OSK

Sector Update

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Auto

OVERWEIGHT ÛÜ

Short-Term Blip, But Long-Term Boom

We see a promising outlook for domestic vehicle sales in the long term, although there might be hiccups in the short-term due to the new higher downpayment policy. Although 4W vehicle sales growth is likely to soften in the second-half, our calculation shows that FY12 car sales might still be higher than that in FY11, thanks to strong sales growth in the first-half. However, 2W vehicle sales are estimated to decline as motorcycle consumers are more affected by the higher downpayment ruling than 4W customers. Our top picks are Astra International (ASII), Indospring (INDS), and Gajah Tunggal (GJTL).

Promising long-term outlook. Indonesia's domestic 4W vehicle sales outlook is promising, given the current low interest and inflation rates. In addition, Indonesia's huge young population presents a large market potential. Notably, the country's current population to car ratio is only 44 cars per 1,000 population, very low for a nation with GDP per capita of USD3,543 and modest public transportation facilities. As comparison, in Thailand, where GDP per capita is USD5,117, there are 123 cars per 1,000 while in Malaysia, with GDP of USD8,423 per capita, it is 300 cars. The massive investments into auto production capacity indicate a promising Indonesian automotive sector outlook. It is reported that the country's domestic production capacity is projected to increase by 75% to 1,360k units per annum (p.a.) over the next three years.

Short-term impact of new downpayment policy. We foresee some car and motorcycle buyers deferring their purchases as they may now need to save longer in order to afford a higher downpayment. However, despite the implementation of the new downpayment policy, we expect 4W vehicle sales growth to still be positive this year. Based on our calculation, FY12 domestic 4W vehicle sales are projected to reach 938k units (+5% y-o-y) in 2012. However, we anticipate a decline in 2W vehicle sales to 7.7m units (-4% y-o-y) this year.

Stiff competition. We expect competition in the domestic auto market to intensify, especially in the MPV segment, which accounts for around half of total car sales nationwide. Suzuki Motor launched its new MPV, *Suzuki Ertiga*, at end-April while in early June, Nissan Motor launched its MPV, *Nissan Evalia,* with which it is targeting to capture a 20%-25% share in the domestic MPV market. These MPVs will compete head-on with *Toyota Avanza* and *Daihatsu Xenia*.

Fuel subsidy removal the biggest threat. 4W vehicles sales growth had always been positive, except in 2006 and 2009 when sales declined due to rising inflation and the impact of price increases in subsidized fuel and commodities, respectively. We see the threat of a price increase in subsidized fuel becoming remote as international oil prices are already trending down. Notably, international oil price had declined to USD83.8/bbl in mid-June, down 21% from USD106.2/bbl in early May 2012.

	Market Cap (IDR bn)	PER (x)		Div yield (%)		ROE (%)		NDER (x)
		FY12f	FY13f	FY12f	FY13f	FY12f	FY13f	1Q12
ASII IJ	277,313	14.9	13.2	4.0	3.5	3.7	3.8	28.8
IMAS IJ	19,080	16.3	13.1	3.4	2.8	1.3	1.8	20.9
AUTO IJ	12,821	12.0	10.4	N/A	N/A	N/A	N/A	21.2
GJTL IJ	8,189	10.0	7.8	1.6	1.3	0.4	0.5	16.9
MASA IJ	4,867	26.1	16.2	1.4	1.3	0.0	0.0	7.1
SMSM IJ	2,750	11.8	10.2	3.9	3.6	6.8	7.8	35.6
INDS IJ	1,205	8.5	7.3	1.6	1.4	3.0	3.5	20.8
Weighted average		14.8	12.9	3.9	3.4	3.4	3.6	27.5

Promising long-term outlook

We foresee robust domestic 4W vehicle demand on the back of low interest and inflation rates. Moreover, the Indonesian population, with its large productive age (122m people) and large young age (89m people) represents a huge potential market. Notably, the current Indonesian population to car ratio of only 44 cars per 1,000 is very low for a nation with a GDP of USD3,543 per capita and modest public transportation facilities. For comparison, the ratio of cars per 1,000 population in Thailand - with a GDP of USD5,117 per capita – is 123 cars, while that for Malaysia - with USD8,423 GDP per capita – is 300 cars. We expect Indonesia's domestic car sales growth to accelerate when the country's GDP reaches USD4,000-5,000 per capita.

