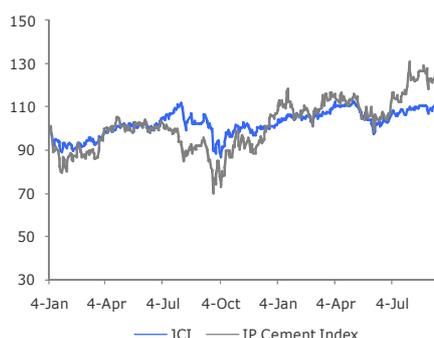
Ticker

INTP
SMCB
SMGR

IP Cement Basket Index Performance

	3 M	6 M	12 M
Absolute (%)	19%	14%	33%
Relative to JCI (%)	12%	10%	29%

IP Cement Basket vs JCI



IP Cement Basket is an index that consists of INTP, SMCB and SMGR.
Source: Bloomberg

Agus Pramono, CFA
agus.pramono@ipc.co.id

Seasonality kicked-in

- Aug12 domestic cement sales volume dropped by 25.2% mom due to shorter working days.
- In 8M12 cement sales still grew by 12.6% yoy.
- Semen Gresik showed an improvement with lowest sales decline in Aug12.
- Overweight, maintain Indocement (INTP) as our top pick.

Aug12 cement sales were actually not comparable due to shorter working days during Eid Festival. Aug12 sales dropped by 25.2% mom, however, cement sales grew by 12.6% yoy in 8M12. We are still upbeat with the cement sales on the back of strong property sales and infrastructure development. Even if Bank Indonesia issues a regulation to slow down property sales, we believe that new infrastructure projects will provide some cushion against the decline. Maintain Overweight with top pick Indocement (INTP; TP: Rp22,700 implying 15.2x FY13 P/E).

Sales decline due to Eid Festival. We believe Aug12 cement sales did not reflect the expected cement sales in FY12 due to shorter working days during the month. Aug12 domestic cement sales volume dropped by 25.2% mom as there were official 4 days of holidays between 17-22 Aug in which most property and infrastructure projects stopped construction works for around two weeks. Yet, 8M12 cement sales still grew by 12.6% yoy. As a comparison, cement sales grew by 13.1% yoy in 8M11, as Eid Festival was at the end of Aug11. However, we saw 2 months of low cement sales in Aug11 (-17.7% mom) and Sep11 (+6.6% mom), before it accelerated in Oct11 (+21.5% mom). Hence, we think that 9M12 sales, rather than 8M12 sales, will provide a better picture of cumulative growth, relative to previous year growth.

Semen Gresik posted the lowest decline in Aug12. Semen Gresik sold 1,545k tons in Aug 12 (-22.4% mom), as all SMGR's plants registered lower sales declines. Semen Tonasa booked the lowest sales decline of 7.4% mom as cement sales in Sulawesi slipped by only 11.5% mom, lower than other islands. The lower decline in cement sales in Sulawesi can also be seen from sales of Semen Bosowa (+10.3% mom) that also operates in Sulawesi. Indocement and Holcim posted 31.5% and 32.0% mom decline in Aug12 so that in 8M12, Indocement and Holcim booked 16.5% and 12.4% yoy sales growth respectively. Both companies still posted higher growth than Semen Gresik's 11.9% yoy in 8M12. However, we have started to see some improvement from Semen Gresik following the operation of the new Tuban plant.

Maintain Overweight. We are still upbeat with the cement sales on the back of strong property sales and infrastructure development. Even if Bank Indonesia issues a regulation to slow down property sales, we believe that new infrastructure projects will provide some cushion against the decline. We maintain our 12% estimate for cement sales growth in FY12. INTP is our top pick in the sector on the back of its production capacity expansion, the lowest capacity utilization and consistent performance with the highest EBITDA margin of 37%-40% in FY11-14F. Our target price is Rp22,700 implying 15.2x FY13F P/E.

Ticker	Rec	Price (Rp)	Target (Rp)	P/E		EV/EBITDA		ROE FY12F	Market Cap (Rpb)
				FY12F	FY13F	FY12F	FY13F		
INTP	Buy	20,000	22,700	13.4	11.8	9.6	8.3	25%	73,625
SMCB	Hold	2,650	2,800	18.1	13.8	8.7	6.6	13%	20,307
SMGR	Hold	13,000	12,700	16.0	13.1	10.5	8.4	28%	77,110

