

We reiterate our NEUTRAL stance on Indonesian Cement with Semen Indonesia (SMGR) as our top pick for the sector. We are cautiously optimistic and believe that the growth in supply is approaching its peak as we see big chunk of additional capacity installments will be added this year, meaning bottoming utilization rate is in sight. In addition, we expect the bottoming utilization rate condition will ease competition among players. Moving forward, the overall domestic cement demand in FY17E will likely to improve after weakening trend over the past five years; cement growth in FY16 stood at 0% YoY. Meanwhile, domestic cement demand in May'17 recorded a robust growth of 6.7% YoY, after below-than-expected sales in the first three months of FY17. Currently, INTP is trading at 20.7x forward PE, while SMGR is at 15.2x. Historically, INTP traded at +3SD above its 3-year average, while SMGR hovered around its 3-year average.

Bottoming utilization rate is in sight. Indonesian cement sector has been experiencing price war since mid-FY15, driven by excess capacity with widening gap between supply and demand. Since the major capacity installments will be coming online this year, we expect to see improvement in overall capacity utilization starting next year. In other words, there should be limited new supply going forward due to less appealing ROI on new capacity triggered by crowded competition and ongoing price war in the industry. Moreover, FY16 utilization rate stood at 69%, which was the lowest reading in a decade. We forecast the capacity utilization rate to reach 64% this year, assuming pick-up in demand reaches 4% YoY.

Is consolidation in view? We see a moderate probability of consolidation going forward considering cash strain on cement players due to high level of debt, especially stemmed by periods of low utilization rates, although the majority of cement players in Indonesia are backed by big companies with strong financial position. Going further into details, we see roughly 10-15% spread in the retail prices in between BIG-3 (Tiga Roda, Semen Gresik, and Holcim) and other players including the new players. Assuming new players take leverage to build up new plant with investment cost of ~US\$ 250 per tons (greenfield), capital structure of 70:30 (D/E), average selling price (ASP) of US\$ 55 per tons, and 25% EBITDA margin, we see that new players will hardly meet financial obligations given the EBITDA will be too low to meet the financing expense. While new players are hardly making money, the incumbents have a better position due to debt free balance sheet with higher EBITDA margin. Nevertheless, since new players are backed by strong shareholders, consolidation might not be imminent.

Hypothetical Economic for New Entrants	
Exchange rate (USD/IDR)	13,300
Investment cost (USD per tons)	250
Debt to equity ratio	70:30
Interest rate	8%
Debt (USD)	175
ASP (USD per tons)	55
EBITDA margin	25%
EBITDA (USD per tons)	13.75
Interest cost (USD)	(14)
Cash Flow	(0.25)

Source: SinarMas Investment Research

Henny Indrawati

Equity Analyst

+62 21 392 5550 ext. 610

henny.indrawati@sinarmassekuritas.co.id

Sales volume recovery potentials. After a modest cement consumption in the first three months of FY17, national cement sales saw a sign of recovery in April, where cement sales grew by 11.0% YoY. Moreover, cement sales in May recorded a double digit growth in Java region. We see Java region shows stronger recovery sign compared to ex-Java. As of 5M17, Java region recorded cement growth of 7.6% YoY, while ex-Java experienced a negative growth of 0.9% YoY, bringing the total cement sales growth in 5M17 to 3.8% YoY. We suspect below-than-expected cement sales in the first three months of 2017 was more of a seasonality effect due to rainy weather, which held deliveries and some construction works. While May had posted strong numbers, we expect cement sales in June will experience a one more decline due to the Ramadhan season, where construction works normally cease. Regardless, the key risk for cement demand revival still lies on the property sector since the infrastructure growth itself is insufficient to offset the weak pre-marketing sales in property sector in the past few years.

Bulk consistently outperformed bagged cement sales. Accelerated infrastructure projects, coupled with slow property demand, resulting in sales proportion of bulk cement posting higher sales. As we know, the infrastructure budget allocated in FY17 increased by 16.7% YoY to IDR 346.6tn, which the bulk cement sales saw a strong growth of 7.8% YoY in 5M17. While the bulk cement sales recorded a good result, the bag side only grew by 2.6% YoY. We believe the infrastructure development will give multiplier effect to the economy and drive the property business going forward. Since gross margin of bag cement is higher than that of bulk cement by ~8ppt, we see the retail demand is a key to the sector's rerating from both margin and volume perspective.

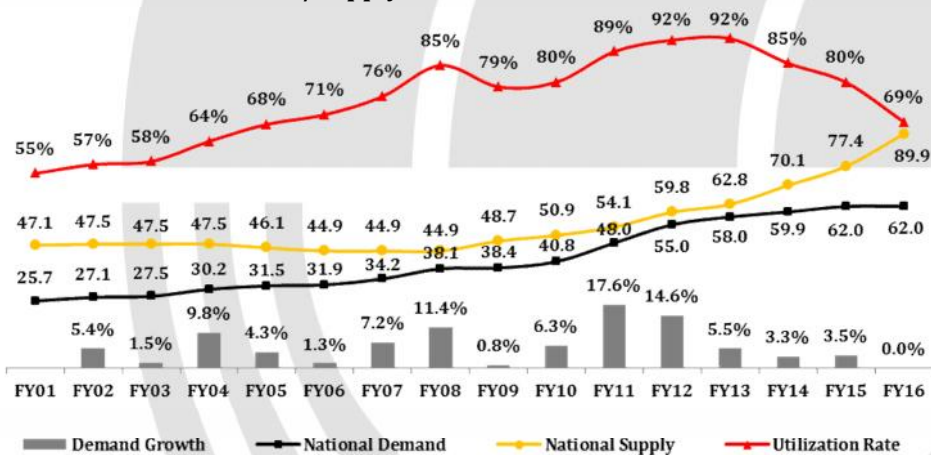
Another pressure from coal price spike in 2H17. As coal contributes around 20% of COGS, the coal price will certainly affect the players' gross margins. As we can see from 1Q17 results on SMGR and INTP, the rising costs and weak ASP have given significant pressure on companies' gross margin. SMGR's 1Q17 gross margin stood at 30.4% (vs. 40.3% in 1Q16), while INTP's at 34.5% (vs. 43.2% in 1Q16). The coal price in 4Q16 was at its highest since FY12 at average coal price of US\$ 94/mt. Entering this year, coal price remained moderate in 1Q17 and 2Q17, at around US\$ 65/mt. INTP and SMGR has enjoyed the lower fuel cost in FY16 since the coal purchases was made under 1-6 month contracts where the price was fixed. Going forward we see coal price to tone down along with weaker demand from China and India. Thus, we may see a relieved pressure from coal prices in 2H17, although margins are still expected to narrow on a YoY basis.

