



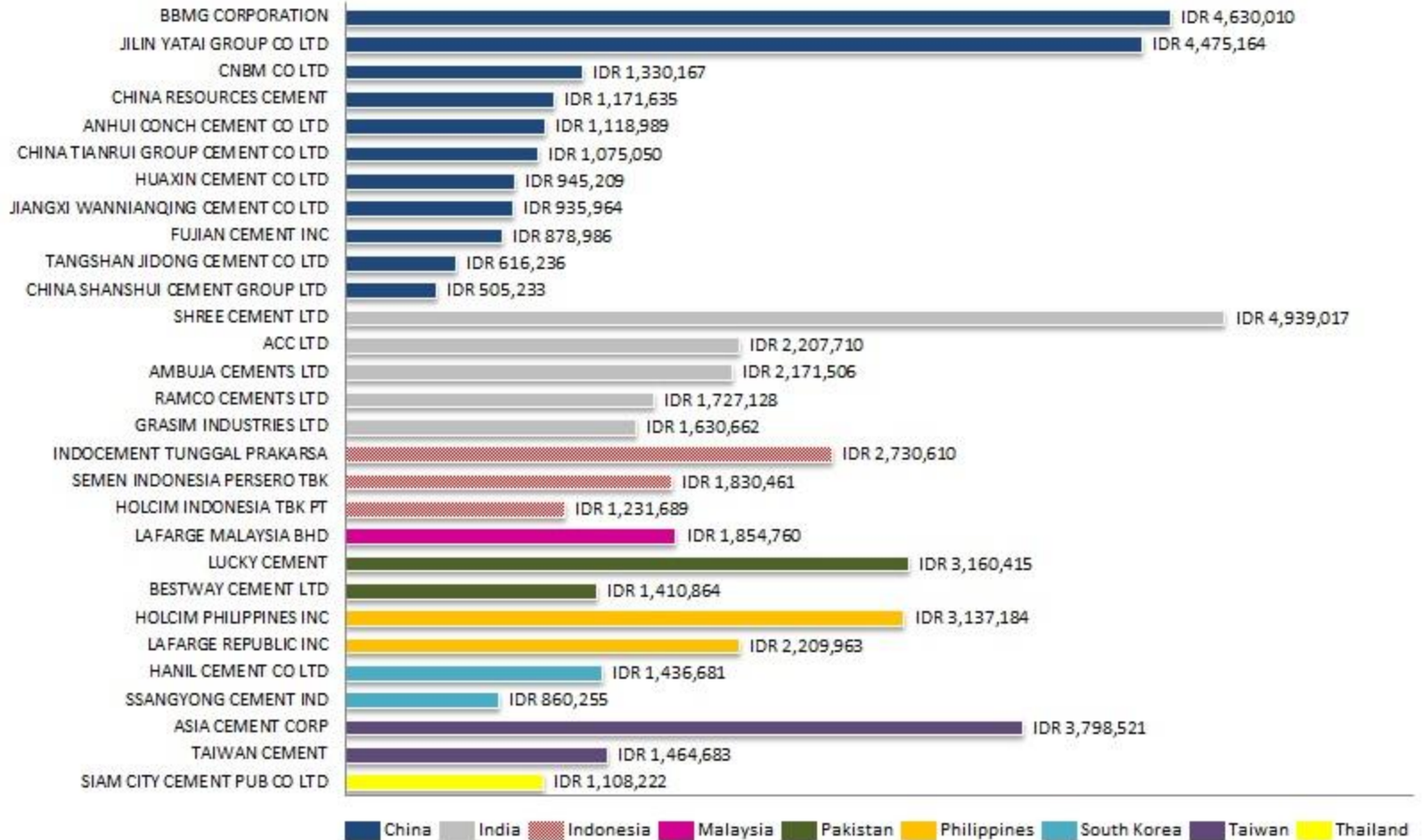
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# **Cement**