Exhibit 1: Indonesia's GDP per capita

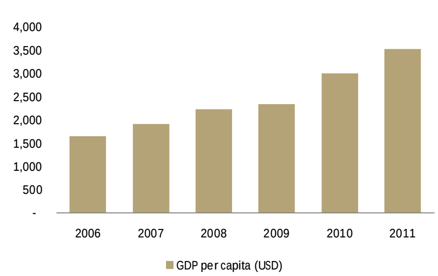
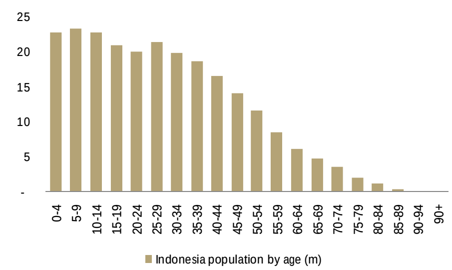
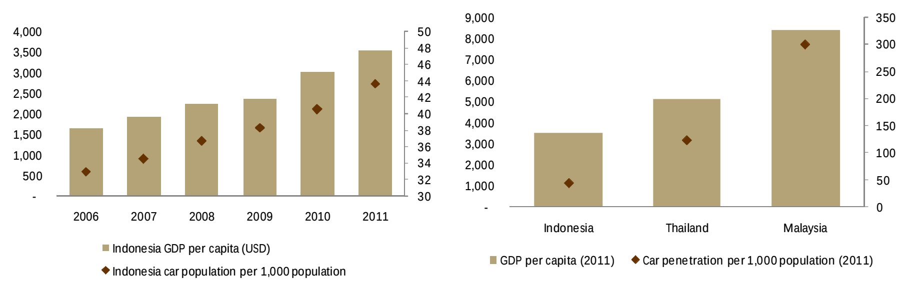


Exhibit 2: Indonesian population by age



Source: The Central Statistic Bureau, Bank Indonesia

Exhibit 3: Car penetration vs GDP per capita



Source: World Economic Forum, Gaikindo, Various

The massive investments in new plants and car dealerships point to a promising outlook for Indonesia's auto sector. At least eight car producers have shown intention to either expand or build a plant. We estimate that the number of car dealers will increase to 879 from 2012-2014, up 28% from 688 currently. In addition, the national 4W vehicle production capacity is set to increase to 1,360k units p.a. from 2012-2014, up by 75% from the current 778k units p.a. This includes:

1. **Toyota Motor,** which aims to increase its production capacity by 120k units p.a. with capex of JPY41.3bn. Its production capacity will reach 230k units p.a. in 2014. In addition, it wants to add 22 new *Auto 2000* dealers to expand the total number to 178 across Indonesia.

2. **Astra Daihatsu Motor** plans to increase its production capacity by 100k units p.a. to 430k units p.a. with capex of IDR2.1trn. Daihatsu is also set to add 30 more new dealers to its current pool of 181 dealers.

3. **Mitsubishi Krama Yudha** is to expand its production capacity by 12k units p.a. to 150k units p.a. by investing IDR250bn. It also plans to increase its number of dealers to 200, from 157 currently.

4. **Honda Prospect Motor** plans to triple its production capacity from 60k units p.a. currently to 180k units p.a. by spending IDR3.1trn in capex. It also plans to add 12 new dealers to its current 88-strong network of dealers.

5. **Nissan** plans to more than double its annual production capacity from the current 100k units to 250k units by spending USD400m. It also aims to add another 100-150 new dealers to its current pool of 71 dealers. Nissan is also set to launch a new low cost and green car (LCGC) under the *Datsun* brand name.

6. **Isuzu Astra Motor** is to double its production capacity from 40k units p.a. to 80k units p.a. through IDR1trn in capex.

7. **General Motor** is to build a new plant with an annual capacity of 40k units through an investment of USD150m. GM also plans to add five new dealers to its current network of 35 dealers.

8. **Volkswagen** has announced plans to build a completely-knocked-down (CKD) plant with a capacity of 1,200 units p.a. The new plant is to commence operation in 2015.