Ticker	CP	TP	Call	P/E	EV/Ton
SMGR	9,925	10,405	NEUTRAL	13.9x	IDR 2.04 mn
INTP	18,125	16,500	NEUTRAL	19.6x	IDR 2.31 mn

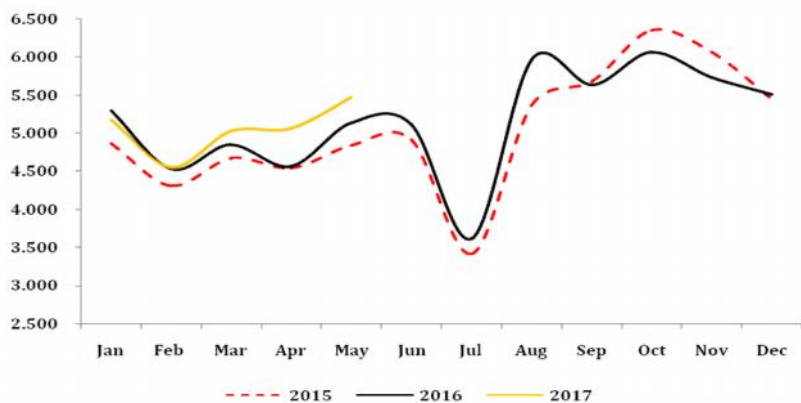
Cement Sales (5M17)

	May-16	Apr-17	May-17	MoM	YoY	5M16	5M17	YoY
National ('000 tons)	5.305	5.288	5.716	8,1%	7,8%	24.853	26.149	5,2%
Domestic Sales	5.134	5.063	5.475	8,1%	6,6%	24.371	25.293	3,8%
Export Sales	171	224	241	7,3%	41,0%	482	856	77,6%
Bag Sales	3.898	3.838	4.080	6,3%	4,7%	18.771	19.258	2,6%
Bulk Sales	1.236	1.226	1.395	13,8%	12,9%	5.600	6.036	7,8%
% bag to total domestic sales	75,9%	75,8%	74,5%			77,0%	76,1%	
% bulk to total domestic sales	24,1%	24,2%	25,5%			23,0%	23,9%	
SMGR	2.151	2.265	2.358	4,1%	9,6%	10.147	11.012	8,5%
Domestic Sales	2.114	2.147	2.190	2,0%	3,6%	10.013	10.452	4,4%
Export Sales	38	118	169	42,4%	348,5%	133	560	319,5%
Domestic Market Share	41,18%	42,40%	39,99%			41,09%	41,32%	
Export Market Share	22,01%	52,79%	70,04%			27,70%	65,44%	
Bag Sales	1.581	1.555	1.540	-1,0%	-2,6%	7.649	7.758	1,4%
Bulk Sales	533	562	649	15,5%	21,8%	2.364	2.663	12,6%
% bag to total domestic sales	74,79%	72,43%	70,34%			76,39%	74,23%	
% bulk to total domestic sales	25,21%	26,18%	29,64%			23,61%	25,48%	
INTP	1.426	1.284	1.443	12,3%	1,2%	6.602	6.515	-1,3%
Domestic Sales	1.361	1.250	1.443	15,4%	6,0%	6.464	6.470	0,1%
Export Sales	64	34	0	-100,0%	-100,0%	138	44	-67,9%
Domestic Market Share	26,52%	24,69%	26,35%			26,52%	25,58%	
Export Market Share	37,74%	15,06%	0,00%			28,66%	5,17%	
Bag Sales	1.039	965	1.106	14,6%	6,5%	5.002	5.030	0,6%
Bulk Sales	323	285	336	17,9%	4,1%	1.462	1.441	-1,5%
% bag to total domestic sales	76,29%	77,19%	76,70%			77,38%	77,73%	
% bulk to total domestic sales	23,71%	22,81%	23,30%			22,62%	22,27%	

National Cement Demand/Supply



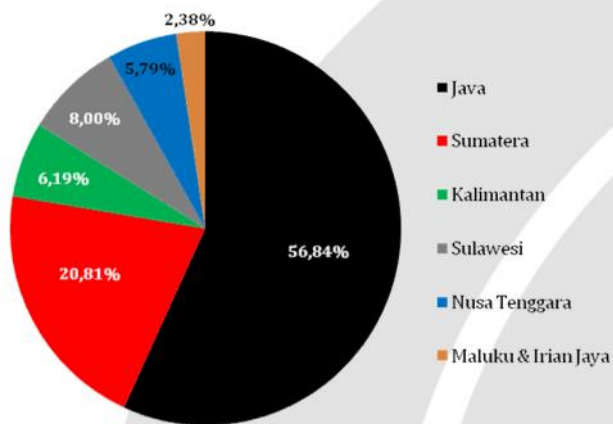
Monthly National Cement Sales



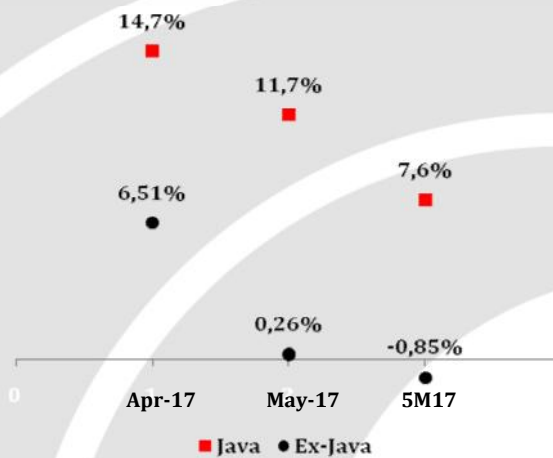
YoY Monthly National Cement Sales Growth



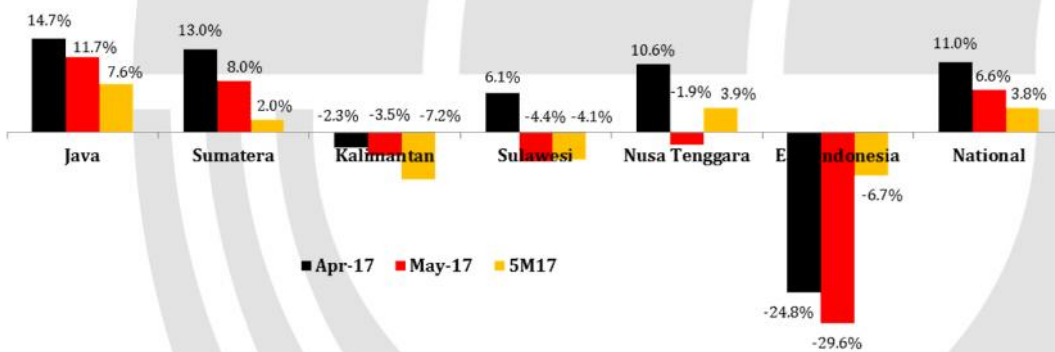
National Cement Sales by Region (5M17)



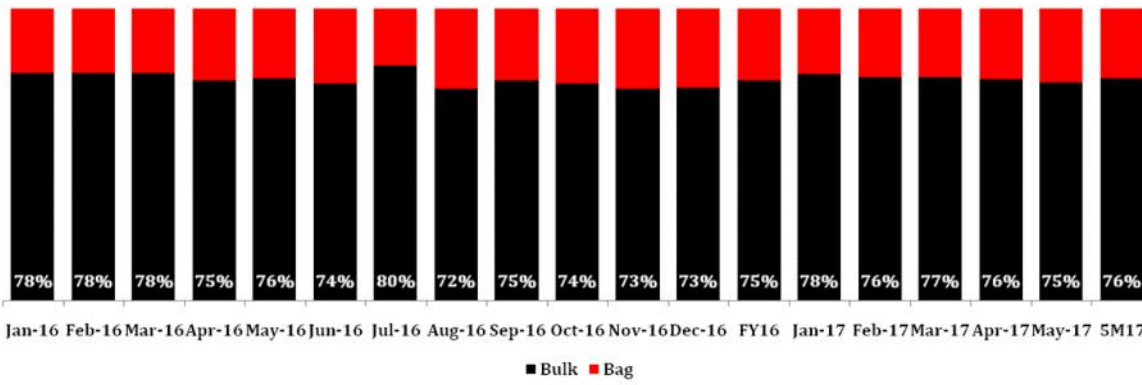
YoY National Cement Sales Growth in Java & Ex-Java