by Sinarmas Investment Research

# Cement Industry

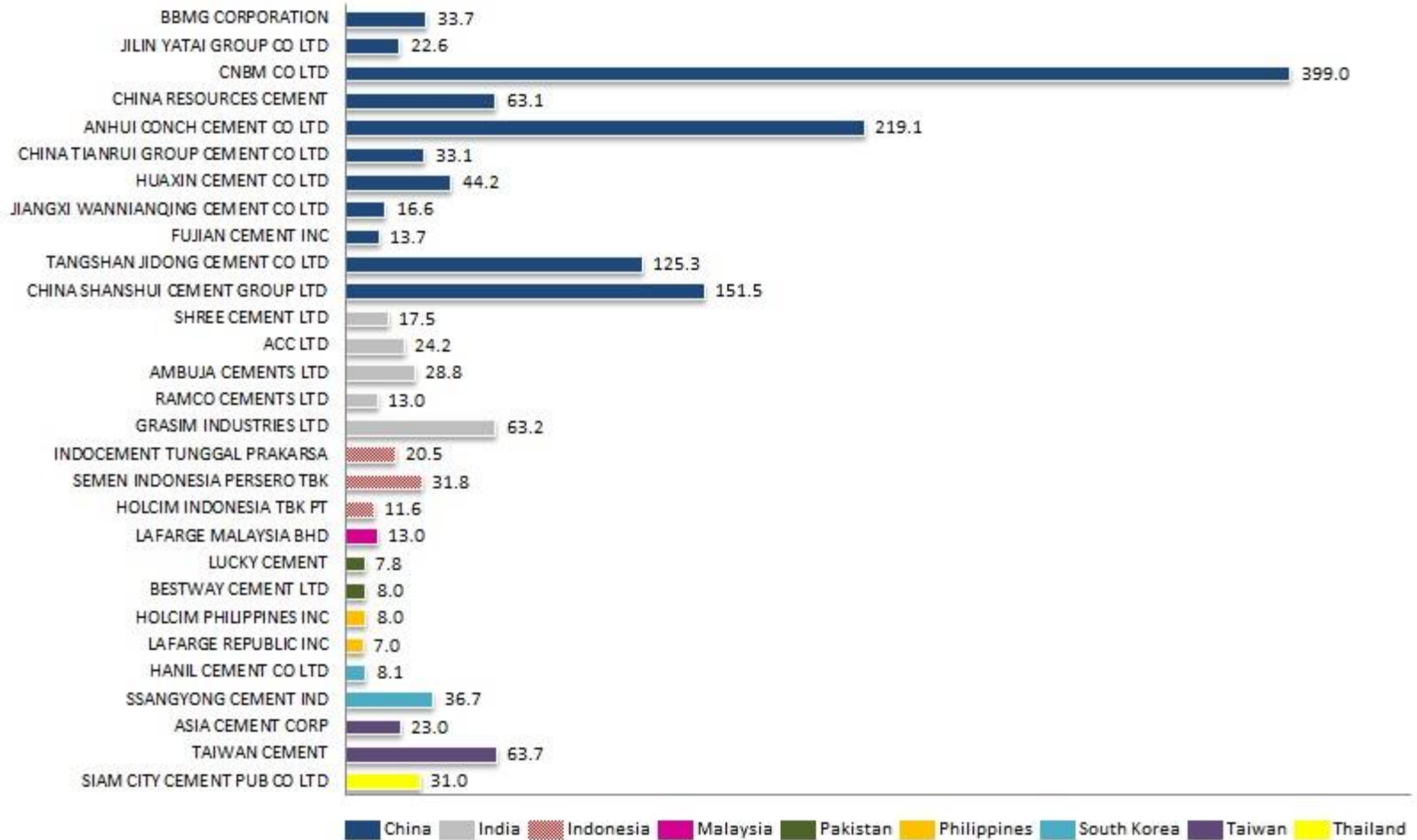
## Relative Peers Valuation (EV/Tonne)



Source: Bloomberg, Sinar Mas Investment Research

# Despite How Indonesia Cement's EV/Tonne May Appeal, Inferior Capacities Have Shown That, at the Current Level, Cement Industry is Still Under-Invested