Exhibit 4: Production capacity

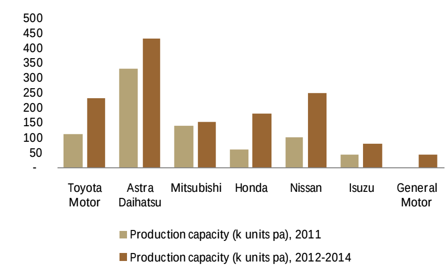
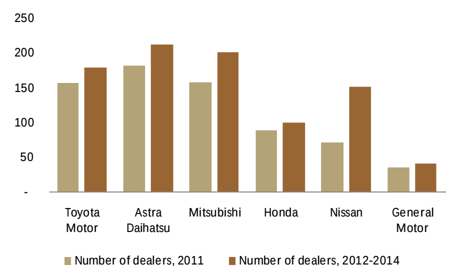


Exhibit 5: Number of car dealers



Source: Kontan

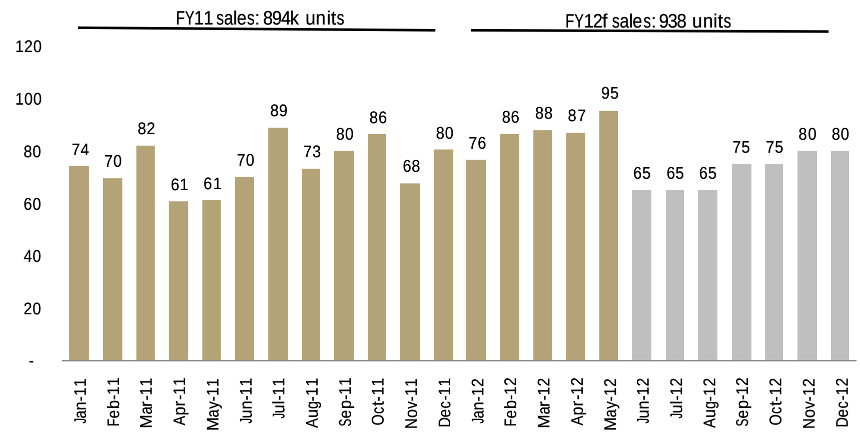
Short-term impact from the new downpayment ruling

The government implements new regulations on the downpayment for vehicle purchases effective 15 June. Under the new rules, the minimum downpayment for car financing via bank financing will be 30% (20% for productive assets), while the downpayment for motorcycle financing is 25% (20% for productive assets). The minimum downpayment for financing via a finance company is 25% for 4Ws (20% for productive assets) and 20% for 2Ws.

We foresee strong demand for vehicles in the long term, but the new downpayment requirements would probably hurt short-term vehicle sales. We see postponements in car purchases by around 3-4 months and motorcycle purchases by 1-2 months as buyers would now need to save longer to afford the higher downpayment. Hence, the impact will be temporary. The long-term impact of the policy will be positive, and give rise to a healthier banking and financing structure.

Despite the new downpayment rules, we still see positive growth in 4W vehicle sales growth this year. Car sales grew strongly from Jan-May 2012, up 24.7% y-o-y to 433k units. According to our calculations, car sales may decline to 65k units per month from June-August, and then gradually recover to 80k units per month by the end of the year. FY12 domestic 4W vehicle sales are projected to reach 938k units in 2012, up 5% y-o-y, from 894k units in 2011.

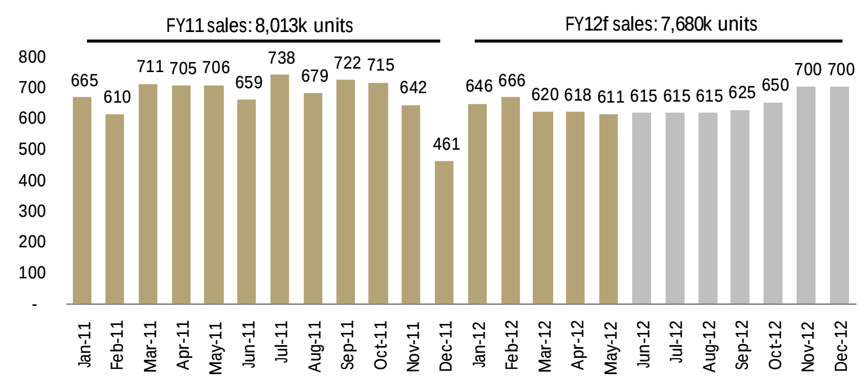
Exhibit 6: Monthly domestic 4W sales



Source: Gaikindo, OSK Research

However, we expect 2W vehicle sales to decline by 4% y-o-y to 7.7m units this year versus 8.0m units in 2011. 2W vehicles sales are expected to remain low at 615k units per month for the next three months, and gradually recover to 700k units per month by year-end. Motorcycle sales reached merely 3.2m units from Jan-May 2012, down 7.0% y-o-y compared to the same period last year.