Source: Bloomberg, the Companies, IndoPremier

Cement Sector

Cement Production

FYE Dec ('000 tonnes)	Jul-12	Aug 12	mom	8M11	8M12	yoy
Semen Andalas	165	126	-23.7	1,171	1,109	-5.3
Semen Baturaja	112	89	-20.3	825	831	0.8
Indocement	1,519	1,040	-31.5	9,533	11,110	16.5
Holcim	782	532	-32.0	4,786	5,378	12.4
Semen Bosowa	221	243	10.3	1,795	1,901	5.9
Semen Kupang	23	26	13.6	6	149	2,505.3
Semen Padang	561	420	-25.1	3,651	4,125	13.0
Semen Gresik	1,049	773	-26.3	6,275	6,974	11.1
Semen Tonasa	379	351	-7.4	2,433	2,726	12.1
Sub Total SMGR	1,990	1,545	-22.4	12,359	13,825	11.9
Total	4,811	3,601	-25.2	30,474	34,303	12.6

Source: ASI

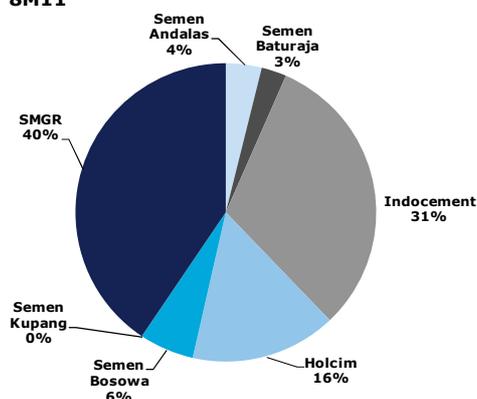
Cement Demand

FYE Dec ('000 tonnes)	Jul-12	Aug-12	mom	8M11	8M12	yoy
Jakarta	446.2	276.5	-38.0	3,025	3,207	6.0
West Java	1,037.1	702.5	-32.3	6,186	7,028	13.6
Central Java	597.0	434.4	-27.2	3,340	3,816	14.3
Yogyakarta	77.5	54.1	-30.2	486	513	5.7
East Java	635.1	440.5	-30.6	3,718	4,297	15.6
Sub Total Java	2,792.9	1,908.0	-31.7	16,755	18,861	12.6
Sumatera	996.2	760.2	-23.7	7,123	7,578	6.4
Kalimantan	305.5	295.2	-3.4	2,148	2,582	20.2
Sulawesi	318.1	281.6	-11.5	2,198	2,493	13.4
Nusa Tenggara	301.5	238.9	-20.8	1,704	1,990	16.8
East Indonesia	97.2	117.4	20.8	546	799	46.4
Total	4,811.4	3,601.3	-25.2	30,474	34,303	12.6

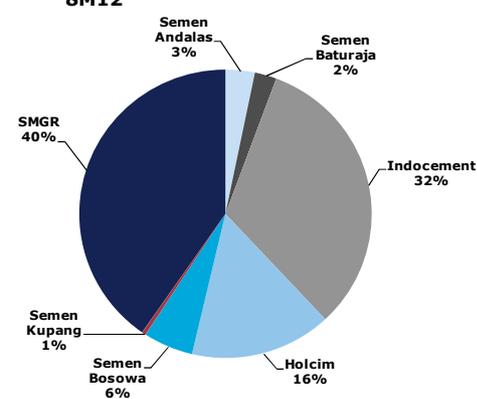
Source: ASI

Market Share

8M11



8M12



Source: ASI

PT INDOPREMIER SECURITIES
Wisma GKBI 7/F Suite 718
Jl. Jend. Sudirman No.28
Jakarta 10210 - Indonesia
p +62.21.5793.1168
f +62.21.5793.1167

Research

Agus Pramono, CFA	Head of Research, Banking, Automotive and Cement	agus.pramono@ipc.co.id
Alice Lie	Property	alice.lie@ipc.co.id
Handoko Wijoyo	Energy and Telecommunication	hwijoyo@ipc.co.id
Jovent Giovanni	Banking and Multifinance	jovent.giovanny@ipc.co.id
Willy Gunawan	Plantation and Consumer	willy.g@ipc.co.id
Seto Wardono	Senior Economist	seto.wardono@ipc.co.id
Ikhsan Binarto	Technical	ikhsan.binarto@ipc.co.id
Dang Maulida	Fixed Income	dang.maulida@ipc.co.id
Dedikasi Sitorus	Fixed Income	dedikasi.sitorus@ipc.co.id

Institutional Sales & Private Client

Benny Soebagjo	benny.soebagjo@ipc.co.id
Alexander Salim	alexander.salim@ipc.co.id
Angkula Ruriawan	angkula.ruriawan@ipc.co.id
Henry Sutanto	henry.sutanto@ipc.co.id

INVESTMENT RATINGS

Buy : Expected total return of 10% or more within a 12-month period
Hold: Expected total return between -10% and 10% within a 12-month period
Sell : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION. The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

DISCLAIMER: This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT. Indo Premier Securities or its affiliates may be involved in transactions contrary to any opinion herein to make markets, or have positions in the securities recommended herein. PT. Indo Premier Securities or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.