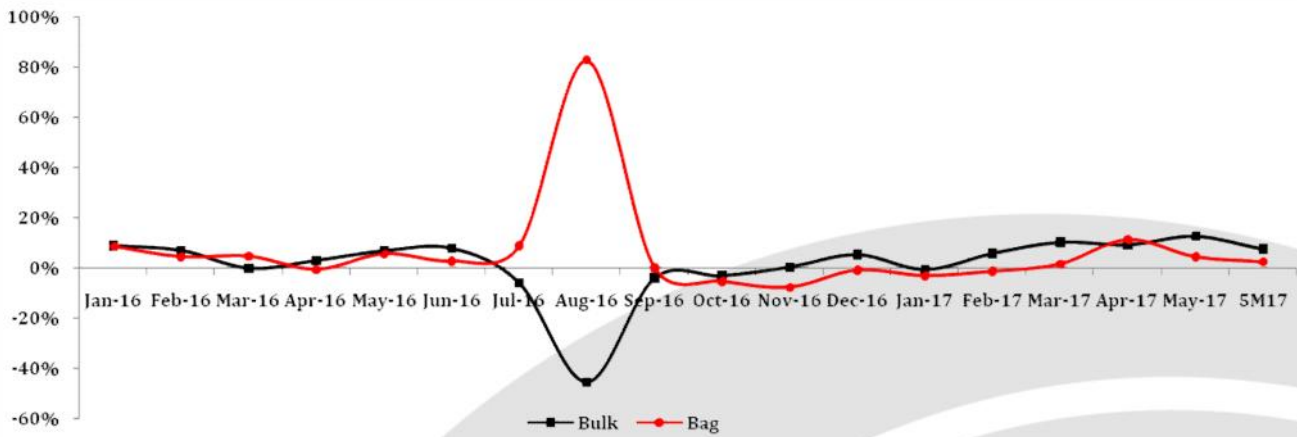
YoY National Cement Sales Growth by Region



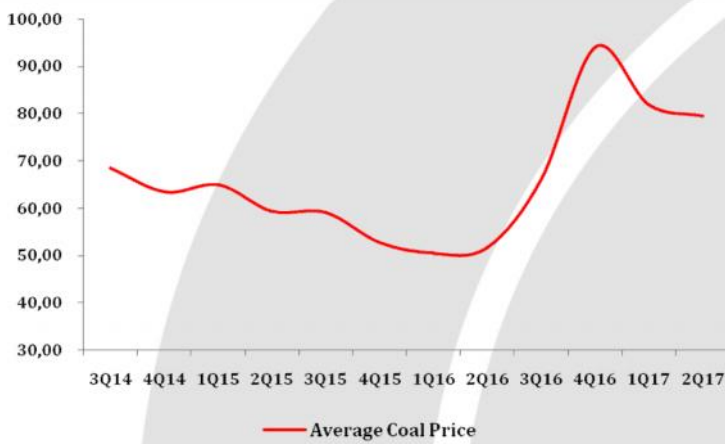
National Bulk and Bag Cement Sales Proportion



YoY Bulk and Bag Cement Sales Growth



Quarterly Average Coal Price



We maintain our NEUTRAL recommendation on PT Semen Indonesia (Persero) Tbk (SMGR) with 52-week target price of IDR 10,405 (4.8% upside), deriving via DCF with 12.4% WACC and 5.0% terminal growth. Our valuation implies FY17E P/E of 17.7x. SMGR's 1Q17 revenue and net income represent 24.1% and 20.9% of our full-year estimates respectively. We forecast national cement sales to grow by 4%, bringing domestic utilization rate for this year would stand at 64% (vs. 69% in FY16) since domestic production capacity is predicted to grow by 13.7% YoY to 102.2mn tons/year in FY17E.

1Q17 results: hard time persist. SMGR successfully recorded positive revenue growth of 6.3% YoY in 1Q17 to IDR 6.4tn, boosted by ready mix concrete and clinker businesses segment which was doubled from last year. However, SMGR's main business, cement, still posted negative growth of -1.2% YoY to IDR 5.8tn. Moving forward, the rising on manufacturing overhead costs has generated the total COGS to rise by 23.9% YoY to IDR 4.5tn. We suspect the increase in coal prices have become apparent in 1Q17. Besides, the profitability margins at all levels has contracted as well. The increase on revenue growth by 6.3% and lowering operating expense by -12.1% YoY could not lift SMGR's net income. SMGR booked a very soft 1Q17 net income of IDR 747bn, -27.8% YoY.

Beneficiary from being SOE company and having well-dispersed cement plants. In 5M17, domestic cement sales grew by 3.78% YoY to 25.3mn tons, where SMGR posted 4.4% YoY cement growth in the same period. SMGR booked a strong bulk cement sales and export volume. Bulk cement sales increased by 13% YoY to 2.7mn tons, while bag cement sales only rose by 1% YoY to 7.8mn tons. We suspect the increase on bulk cement sales because the company works closely with SOE contractors for government projects. Moving forward, SMGR recorded 319.5% YoY export volume growth in 5M17 to 560k tons, 67% of the national export market. Hence, SMGR is also gaining market share this year, which as of 5M17 stood at 41.32% (vs. 41.09% in 5M16). Surprisingly, SMGR's market share in Java region increased to 38.0% in 5M17 (vs. 36.9% in 5M16), while ex-Java region slightly decreased to 45.5% in 5M17 (vs. 46.5% in 5M16).

Balance sheet remains in shape. SMGR's cash position is strong and its balance sheet is near net cash. SMGR's 1Q17 cash position stood at IDR 2.9tn where 1Q17 gross/net gearing stood at 0.21x/0.12x. Cash flow from operations remains positive despite fierce competition over the past two years and margin pressure. The strong cash flow and balance sheet will provide room for any strategic movement if needed, amidst intense competition between cement players.

Financial Highlights	2015	2016	2017E	2018F	2019F
Revenue (IDR bn)	26.948	26.134	25.970	28.015	30.538
% growth	-0,1%	-3,0%	-0,6%	7,9%	9,0%
Gross Profit (IDR bn)	10.646	9.856	9.206	10.079	11.232
Net Profit (IDR bn)	4.521	4.522	3.497	3.782	4.267
% growth	-19%	0%	-23%	8%	13%
Gross Margin (%)	39,5%	37,7%	35,4%	36,0%	36,8%
Net Margin (%)	16,8%	17,3%	13,5%	13,5%	14,0%
Return on Equity (%)	17,2%	15,6%	11,1%	11,3%	11,8%
Return on Assets (%)	12,5%	11,0%	7,7%	7,7%	8,0%
EPS (IDR)	762	762	589	638	719

Henny Indrawati

Equity Analyst

+62 21 392 5550 ext. 610

henny.indrawati@sinarmassekuritas.co.id**Stock Information**

Sector	Cement
Bloomberg Ticker	SMGR IJ
Market Cap. (IDR tn)	58.87
Share Out./Float (mn)	5,931/2,906
Current Price	IDR 9,925
52-week Target Price	IDR 10,405
Upside (%)	4.8%

