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Date
30 April 2013

Results

Price at 30 Apr 2013 (IDR)	2,725
Price target - 12mth (IDR)	2,950
52-week range (IDR)	2,725 - 1,722
Jakarta Comp. Index	4,999.75

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Weak 1Q13 results

* Headline net profit of Rp51bn is down 3% yoy and is below our estimates (representing 22% of DB FY13F), as top line declined 9% yoy on the back of lower than expected growth in the recently acquired Hydraxle business (down 47% yoy; representing mere 13% of DB FY13F) and in the Filter business (flat yoy; 21% of DB FY13F). Recall that SMSM owns 51% of Hydraxle.

* At the gross profit level, the significant gross margin improvement in Filter business (1Q13 filter margin of 28.7% vs. 24.5% in 1Q12 and 24.8% DB FY13F) was the saving grace for the business segment to come in line with our forecast (filter 1Q13 gross profit reached 25% of DB FY13F). This however was partly offset by the gross margin contraction in the Radiator business and the significant gross profit decline in Hydraxle (the latter, in 1Q13, represents a mere 8% of our full-year Hydraxle gross profit forecast). Excluding Hydraxle, combined gross profit of Filter and Radiator business accounts for 24% of DB FY13F. See table below for details.

* Overall, SMSM recorded ather weak 1Q13 results. We have yet to receive the full operational details from the company, but our first-take on the results suggests most of the disappointment comes from Hydraxle business segment.

Figure 1: 1Q13 results summary

in Rp bn	1Q12*	1Q13	yoy %	FY13F	% DB FY13F
Sales	517	473	-9%	2,383	20%
COGS	390	349		1,802	
Gross profit	127	124	-2%	582	21%
Gross margin	24.5%	26.2%		24.4%	
OPEX	42	43		197	
% of sales	8.1%	9.2%		8.3%	
Operating profit	85	81	-5%	385	21%
Operating margin	16.5%	17.0%		16.1%	
Other inc/(exp)	(5.6)	(7.6)		(33.4)	
Pre-tax profit	80	73	-8%	351	21%
Income tax expense	18	16		79	
Minority interest	9	6		41	
Net profit	53	51	-3%	231	22%
Net margin	10.2%	10.8%		9.7%	
Net profit excl. FX	51	51	-1%	231	22%

Segmental sales	1Q12	1Q13	yoy %	FY13F	% DB FY13F
- Filter (gross)	355	354	0%	1,647	21%
- Radiator	87	91	4%	402	23%
- Hydraxle	103	55	-47%	423	13%

Segmental Gross profit	1Q12	1Q13	yoy %	FY13F	% DB FY13F
- Filter	87	102	17%	409	25%
- Radiator	19	15	-25%	80	18%
- Hydraxle	18	7	-61%	85	8%

Segmental Gross margin	1Q12	1Q13	yoy %	FY13F	% DB FY13F
- Filter (gross)	24.5%	28.7%		24.8%	
- Radiator	22.4%	16.1%		19.9%	
- Hydraxle	17.5%	12.7%		20.0%	

Source: Deutsche Bank and Company data * 1Q12 numbers are restated to give retrospective effect to acquisition of PT Hydraxle Perkasa

Stock data

Market cap (IDRbn)	3,923
Market cap (USDm)	404
Shares outstanding (m)	1,439.7
Major shareholders	-
Free float (%)	42
Avg daily value traded (USDm)	0.000

Key data

FYE 12/31	2011A	2012E	2013E
Sales (IDRbn)	1,808	1,930	2,383
Net Profit (IDRbn)	200.9	210.1	230.9
DB EPS (IDR)	139.52	145.92	160.38
PER (x)	7.8	18.7	17.0
Yield (net) (%)	12.0	3.5	3.8

Deutsche Bank AG/Hong Kong

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