

AUTOMOTIVE PARTS SECTOR/1H13 RESULT

HOLD

Target Price, Rp 2,850

SMSMIJ/SMSM.JK

Last Price, Rp 2,450

No. of shares (bn) 1,439

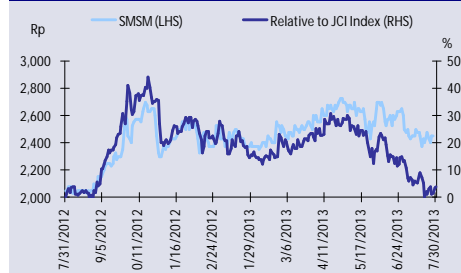
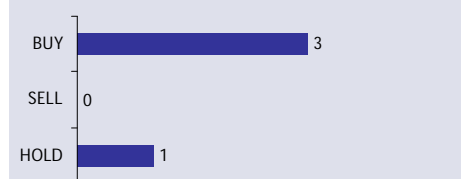
Market Cap, Rp bn 3,526

(US\$ mn) 343

3M T/O, US\$mn 0.1

Last Recommendation

15-May-13	HOLD	Rp 2,550
26-Mar-13	HOLD	Rp 2,550
29-Nov-12	HOLD	Rp 2,550

SMSM relative to JCI Index**Market Recommendation****Danareksa vs Consensus**

	Our	Cons	% Diff
Target price, IDR	2,850	2,883	-1.1
Net profit 13F, Rp bn	248	241	2.7
PE 13F, x	14.2	14.6	-2.7

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Danareksa research reports are also available at Reuters Multex and First Call Direct and Bloomberg.

Selamat Sempurna

1H13 Result - Inline post-acquisition

In line with the seasonality post-acquisition

SMSM's 1H13 result is broadly in line with the seasonality, in which the first half is typically weaker than the second half of the year. The company booked revenues of Rp1.1 tn (-3%yoy, +18%qoq) and net profits of Rp112 bn (-12%yoy, +0%qoq) in 1H13, representing 47% and 45% of our respective full year estimates. In June 2013, the company acquired more sister companies (PT Prapat Tunggal Cipta and PT Selamat Sempurna Perkasa) which shall help it maintain its revenues growth trend and provide a buffer against weak Hydraxle sales that have slumped due to the unfavorable conditions in the mining and plantation sectors. In 2Q13, the company could not maintain its high margin almost in every product segment which led the 1H13 gross margin fell to 24.6% with the net margin down to 10.3%. Looking at the result, we may adjust our numbers to reflect the impact of the new acquisitions. Maintain HOLD on the counter.

Earnings accretive in the PTC and SSP acquisition

In June 2013, the company acquired two sister companies: 1) 99.99% of PT Prapat Tunggal Cipta (PTC), a company that distributes SMSM's filters and radiators in the replacement market in Indonesia, and 2) 99.99% of PT Selamat Sempurna Perkasa (SSP), a company that produces rubber-related products for auto parts which are mostly used in SMSM's production process. The investment cost was Rp51 bn for PTC and Rp45 bn for SSP, implying P/E FY12 of 3.8x for PTC and 9.9x for SSP. In our view, the acquisitions are earnings accretive for SMSM and will maintain the company's growth trend - especially at the top line - considering the potential slowdown in the filter market and the poor sales of Hydraxle.

Karoseri still dragging down revenues growth

Sales of Karoseri (Hydraxle's major product) have been hammered by the bad conditions in the mining and plantation sectors - the main markets for this company. Karoseri's revenues in 1H13 reached only Rp95bn (-50%yoy, +16%qoq). The improvement seen on a qoq basis owed to the company's strategy to shift its customer base to the construction sector. By comparison, sales of SMSM's main product, filters, still showed only flat growth yoy, while radiator sales picked up this year due to the low base from last year. Positive sentiment will come from SMSM's export sales that showed some improvement, especially in the Asia and US markets.

The balance sheet remains in good shape

Post-acquisition, as of June 2013, SMSM's balance sheet remained strong with net gearing standing at the same level as of 1Q13 at 25%. With no further capex expansion in the meantime, SMSM's gearing looks comfortable.