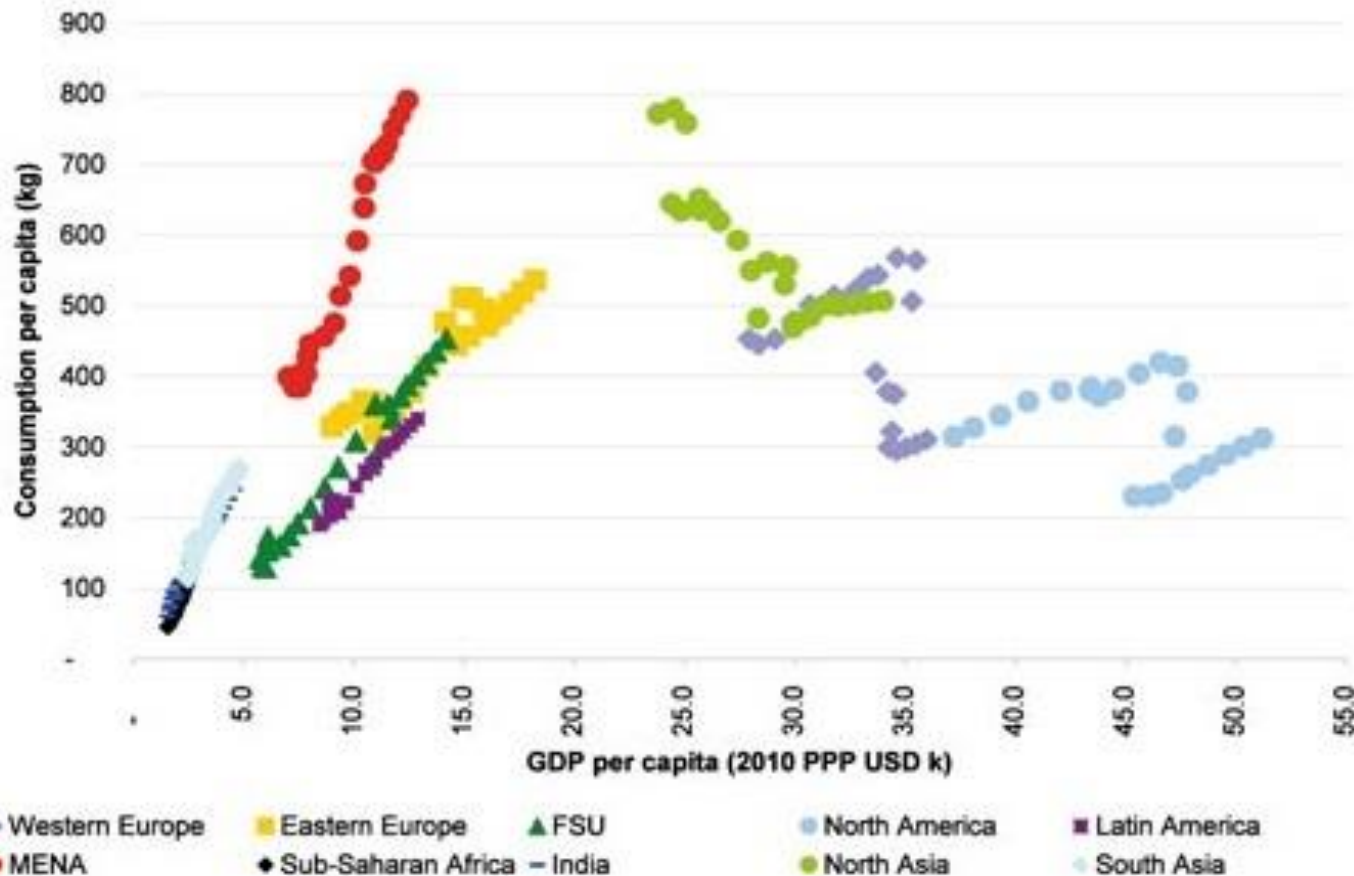
## Production Capacity (in Mn Metric Tonnes)



Source: Bloomberg, Sinarmas Investment Research

... Which Can Also be Seen From the Bell Curve; Indonesia as an Emerging Market is Placed at the Lower Tail of the Curve (229 kg per Capita VS India at 600 kg and China at 1,600 kg per Capita)