Share Price Performance

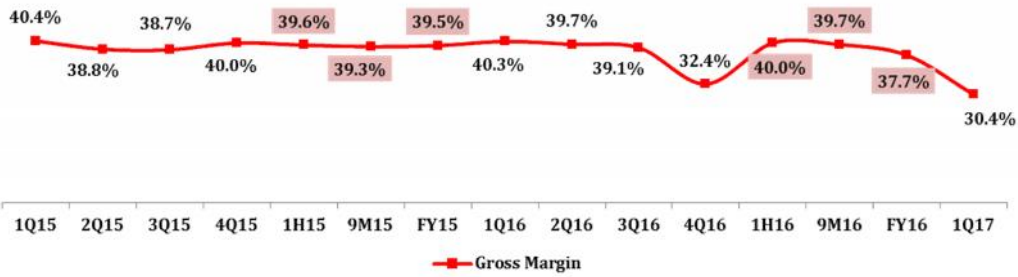
52W High (08/10/16)	11,875
52W Low (11/24/16)	8,050
52W Beta	1.37
YTD Change (%)	8.17%

Relative Valuations

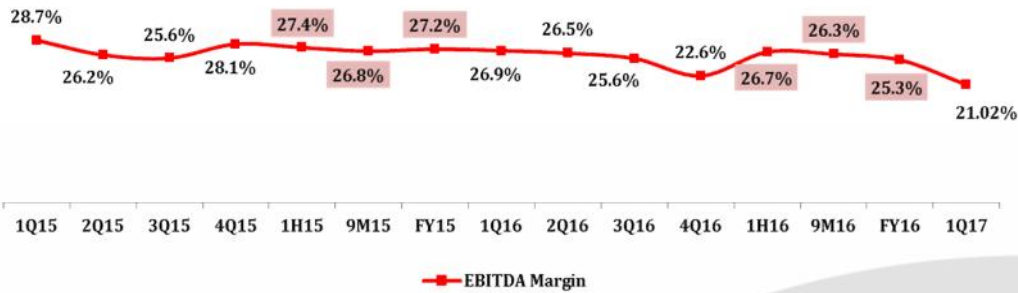
Trailing P/E	13.9x
Forward P/E	16.3x
P/BV	2.1x
EV/EBITDA	9.6x

Income Statement (in IDR Bn)	1Q16	4Q16	1Q17	QoQ	YoY	FY15	FY16	YoY
Domestic Cement Sales ('000 tonne)	5.929	7.037	6.115	-13%	3%	25,969	25,682	-1%
Export ('000 tonne)	56	1.634	273	-83%	392%	482	600	24%
Total ('000 tonne)	5.985	8.672	6.388	-26%	7%	26,451	26,282	-1%
Revenue	6.021	7.052	6.399	-9%	6%	26,948	26,134	-3%
Sales of Cement	5.822	6.276	5.752	-8%	-1%	25,958	24,296	-6%
Ready Mix Concrete	104	525	335	-36%	223%	523	1,091	108%
Clinker	36	345	115	-67%	216%	180	424	135%
Mining Services	11	-4	11	-418%	7%	71	34	-52%
Sales of Cement Bags	28	18	11	-41%	-62%	81	91	12%
Industrial Estate Land Rental	6	7	7	0%	19%	21	25	18%
Sales of Industrial Real Estate	0	0	0	0%	0%	1	0	-100%
Blasting Services	3	4	0	-96%	-95%	7	10	48%
Other	12	(120)	168	-240%	1299%	106	164	55%
COGS	(3.596)	(4.769)	(4.456)	-7%	24%	(16,302)	(16,278)	0%
Raw Material Used	(223)	(190)	(208)	10%	-7%	(873)	(826)	-5%
Labor	(385)	(392)	(385)	-2%	0%	(1,403)	(1,534)	9%
Manufacturing Overhead	(3,199)	(3,471)	(4,081)	18%	28%	(13,743)	(13,272)	-3%
Work in Process (Inventory)	192	(343)	106	-131%	-45%	-213	(184)	-13%
Finished Goods Inventory	20	(374)	113	-130%	465%	(70)	(462)	564%
Industrial Land and Other	(1)	-	-	0%	-100%	(0.30)	0.00	-100%
Gross Profit	2.425	2.282	1.943	-15%	-20%	10,646	9,856	-7%
Selling Expenses	(685)	(573)	(517)	-10%	-25%	(2,659)	(2,719)	2%
General and Administration Expenses	(506)	(608)	(530)	-13%	5%	(2,088)	(2,163)	4%
Operating Profit	1.234	1.101	896	-19%	-27%	5,899	4,973	-16%
EBITDA	1.621	1.591	1.345	-15%	-17%	7,326	6,611	-10%
Net Income	1.034	1.593	747	-53%	-28%	4,521	4,521	0%
Gross Profit Margin	40%	32%	30%			40%	38%	
Operating Profit Margin	20%	16%	14%			22%	19%	
EBITDA Margin	27%	23%	21%			27%	25%	
Net Income Margin	17%	23%	12%			17%	17%	

