

Indonesia Cement Association just released August national cement consumption data. The result is quite satisfying and firming our thesis that the consumption in 2H17 will start to pick up boosted by infrastructure projects. Since there is a shift in Lebaran period from the month of June in last year to July for this year, the thesis of strong volume trend can only be tested starting in August 2017. Industry cement sales in August was 6.5mn ton, rose by 8.8% YoY, 16.1% MoM, bolstered by the increased on cement sales in Java island (+14.41% YoY), while ex-Java recorded only 2.06% YoY growth. Hence, the portion of bag/bulk cement sales in August 2017 stood at 72.5%/27.5%. In cumulative, national cement consumption within 8M17 was 41.1mn ton, up 5.2% YoY. Java island posted +9.73% YoY growth and ex-Java at -0.16% YoY. Strong cement sales in Java island was supported by Central Java, West Java, and East Java which posted double-digit volume growth vs. flattish volume in ex-Java. Pertaining to INTP's cement sales, the company recorded 1.6mn ton cement sales in August 2017, jumped by 3.1% YoY. This translates into +2% growth YoY in 8M17. Its overall market share in 8M17 decreased to 25.5% (vs. 26.3% in 8M16) due to the declining market share in Central Java and Jakarta. Switch to SMGR, the company noted 2.7mn ton cement sales in August 2017, rose by 6.2% YoY which brings the cement sales in 8M17 to 16.9mn ton (+4.2% YoY). Moving forward, SMGR market share in 8M17 slightly fell to 41.13% (vs. 41.52% in 8M16).

**Our view: We believe the national cement consumption will start to pick up in 2H17 considering government spending realization in 8M17 only reached 56.17% of target IDR 2.133,30tn in APBN-P 2017 (vs. 41.37% in 8M16). Moreover, MoPWH budget absorption itself is only at 46.8% of target IDR 101,50tn (vs. 41.37% in 8M16). That said, we believe there will be spending momentum in 2H17 where cement players will get beneficiary from this. We recommend BUY on SMGR (TP: IDR 12,425), while maintain NEUTRAL on INTP (TP: IDR 20,995) as we roll over our valuation to FY18F.**

**Henny Indrawati**

Equity Analyst

+62 21 392 5550 ext. 610

[henny.indrawati@sinarmassekuritas.co.id](mailto:henny.indrawati@sinarmassekuritas.co.id)



Area	National Cement Consumption				Market Share	INTP's domestic cement consumption				INTP Market Share	
	Ytd Aug'17	Ytd Aug'16	Change	%		Ytd Aug'17	Ytd Aug'16	Change	%	Ytd Aug'17	Ytd Aug'16
Jakarta	3.062	3.084	(22)	-0,7%	7,4%	1.217	1.371	(154)	-11,2%	39,73%	44,44%
Banten	1.944	1.892	52	2,8%	4,7%	849	851	(2)	-0,2%	43,67%	44,97%
West Java	5.907	5.553	354	6,4%	14,4%	2.941	2.695	246	9,1%	49,78%	48,53%
Central Java	5.625	4.846	779	16,1%	13,7%	1.853	1.687	165	9,8%	32,94%	34,82%
East Java	6.127	5.315	812	15,3%	14,9%	730	642	87	13,6%	11,91%	12,09%
Yogyakarta	701	605	96	15,9%	1,7%	121	111	10	9,3%	17,22%	18,27%
<b>Total Java</b>	<b>23.368</b>	<b>21.295</b>	<b>2.073</b>	<b>9,7%</b>	<b>56,8%</b>	<b>7.710</b>	<b>7.356</b>	<b>353</b>	<b>4,8%</b>	<b>32,99%</b>	<b>34,55%</b>
Sumatera	8.668	8.400	269	3,2%	21,1%	940	946	(6)	-0,6%	10,84%	11,26%
Kalimantan	2.521	2.692	(171)	-6,3%	6,1%	575	633	(58)	-9,2%	22,79%	23,51%
Sulawesi	3.309	3.386	(77)	-2,3%	8,0%	308	382	(74)	-19,3%	9,32%	11,29%
Nusa Tenggara	2.341	2.322	19	0,8%	5,7%	806	765	41	5,3%	34,44%	32,96%
East Indonesia	909	976	(68)	-6,9%	2,2%	135	182	(47)	-25,7%	14,91%	18,67%
Outside Java	17.747	17.776	(29)	-0,16%	43,2%	2.764	2.909	(144)	-5,0%	15,58%	16,36%
<b>Total Indonesia</b>	<b>41.115</b>	<b>39.071</b>	<b>2.044</b>	<b>5,23%</b>	<b>100,0%</b>	<b>10.474</b>	<b>10.265</b>	<b>209</b>	<b>2,0%</b>	<b>25,47%</b>	<b>26,27%</b>