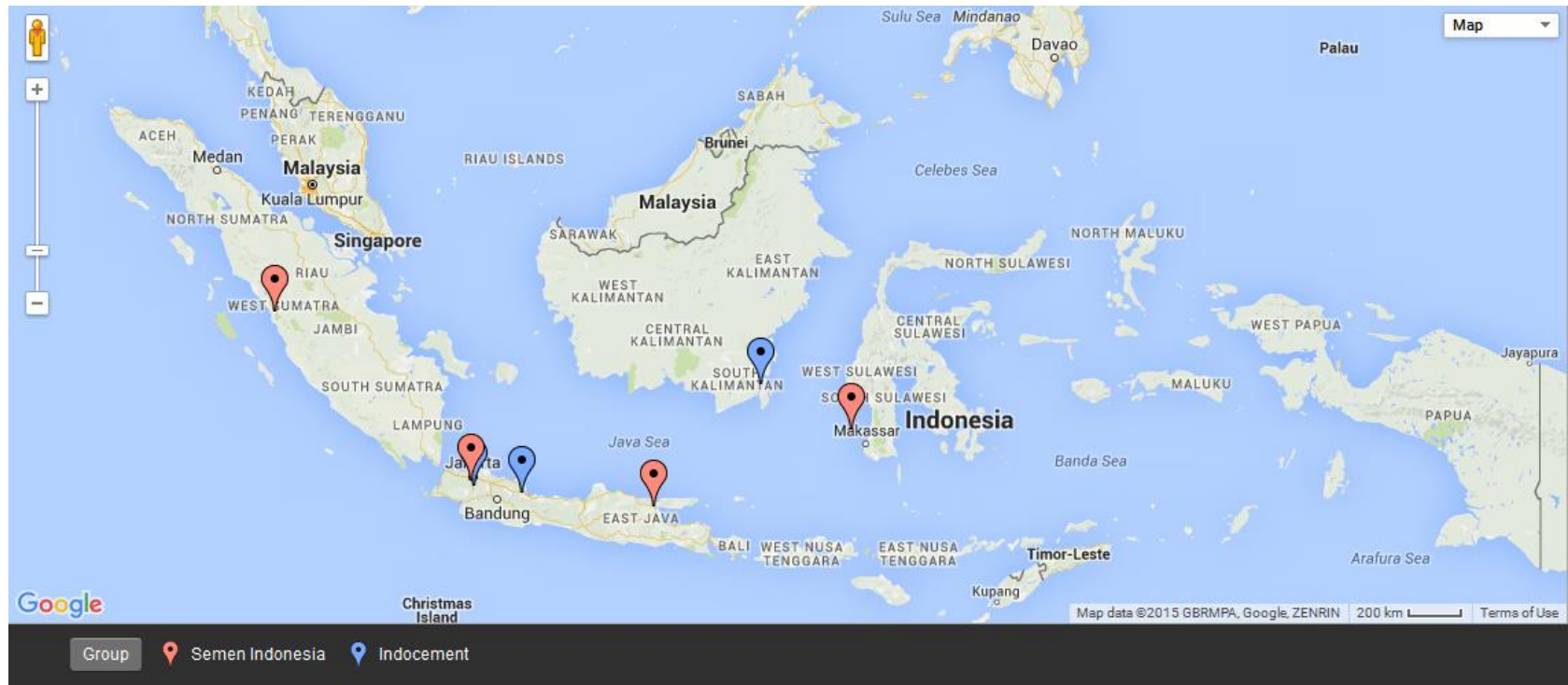
## GDP per Capita VS Cement Consumption per Capita



Source: Industry and National Sources, Cembureau, Global Cement Report, IMF, Morgan Stanley Research

# Geographical Locations of Indocement's and Semen Indonesia's Mills

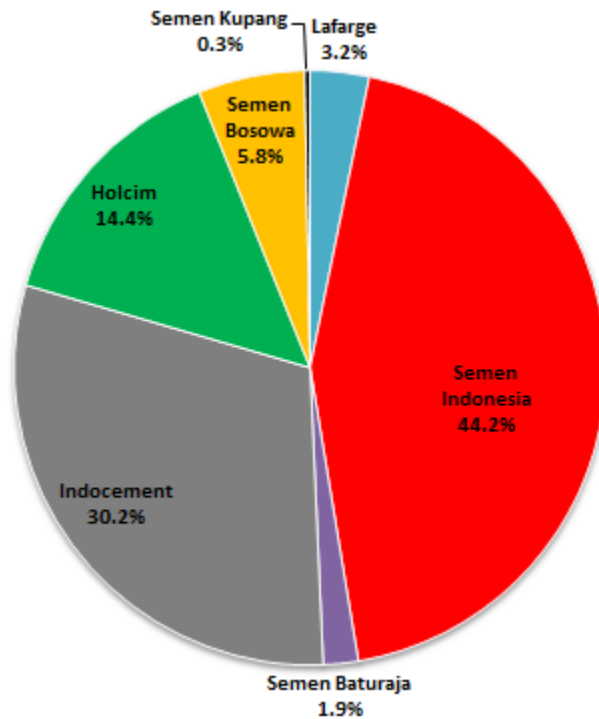
Entry barriers in cement used to be very high due to low value/weight ratio which causes cement companies to normally ship more than 90% of their cement within a 300-mile radius. Thus geographical locations hold an important role, especially with relatively poor infrastructure that leads to higher logistic/distribution costs compared to other more developed countries.



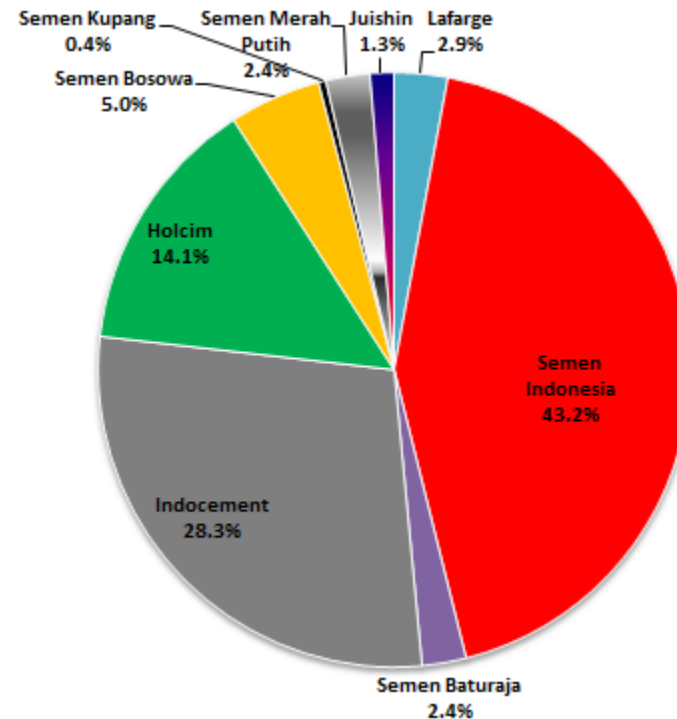
While Semen Indonesia are Head-to-Head With Many New Competitors Across Indonesia, Indocement Had to Face Merah Putih and Juishin in West Java