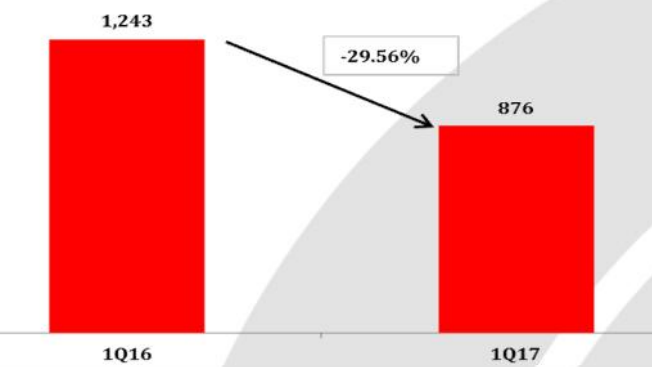
Quarterly Gross Margin



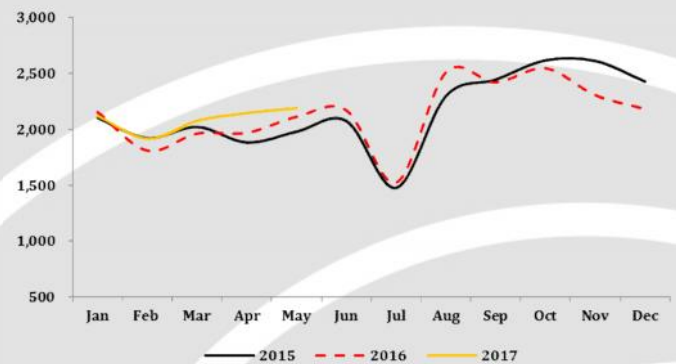
Quarterly EBITDA Margin



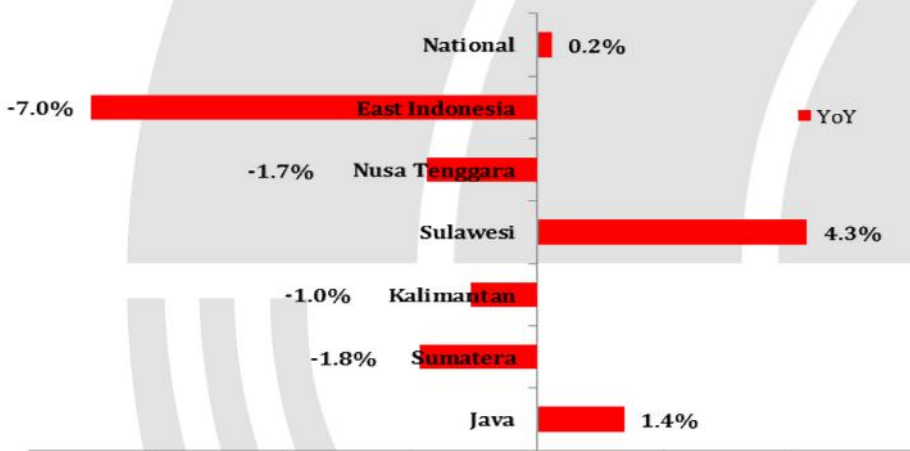
Profit Before Income Tax



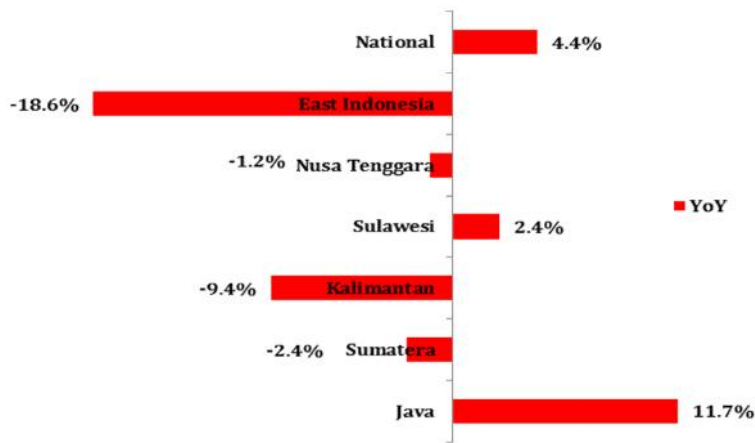
Monthly Cement Sales



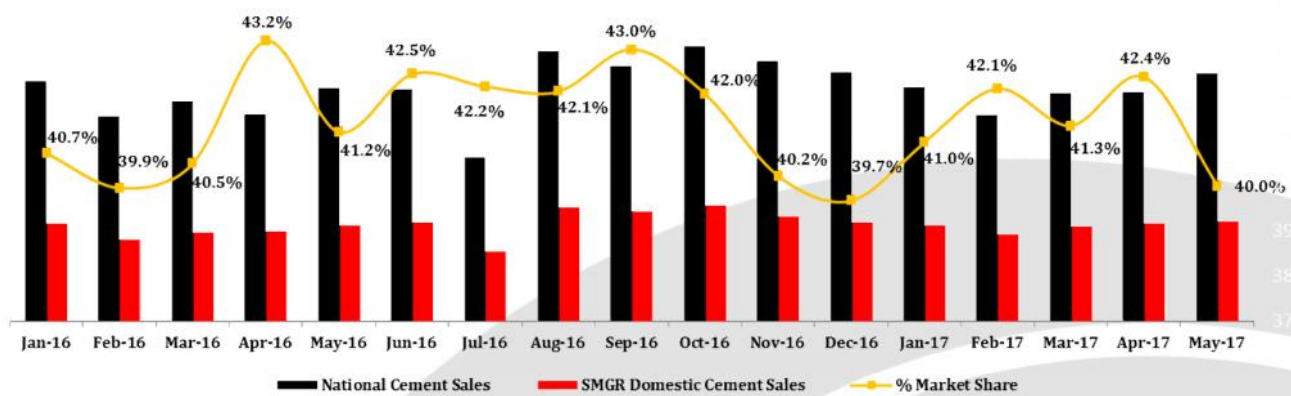
Market Share Change (YoY 5M17)



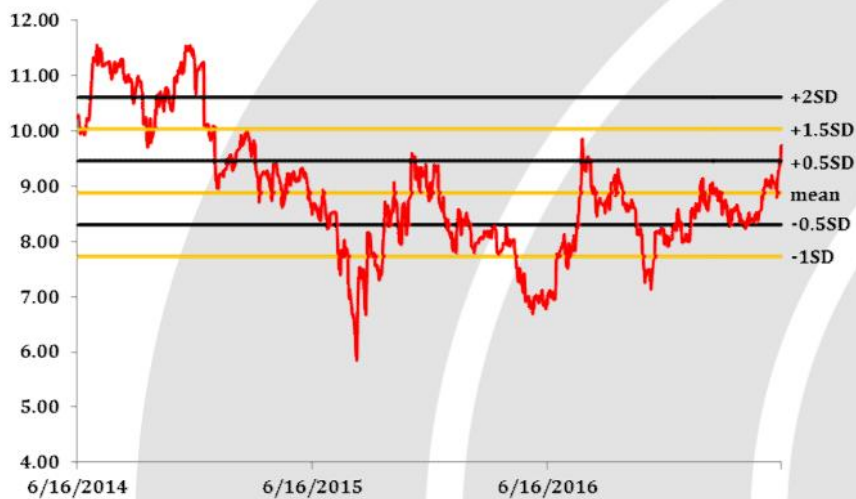
Cement Sales Growth by Region (YoY 5M17)



Monthly Market Share



Forward EV/EBITDA Valuation Chart



Income Statement (IDR bn)	2015	2016	2017E	2018F	2019F
Revenue	26.948	26.134	25.970	28.015	30.538
Cost of Revenue	(16.302)	(16.278)	(16.764)	(17.936)	(19.305)
Gross Profit	10.646	9.856	9.206	10.079	11.232
SG&A Expenses	(4.747)	(4.882)	(4.722)	(5.125)	(5.594)
Operating Income	5.899	4.973	4.484	4.954	5.638
Other Operating Income/Expenses	80	291	291	291	291
Finance Costs - Net	(129)	(180)	(275)	(379)	(441)
Profit Before Income Tax	5.851	5.085	4.500	4.866	5.488
Income Tax Expenses	(1.325)	(550)	(990)	(1.071)	(1.207)
Minority Interest	(4)	(13)	(13)	(13)	(13)
Net Profit For the Year	4.521	4.522	3.497	3.782	4.267

Balance Sheet (IDR bn)	2015	2016	2017E	2018F	2019F
Cash and Short Term Investments	3.992	2.862	2.332	1.806	1.876
Total Receivables	3.629	4.018	3.471	3.847	4.271
Inventories	2.409	2.671	2.762	2.850	3.139
Other Current Assets	509	822	665	859	1.089
Total Current Assets	10.539	10.373	9.230	9.362	10.374
Fixed Assets	25.168	30.847	34.451	38.610	42.076
Other Non-Current Assets	2.447	3.007	3.007	3.007	3.007
Total Assets	38.153	44.227	46.689	50.979	55.458
Short Term Loans	846	1.811	1.811	1.811	1.811
Total Payables	4.253	4.747	4.392	4.947	5.475
Other Current Liabilities	1.500	1.594	1.478	1.662	1.794
Total Current Liabilities	6.599	8.152	7.681	8.419	9.080
Long Term Loans	3.156	4.450	5.710	6.865	7.915
Other Non-Current Liabilities	958	1.051	1.051	1.051	1.051
Total Liabilities	10.712	13.653	14.442	16.335	18.046
Share Capital	593	593	593	593	593
Additional Paid in Capital	1.458	1.458	1.458	1.458	1.458
Other Components of Equity	553	456	427	427	427
Retained Earnings	23.815	26.528	28.216	30.599	33.354
Minority Interest	1.021	1.539	1.553	1.566	1.580
Total Equity	27.441	30.574	32.247	34.644	37.412
Total Liabilities & Equity	38.153	44.227	46.689	50.979	55.458