Exhibit 7: Monthly domestic 2W sales



Source: AISI, OSK Research

It is worth noting that according to the Indonesia Auto Association (Gaikindo), from Jan-Sept 2011 - long before the minimum downpayment policy was implemented - more than 75% of the total downpayment in car financing were already above 20%. This means that customers had in the past been paying large downpayments to finance their car purchases. For motorcycle financing, some 36.3% of total downpayment was higher than 20%.

Exhibit 8: Downpayment on 4W vehicles financing

	Percentage
Down payment < 5%	0.3%
Down payment 5%-10%	0.8%
Down payment 10%-15%	8.4%

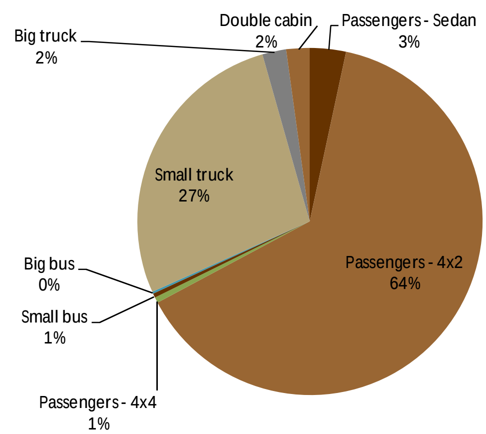
Down payment 15%-20%	13.7%
Down payment 20%-30%	44.0%
Down payment > 30%	32.5%

Source: Gaikindo, Bisnis Indonesia

Tighter competition

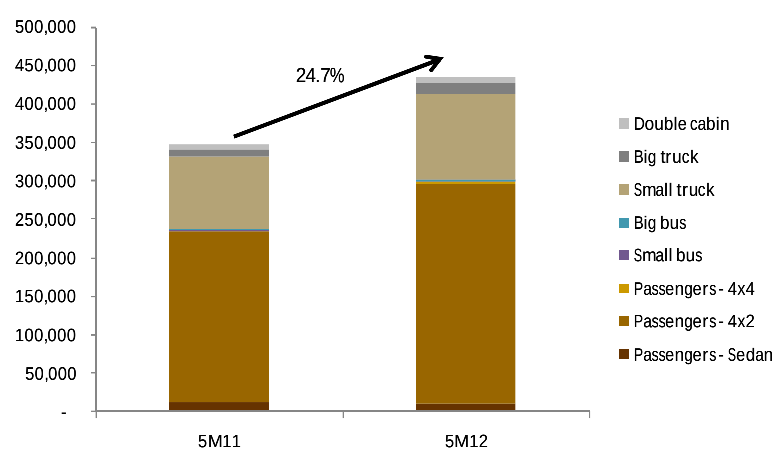
The MPV is the domestic car market's largest segment, accounting for around half of all car sales nationwide. The best selling MPVs in Indonesia are *Toyota Avanza* and *Daihatsu Xenia,* which chalked up average monthly sales of around 16,000 units and 6,000 units, respectively. To put it into perspective, the total monthly domestic 4W vehicles sales is 85,000 units.

Exhibit 9: 4W vehicles sales breakdown – by percentage



Source: Gaikindo, OSK Research

Exhibit 10: 4W vehicles sales breakdown – by units



Source: Gaikindo, OSK Research

We expect competition in the domestic auto market to tighten, especially in the MPV segment. Nissan Motor launched its MPV, *Nissan Evalia,* early this month, targeting to sell 50k units of the model a year, and to capture a 20%-25% share of the domestic MPV market. Orders for the *Evalia* hit 1,200 units on the day of its launch. Meanwhile, Suzuki Motor, which launched *Suzuki Ertiga* MPV at end-April, received orders for 4,873 units on the day of launch. Suzuki has not disclosed its sales target. These MPVs will compete head-on with *Toyota Avanza* and *Daihatsu Xenia*.