Unfortunately, despite the high entry barrier, many new comers are still coming in with 10 - 20% discount off of their products just to grab the market share.

**Lower Demand + Competition → Price Wars → Margin & Market Share Shrinkage**



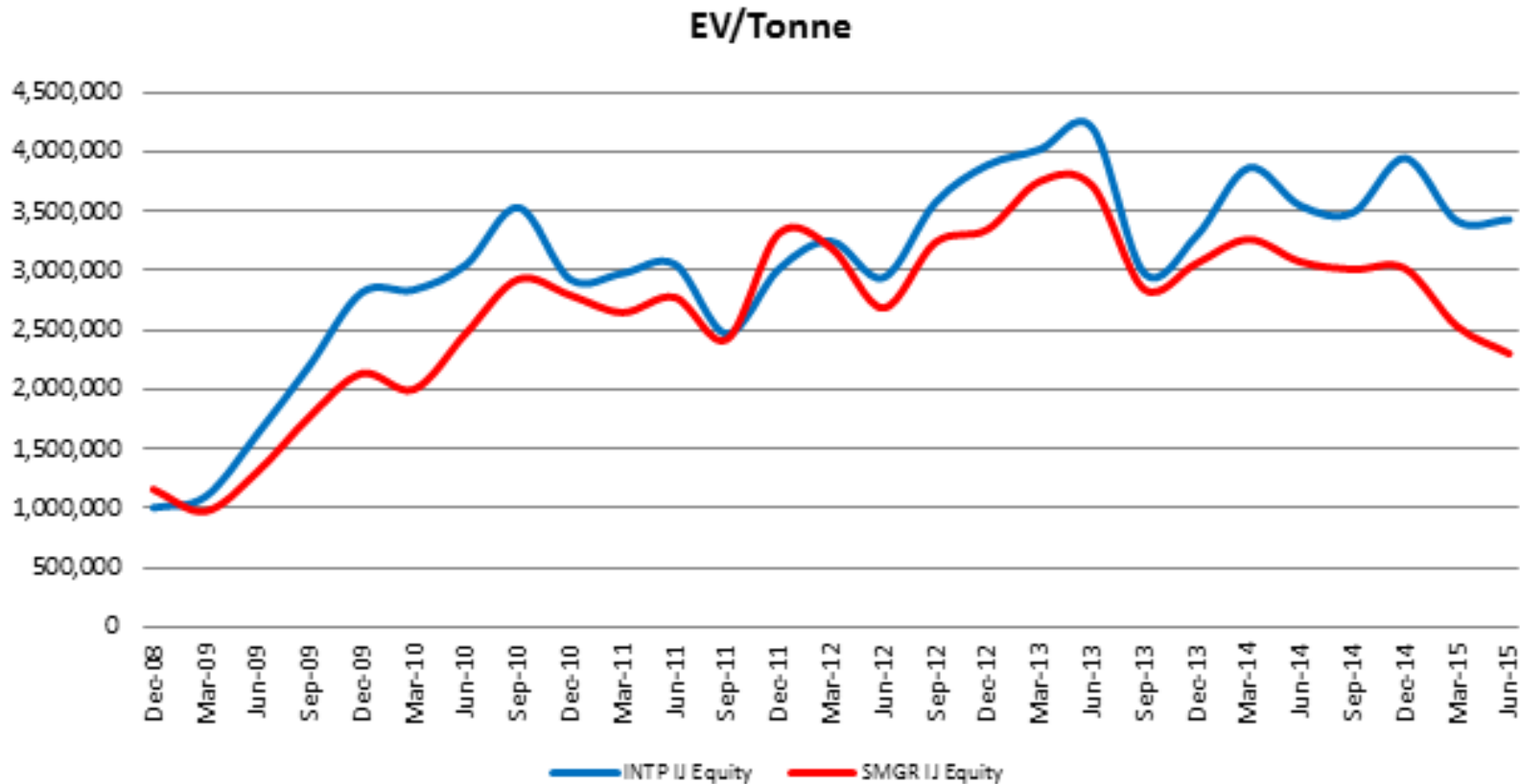
As of 8M14



As of 8M15

## As for the EV/Tonne Comparative Valuation, SMGR and INTP are Strongly Correlated

Due to the tight competition in the industry, Semen Indonesia and Indocement, the two biggest players in Indonesia that are responsible for a market share of 43.2% and 28.3% respectively, have relatively similar EV/Tonne valuation.