Cash Flow (IDR bn)	2015	2016	2017E	2018F	2019F
Net Income	4.521	4.522	3.497	3.782	4.267
Depreciation	1.366	2.111	1.357	1.550	1.181
Change in NWC	1.150	(368)	134	81	(282)
Others	4	(731)	0	0	0
Cash Flow From Operating	7.041	5.533	4.987	5.413	5.166
Capex	(6.312)	(7.790)	(4.961)	(5.708)	(4.647)
Change in NCA	49	102	0	0	0
Change in NCL	180	163	0	0	0
Cash Flow From Investing	(6.083)	(7.525)	(4.961)	(5.708)	(4.647)
Changes in share capital and APIC	0	0	0	0	0
Change in short term loans	248	965	0	0	0
Change in long term loans	(160)	1.294	1.260	1.155	1.050
Others Equity	78	(97)	(29)	0	0
Change in Minority Interest	39	63	518	13	13
Dividend	(2.226)	(1.809)	(1.809)	(1.399)	(1.513)
Cash Flow From Financing	(2.021)	416	(60)	(230)	(449)
Beginning Cash	5.032	3.992	2.862	2.332	1.806
Additional Cash	(1.064)	(1.577)	(34)	(525)	69
Ending Cash	3.968	2.415	2.828	1.806	1.876

Financial Ratio	2015	2016	2017E	2018F	2019F
P/E	14,96	12,04	16,84	15,57	13,80
P/B	2,56	1,87	1,87	1,76	1,63
EV/EBITDA	9,33	8,57	11,24	10,35	10,02
ROE	17,2%	15,6%	11,1%	11,3%	11,8%
ROA	12,5%	11,0%	7,7%	7,7%	8,0%
DER	0,15	0,20	0,23	0,25	0,26

We maintain our NEUTRAL recommendation on PT Indocement Tunggal Prakarsa (Persero) Tbk (INTP) with 52-week target price of IDR 16,500 (8.9% downside), deriving via DCF with 14.4% WACC and 5.0% terminal growth. Our valuation implies FY17E P/E of 19x. INTP's 1Q17 revenue and net income represent 22.4% and 15.4% of our full-year estimates respectively. Despite a strong balance sheet, additional capacity of 4.4mt pa performing online in FY16 will equip INTP to face the competition, bringing its total production capacity to stand at 24.9mt pa. We expect INTP's market share to improve, most likely in 2H17, although at a slower pace.

1Q17 results: lackluster performance. INTP recorded 1Q17 revenue of IDR 3.4tn, -14.06% YoY, the lowest since 1Q11 of IDR 2.9tn. All INTP's business segments in 1Q17 has experienced a decline: cement (-16.9% YoY), ready mix concrete (-27.3% YoY), as well as aggregates and trass quarries (-89.9% YoY), resulting in INTP's bottom line to decline by 48.7% YoY to IDR 492bn. Moving forward, the profitability margins at all levels has deteriorated significantly due to poor average selling price (ASP), intense competition, and surge in oil price. Amidst sluggish demand and tough competition in its home market, ASP remains a challenge. INTP's 1Q17 ASP continues to decrease by >5% YoY.

Intensified competition. The competition between cement players is likely to remain intense. As we know, INTP is more impacted from oversupply in Java. Within 5M17, domestic cement sales grew by 3.78% YoY to 25.3mn tons, however, INTP only recorded 0.09% of cement growth in the same period. INTP's 5M17 cement sales in Java region grew by 2.9% YoY, while outside Java at -7.1% YoY. Moving forward, INTP still recorded a loss on market share to 25.6% (vs. 26.5% in 5M16) due to rising competitions, especially in Central Java and Jakarta, where INTP's market is concentrated in, as well as Sumatera and Kalimantan. We forecast national cement sales to grow by 4%, bringing domestic utilization rate for this year would stand at 64% (vs. 69% in FY16) since domestic production capacity is predicted to grow by 13.7% YoY to 102.2mn tons/year in FY17E.

Balance sheet in a good shape. Despite the bleak outlook in this industry, INTP's balance sheet remains strong. INTP's 1Q17 cash and cash equivalents stood at IDR 9.35tn where 1Q17 gross/net gearing stood at 0.004x/net cash. Cash flow from operations remains positive at over IDR 4tn in FY16 despite intense competition over the past two years and margin compress. The strong cash flow and balance sheet should enable INTP to survive fierce competition for longer.

Financial Highlights	2015	2016	2017E	2018F	2019F
Revenue (IDR bn)	17.798	15.362	15.317	16.123	17.191
% growth	-11,0%	-13,7%	-0,3%	5,3%	6,6%
Gross Profit (IDR bn)	7.909	6.331	6.175	6.397	6.729
Net Profit (IDR bn)	4.357	3.870	3.204	3.310	3.438
% growth	-18%	-11%	-17%	3%	4%
Gross Margin (%)	44,4%	41,2%	40,3%	39,7%	39,1%
Net Margin (%)	24,5%	25,2%	20,9%	20,5%	20,0%
Return on Equity (%)	18,0%	15,5%	12,3%	12,3%	11,8%
Return on Assets (%)	15,4%	13,4%	10,7%	10,7%	10,3%
EPS (IDR)	1183	1051	870	899	934

Henny Indrawati

Equity Analyst

+62 21 392 5550 ext. 610

henny.indrawati@sinarmassekuritas.co.id**Stock Information**

Sector	Cement
Bloomberg Ticker	INTP IJ
Market Cap. (IDR tn)	66.72
Share Out./Float (mn)	3,681/1,804
Current Price	IDR 18,125
52-week Target Price	IDR 16,500
Downside (%)	8.9%

Share Price Performance

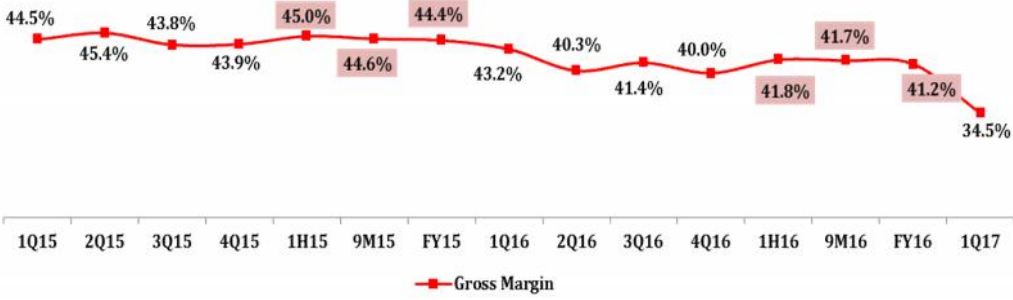
52W High (08/10/16)	19,400
52W Low (11/15/16)	14,275
52W Beta	1.49
YTD Change (%)	17.69%

Relative Valuations

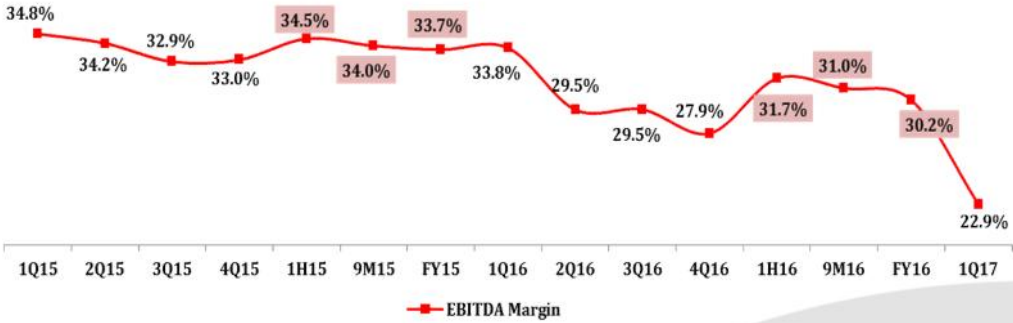
Trailing P/E	19.6x
Forward P/E	20.8x
P/BV	2.5x
EV/EBITDA	14.0x