Area	SMGR's domestic cement consumption			
	Ytd Aug'17	Ytd Aug'16	Change	%
Semen Indonesia	9.615	8.778	837	9,5%
Semen Padang	3.983	3.955	29	0,7%
Semen Tonasa	3.311	3.489	(178)	-5,1%
<b>Total</b>	<b>16.910</b>	<b>16.222</b>	<b>688</b>	<b>4,2%</b>

Source: Company Data, Sinarmas Investment Research

Area	National Cement Consumption				INTP's domestic cement consumption				INTP Market Share	
	Aug'17	Aug'16	Change	%	Aug'17	Aug'16	Change	%	Aug'17	Aug'16
Jakarta	471	455	17	3,7%	178	195	(17)	-8,7%	37,7%	42,9%
Banten	312	277	34	12,3%	128	130	(2)	-1,4%	41,0%	46,7%
West Java	969	825	144	17,4%	461	429	32	7,5%	47,5%	51,9%
Central Java	933	799	134	16,8%	280	271	9	3,5%	30,0%	33,9%
East Java	925	794	130	16,4%	123	99	24	24,6%	13,4%	12,5%
Yogyakarta	109	99	10	9,9%	18	18	(0)	-0,6%	16,3%	18,0%
<b>Total Java</b>	<b>3.718</b>	<b>3.250</b>	<b>468</b>	<b>14,4%</b>	<b>1.188</b>	<b>1.141</b>	<b>47</b>	<b>4,1%</b>	<b>31,9%</b>	<b>35,1%</b>
Sumatera	1.408	1.357	51	3,8%	150	157	(7)	-4,3%	10,7%	11,6%
Kalimantan	377	417	(39)	-9,4%	87	92	(4)	-4,8%	23,2%	22,0%
Sulawesi	519	468	51	10,9%	47	32	15	46,9%	9,0%	6,8%
Nusa Tenggara	343	365	(21)	-5,9%	126	123	3	2,1%	36,6%	33,8%
East Indonesia	131	116	15	12,6%	11	15	(5)	-30,6%	8,2%	13,2%
Outside Java	2.778	2.721	56	2,1%	421	419	2	0,4%	15,1%	15,4%
<b>Total Indonesia</b>	<b>6.496</b>	<b>5.971</b>	<b>525</b>	<b>8,8%</b>	<b>1.608</b>	<b>1.560</b>	<b>48</b>	<b>3,1%</b>	<b>24,8%</b>	<b>26,1%</b>

Area	SMGR's domestic cement consumption			
	Aug'17	Aug'16	Change	%
Semen Indonesia	1.476	1.378	98	7,08%
Semen Padang	682	634	48	7,58%
Semen Tonasa	511	500	11	2,10%
<b>Total</b>	<b>2.669</b>	<b>2.513</b>	<b>156</b>	<b>6,21%</b>

Source: Company Data, Sinarmas Investment Research

## SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

**BUY:** Share price may rise by more than 15% over the next 12 months.

**ADD:** Share price may range between 10% to 15% over the next 12 months.

**NEUTRAL:** Share price may range between -10% to +10% over the next 12 months.

**REDUCE:** Share price may range between -10% to -15% over the next 12 months.

**SELL:** Share price may fall by more than 15% over the next 12 months.

### DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

### **Additional information is available upon request.**

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2017). All rights reserved.