Source: Bloomberg, Company Data, Sinarmas Investment Research

GDP Rebound to Improve Cement Consumption

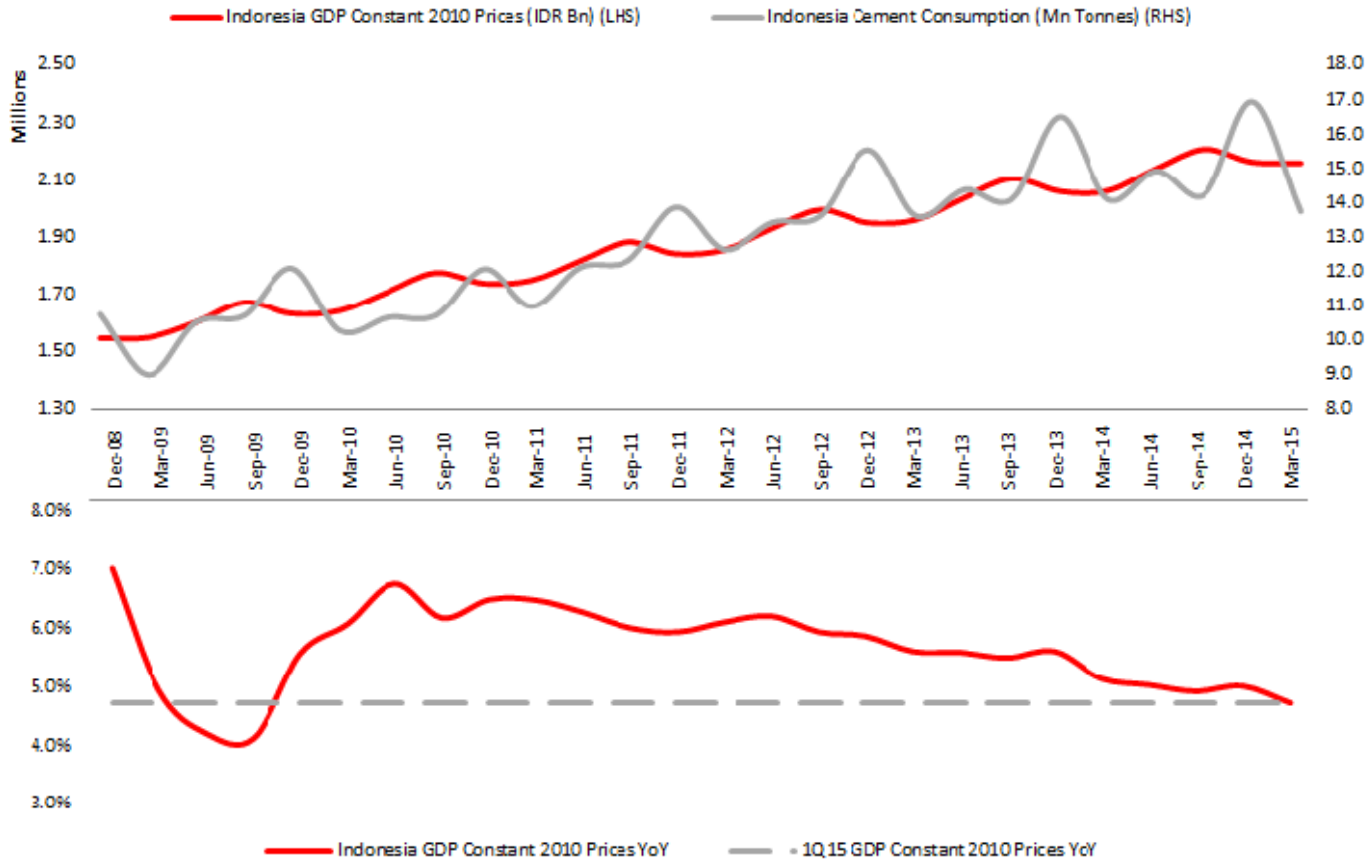
Escalating Property Sales and Long term Effect From Infrastructure Spending