Income Statement (in IDR Bn)	1Q16	4Q16	1Q17	QoQ	YoY	FY15	FY16	YoY
Domestic Cement Sales ('000 tonne)	3.942	4.416	3.777	-14%	-4%	16,636	16,115	-3%
Export ('000 tonne)	49	63	11	-83%	-79%	97	19	-80%
Total ('000 tonne)	3.991	4.478	3.788	-15%	-5%	16,733	16,134	-4%
Revenue	3.929	4.015	3.376	-16%	-14%	17,798	15,362	-14%
Cement	3.614	3.749	3.005	-20%	-17%	16,220	14,103	-13%
Mix Concrete	507	590	368	-38%	-27%	2,549	2,167	-15%
Aggregates and Trass Quarries	31	32	3	-90%	-90%	120	127	6%
Elimination	-223	-356	0	-100%	-100%	-1,090	(1,034)	-5%
COGS	(2.230)	(2.411)	(2.212)	-8%	-1%	(9,734)	(8,851)	-9%
Raw materials used	(535)	(499)	(484)	-3%	-10%	(2,376)	(2,170)	-9%
Direct labor	(203)	(254)	(240)	-5%	18%	(943)	(921)	-2%
Fuel and power	(941)	(975)	(963)	-1%	2%	(3,948)	(3,498)	-11%
Manufacturing overhead	(532)	(452)	(435)	-4%	-18%	(1,835)	(1,801)	-2%
Work in Process (Inventory)	161	(69)	47	-168%	-71%	(9)	103	-1185%
Finished Goods Inventory	5	25	27	6%	404%	136	160	18%
Packing Cost	(185)	(186)	(164)	-12%	-11%	(759)	(724)	-5%
Gross Profit	1.699	1.605	1.164	-27%	-31%	8,064	6,511	-19%
SG&A	(621)	(773)	(665)	-14%	7%	(2,880)	(2,714)	-6%
Other operating income	13	32	7	-77%	-44%	121	71	-42%
Other operating expenses	(11)	(8)	(6)	-20%	-41%	(94)	(44)	-53%
Operating Profit	1.081	855	500	-42%	-54%	5,212	3,824	-27%
EBITDA	1.330	1.118	772	-31%	-42%	6,003	4,638	-23%
Net Income	958	723	492	-32%	-49%	4,357	3,870	-11%
Gross Profit Margin	43%	40%	34%			45%	42%	
Operating Profit Margin	28%	21%	15%			29%	25%	
EBITDA Margin	34%	28%	23%			34%	30%	
Net Income Margin	24%	18%	15%			24%	25%	

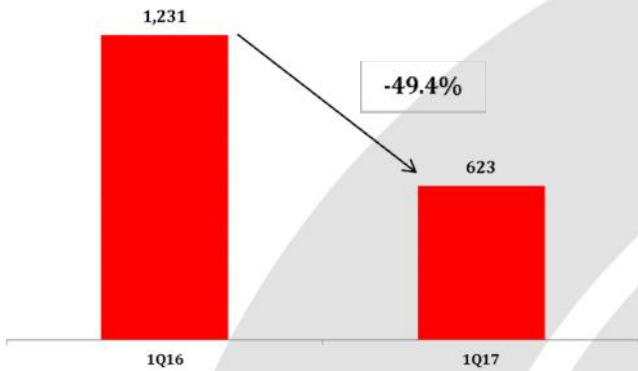
Quarterly Gross Margin



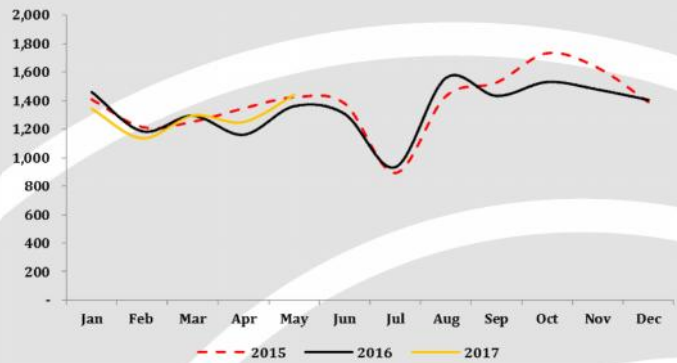
Quarterly EBITDA Margin



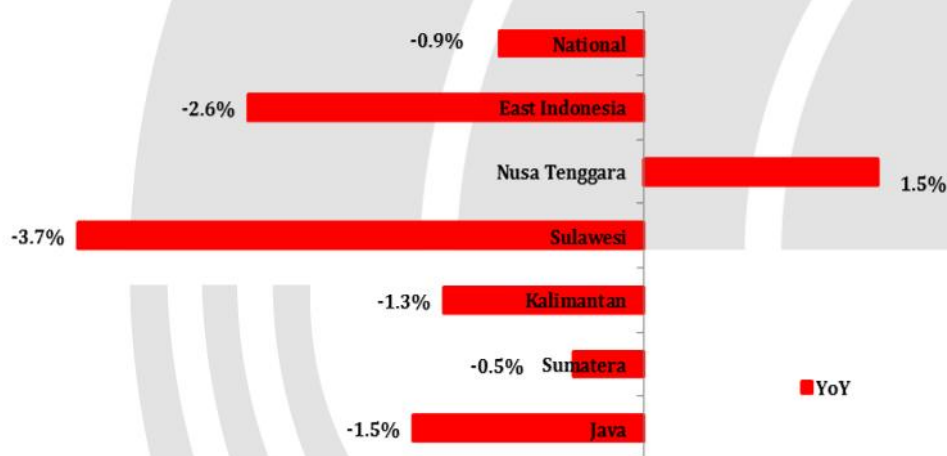
Profit Before Income Tax



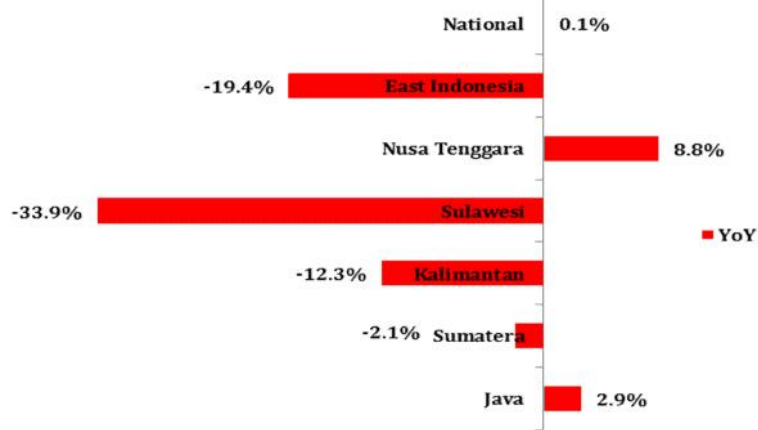
Monthly Cement Sales



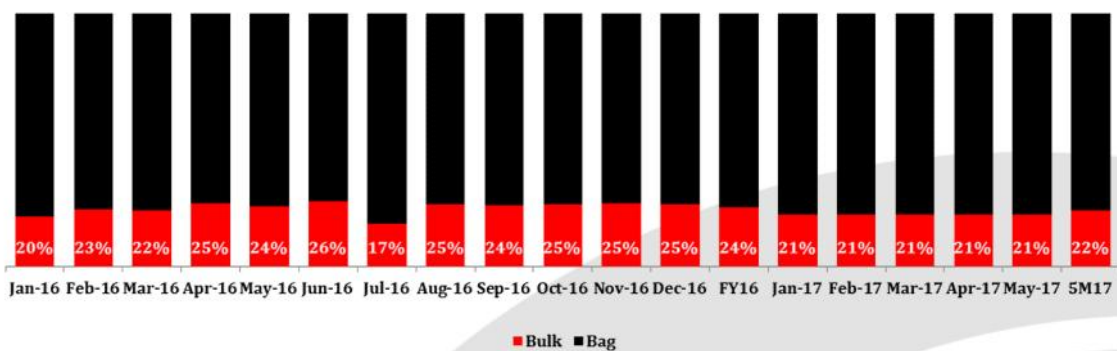
Market Share Change (YoY 5M17)