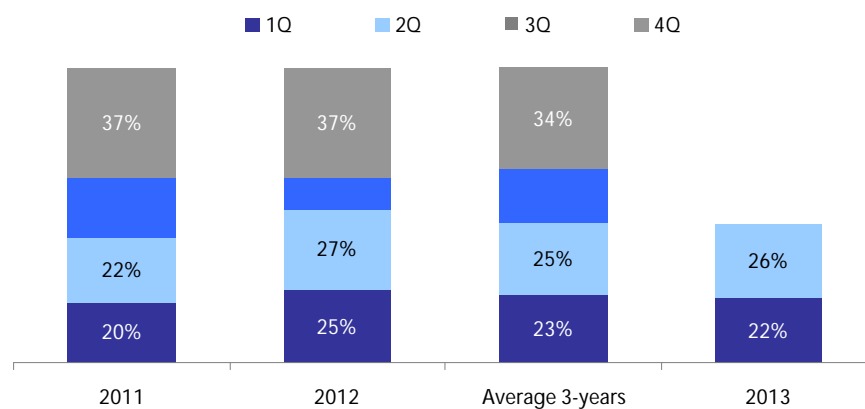
Year end to Dec	2011	2012	2013F	2014F	2015F
Revenue, Rp bn	2,072	2,164	2,302	2,511	2,741
EBITDA, Rp bn	428	475	500	547	589
EBITDA Growth, %	40.4	10.9	5.3	9.4	7.8
Net Profit, Rp bn	212	233	248	276	310
Core Profit, Rp bn	210	232	245	276	311
Core EPS, Rp	146	161	170	192	216
Core EPS Growth, %	39.8	10.7	5.7	12.5	12.5
Net Gearing, %	36.7	33.4	26.8	16.9	7.8
PER, x	16.6	15.1	14.2	12.8	11.4
Core PER, x	16.8	15.2	14.4	12.8	11.4
PBV, x	4.5	4.3	3.8	3.3	2.9
EV/EBITDA, x	8.9	8.0	7.6	6.8	6.1
Yield, %	4.1	4.3	4.5	4.7	5.0

Exhibit 1. SMSM 1H13 results

Profit & Loss, Rp bn	6M13	6M12	%	2Q13	1Q13	%	2Q12	%	FY13F*	%
Revenue	1,089	1,122	(2.9)	590	500	18.0	587	0.5	2,302	47.3
Gross profit	268	299	(10.7)	131	137	(4.1)	162	(18.9)	576	46.5
Operating expenses	(96)	(99)	(2.5)	(47)	(50)	(6.4)	(51)	(8.4)	(195)	49.4
Operating profit	171	201	(14.7)	84	87	(2.8)	111	(23.7)	380	45.0
EBITDA	222	253	(12.2)	111	111	(0.5)	138	(19.7)	500	44.4
Net interest	(14)	(13)	4.9	(6)	(8)	(25.2)	(6)	(6.4)	(27)	52.2
Other income (expenses)	4	4	5.3	3	0	880.5	2	38.2	3	128.2
Pre-tax income	161	191	(15.7)	82	79	3.4	107	(23.3)	357	45.1
Net profit	112	127	(11.9)	56	56	0.0	71	(20.9)	248	45.0
(%)										
Gross margin	24.6	26.7		22.2	27.3		27.5		25.0	
Opex to sales	8.9	8.8		7.9	10.0		8.7		8.5	
Operating margin	15.7	17.9		14.3	17.4		18.9		16.5	
EBITDA margin	20.4	22.5		18.8	22.3		23.5		21.7	
Net margin	10.3	11.3		9.5	11.2		12.0		10.8	
Notes: *Exclude PTC and SSP										
Sales Breakdown, Rp bn										
By Product										
Filter	752	752	(0.1)	398	354	12.5	397	0.2	1,678	44.8
Radiator	191	181	5.4	100	91	10.6	94	6.6	406	46.9
Karoseri	95	189	(49.8)	51	44	16.3	189	(73.0)	410	23.2
Others	135	112	20.6	106	29	259.7	94	12.7	60	226.7
Distribution	159	139	14.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Elimination	(243)	(252)	(3.7)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
(Gross margin, %)										
Filter	24.0	25.4		19.7	28.8		26.2			
Radiator	19.7	20.9		23.1	16.1		19.6			
Karoseri	9.1	21.4		7.1	11.4		21.4			
Others	13.2	10.2		14.5	8.4		9.6			
Distribution	14.6	13.2		n/a	n/a		n/a			
By Geographical										
Domestic	446	503	(11.3)	248	198	25.1	262	(5.3)		
Export	643	619	3.9	342	301	13.3	325	5.2		
Asia	241	234	3.0	138	102	35.4	128	8.4		
America	198	178	11.2	100	98	2.7	89	12.5		
Australia	66	63	4.5	32	33	(4.1)	30	8.6		
Europe and Others	139	145	(4.0)	71	68	4.0	78	(9.5)		

Source: Company and DanareksaSekuritas

Exhibit 2. Firsthalf seasonality



Source: Company and DanareksaSekuritas

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