Higher Utilization Rates to Ease Price Wars



# GDP Rebound to Improve Cement Consumption

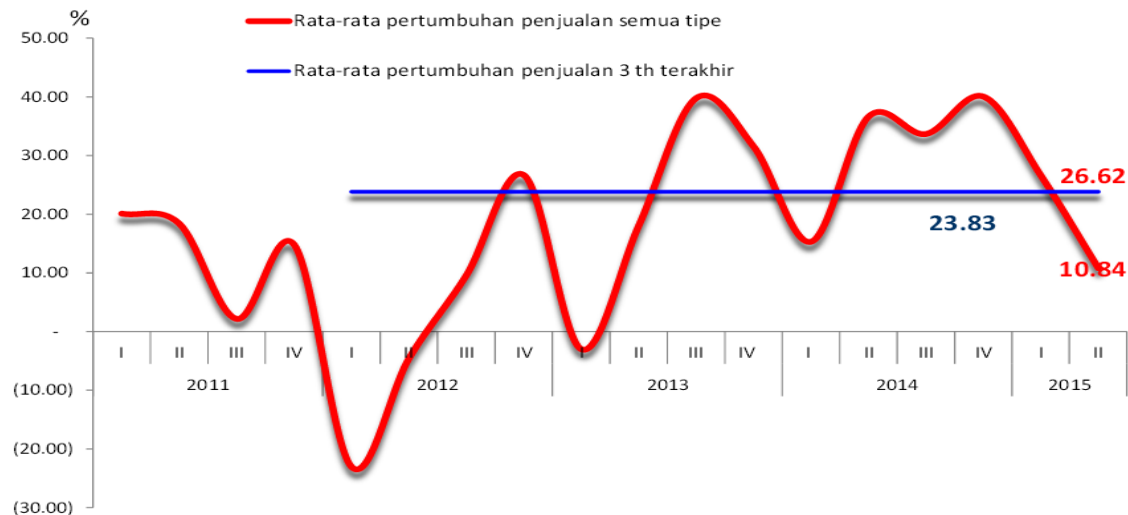
Despite the fact that our GDP is strongly correlated with cement consumption, YoY growth has reached six years low



Source: Bloomberg, Sinarmas Investment Research

# Escalating Property Sales and Long Term Effect From Infrastructure Spending

78% of cement are sold in bag while only 22% are sold in bulk. 90% of bag cement are consumed for housing, while 10% are for cement based industry. As for bulk cement, 60% of are used for ready-mix (infrastructure), 35% are for fabricator (i.e. pre-cast, fiber cement, cement based industry), and 5% are for other projects (i.e. mortar and render). In other words, the biggest contribution factor for cement sales comes from property sector, which accounted for approximately 70% of total cement sales.



From bulk cement's point of view, it is important to note that infrastructure projects only contribute a small portion of cement consumption. Thus, we view that the oversupply issue will still linger for quite some time. Nevertheless, in the longer run, infrastructure development shall bring positive impact to cement companies as the demand for cement will increase along with the GDP per capita.

## Higher Utilization Rates to Ease Price Wars

As long as the utilization rates from the new comers remain low, price wars will continue to persist. It is only natural for the new comers to conduct price wars, in order to grab market share from existing players and to introduce their products to the market. However, we view that once utilization rates reach a certain point, price wars will be lessened.