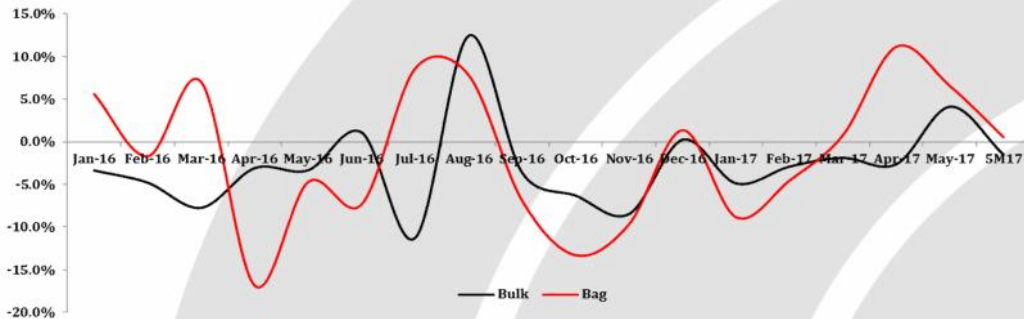
Cement Sales Growth by Region (YoY 5M17)



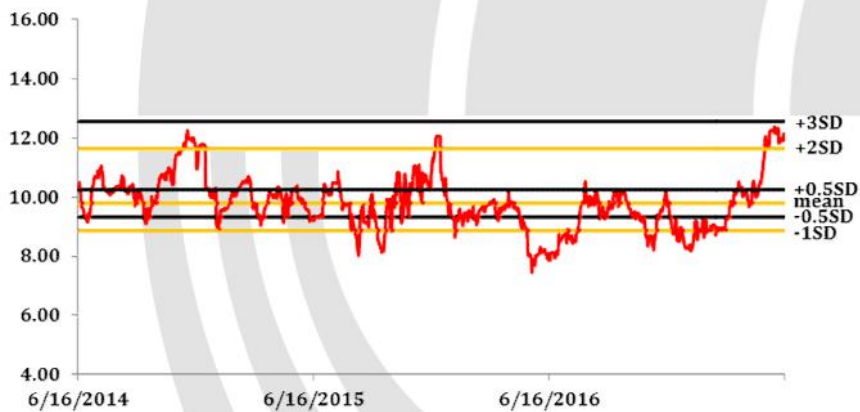
Bulk vs. Bag Cement Sales



YoY Bulk & Bag Sales Growth



Forward EV/EBITDA Valuation Chart



Income Statement (IDR bn)	2015	2016	2017E	2018F	2019F
Revenue	17.798	15.362	15.317	16.123	17.191
Cost of Revenue	(9.889)	(9.030)	(9.142)	(9.726)	(10.462)
Gross Profit	7.909	6.331	6.175	6.397	6.729
SG&A Expenses	(2.880)	(2.714)	(2.532)	(2.683)	(2.911)
Operating Income	5.029	3.618	3.642	3.714	3.818
Other Operating Income/Expenses	(94)	(79)	(87)	(107)	(127)
Finance Costs - Net	710	608	633	721	803
Profit Before Income Tax	5.645	4.146	4.188	4.328	4.495
Income Tax Expenses	(1.288)	(276)	(985)	(1.018)	(1.057)
Minority Interest	0	0	0	0	0
Net Profit For the Year	4.357	3.870	3.204	3.310	3.438

Balance Sheet (IDR bn)	2015	2016	2017E	2018F	2019F
Cash and Short Term Investments	8.656	9.674	9.349	10.806	12.232
Total Receivables	2.535	2.605	2.275	2.475	2.703
Inventories	1.521	1.780	1.536	1.682	1.877
Other Current Assets	422	365	362	386	408
Total Current Assets	13.134	14.425	13.521	15.349	17.219
Fixed Assets	13.814	14.644	15.043	15.706	16.385
Other Non-Current Assets	691	1.082	1.082	1.082	1.082
Total Assets	27.638	30.151	29.646	32.138	34.686
Short Term Loans	60	70	70	70	70
Total Payables	1.817	2.201	1.954	2.227	2.450
Other Current Liabilities	811	917	802	879	976
Total Current Liabilities	2.688	3.188	2.827	3.176	3.495
Long Term Loans	61	37	109	223	338
Other Non-Current Liabilities	1.024	787	787	787	787
Total Liabilities	3.772	4.012	3.723	4.186	4.621
Share Capital	1.841	1.841	1.841	1.841	1.841
Additional Paid in Capital	2.699	2.699	2.699	2.699	2.699
Other Components of Equity	(214)	(284)	(284)	(284)	(284)
Retained Earnings	19.541	21.883	21.701	23.730	25.844
Minority Interest	0	0	0	0	0
Total Equity	23.866	26.139	25.956	27.985	30.099
Total Liabilities & Equity	27.638	30.151	29.679	32.171	34.719

Cash Flow (IDR bn)	2015	2016	2017E	2018F	2019F
Net Income	4.357	3.870	3.204	3.310	3.438
Depreciation	851	922	500	761	764
Change in NWC	(231)	218	217	(22)	(125)
Others	(3)	(607)	0	0	0
Cash Flow From Operating	4.974	4.404	3.920	4.049	4.077
Capex	(2.522)	(1.752)	(899)	(1.425)	(1.442)
Change in NCA	(28)	(108)	0	0	0
Change in NCL	46	87	0	0	0
Cash Flow From Investing	(2.503)	(1.774)	(899)	(1.425)	(1.442)
Changes in share capital and APIC	0	0	0	0	0
Change in short term loans	11	10	0	0	0
Change in long term loans	(15)	(24)	72	114	115
Others Equity	(98)	(70)	0	0	0
Change in Minority Interest	0	0	0	0	0
Dividend	(4.968)	(1.527)	(3.421)	(1.281)	(1.324)
Cash Flow From Financing	(5.070)	(1.611)	(3.349)	(1.167)	(1.209)
Beginning Cash	11.256	8.657	9.676	9.349	10.806
Additional Cash	(2.599)	1.019	(328)	1.457	1.426
Ending Cash	8.657	9.676	9.349	10.806	12.232

Financial Ratio	2015	2016	2017E	2018F	2019F
P/E	18,86	14,65	20,83	20,16	19,41
P/B	3,44	2,17	2,56	2,47	2,30
EV/EBITDA	12,25	10,13	13,90	12,56	11,98
ROE	17,4%	14,9%	11,9%	11,4%	11,0%
ROA	15,1%	12,9%	10,4%	9,9%	9,5%
DER	0,01	0,00	0,01	0,01	0,01

SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

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