### Harga Bahan Bangunan

Minggu III Juli 2015

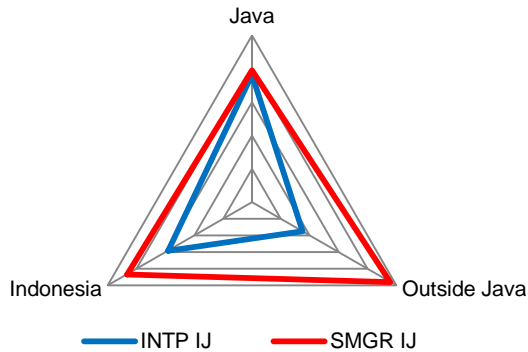
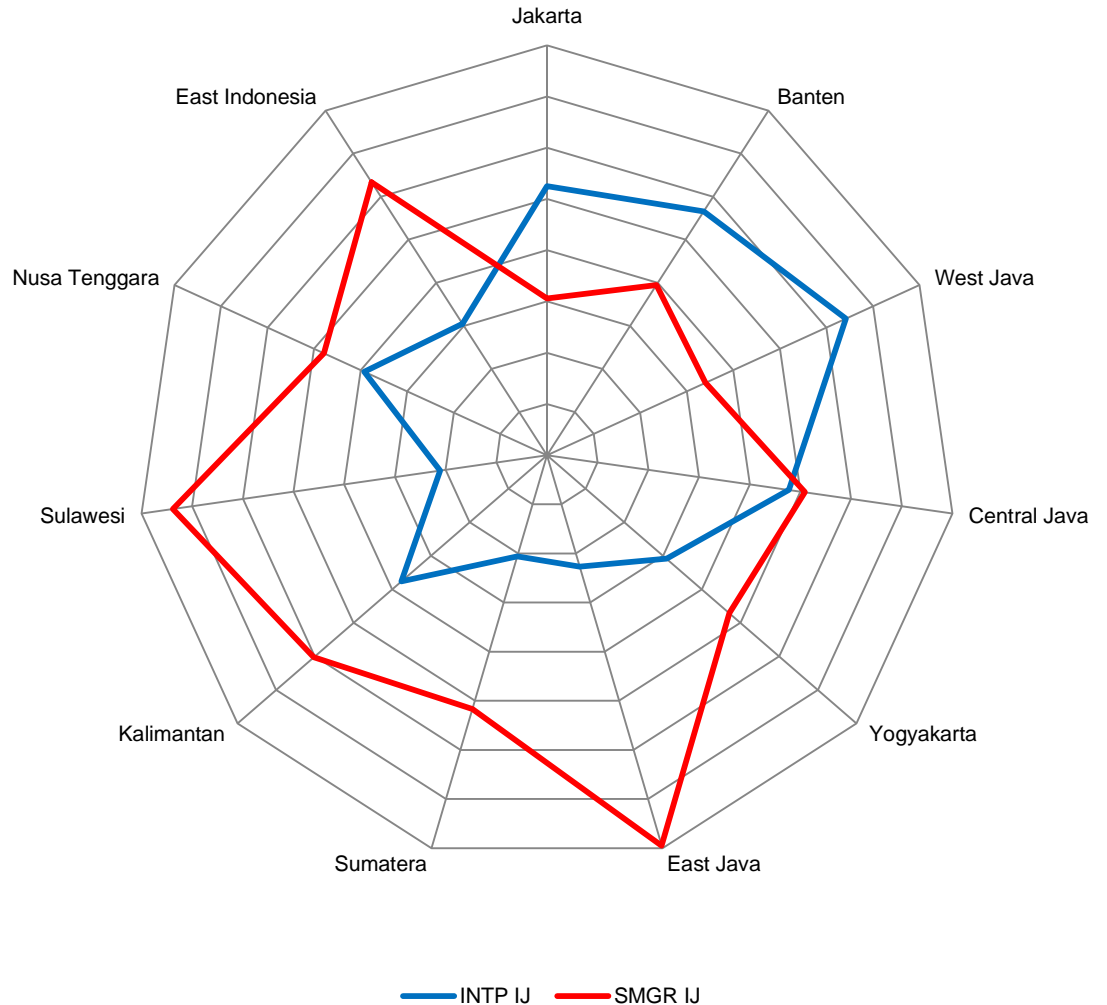
Jenis Bahan Bangunan	Satuan	Harga (Rp)
<b>Semen</b>		
- Tiga Roda	50 kg	77.000
- Gresik	50 kg	68.000
- Holcim	50 kg	69.000
- Merah Putih	50 kg	60.000
- Semen Padang	50 kg	65.000

### Harga Semen Terbaru 2015 :

Merk Semen	Harga
Semen Tiga Roda 50kg	Rp. 64.500
Semen Tiga Roda 40kg	Rp. 53.000,-
Semen Holcim 50kg	Rp. 64.500
Semen Holcim 40kg	Rp. 52.000,-
Semen Padang 50kg	Rp. 61.000
Semen Padang 40kg	Rp. 50.000,-
Semen Gresik 50kg	Rp. 61.000
Semen Gresik 40kg	Rp. 50.000,-
Semen Putih Semen Putih Tiga Roda	Rp. 80.000,-
Semen Merah Putih 50kg	Rp. 60.000
Semen Merah Putih 40kg	Rp. 50.000,-

# Market Share INTP and SMGR as of 1H15

1H15	INTP IJ	SMGR IJ
Jakarta	43.5%	21.6%
Banten	47.6%	30.5%
West Java	55.2%	25.0%
Central Java	38.7%	41.9%
Yogyakarta	21.9%	38.1%
East Java	13.7%	70.5%
Sumatera	11.6%	42.7%
Kalimantan	28.6%	51.3%
Sulawesi	12.1%	64.8%
Nusa Tenggara	30.2%	38.9%
East Indonesia	21.5%	54.3%
<b>Java</b>	<b>38.2%</b>	<b>39.6%</b>
<b>Outside Java</b>	<b>17.5%</b>	<b>47.9%</b>
<b>Indonesia</b>	<b>29.1%</b>	<b>43.3%</b>



Source: Company Data, Sinarmas Investment Research