Exhibit 11: ***Toyota Avanza***

Machine: 1,495cc
Price range: IDR145.8m-182.9m

Exhibit 12: ***Daihatsu Xenia***

Machine: 1,298cc
Price range: IDR127.6m-180.3m

Source: Various sources

Exhibit 13: ***Suzuki Ertiga***

Machine: 1,373cc
Price range: IDR143m-165m

Source: Various sources

Exhibit 14: ***Nissan Evalia***

Machine: 1,500cc
Price range: IDR145m-185m

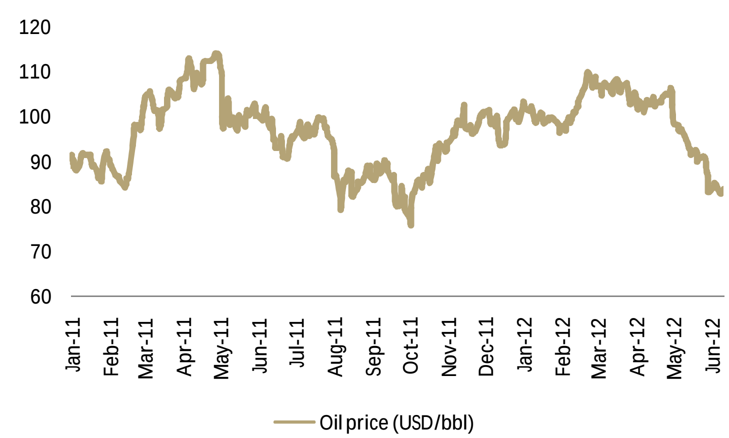
Source: Various sources

Fuel subsidy removal the biggest threat

We are of the view that the biggest threat to 4W sales growth is the high inflation triggered by the removal of fuel subsidies. 4W vehicle sales growth had been positive in the past 12 years, except in 2006 and 2009, during which sales slipped 40.3% and 19.9%, respectively, mainly due to rising inflation. In 2006, inflation peaked at 17.1% due to the impact of higher subsidized fuel price, which rose 18.5% y-o-y (from IDR4,500/litre to IDR5,333/litre). In 2009, inflation reached 11.1% due to the impact of higher commodity prices.

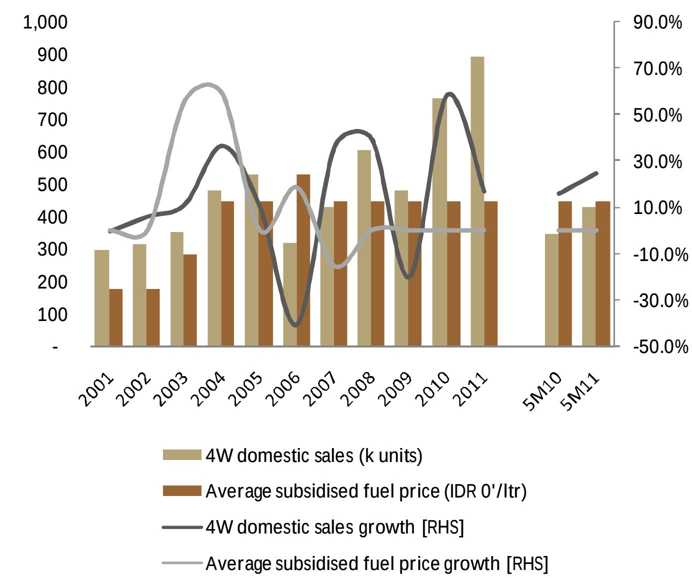
However, we see the threat of a price increase for subsidized fuel as remote since international oil prices have come down. Notably, as of mid-June, international oil price is down 21% to USD83.8/bbl from the USD106.2/bbl reached in early May 2012. The decline in international oil price is followed by drops in the prices of other commodities such as CPO, coal, and nickel.

Exhibit 15: International oil price



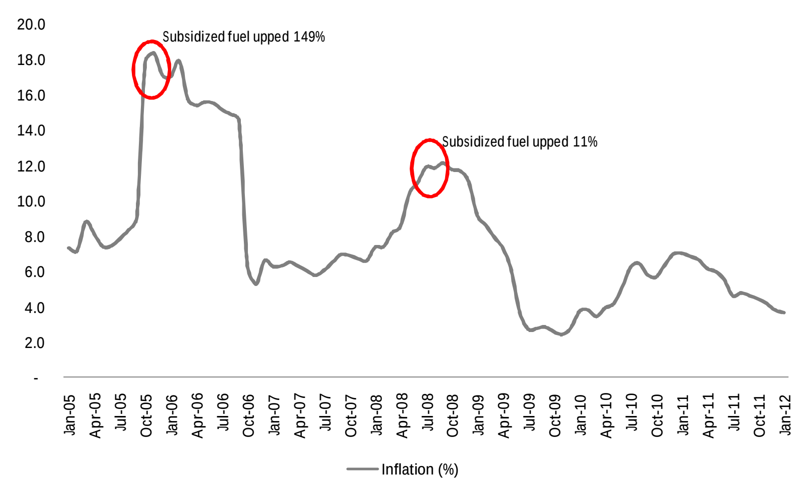
Source: Bloomberg

Exhibit 16: 4W sales growth vs subsidized fuel price change



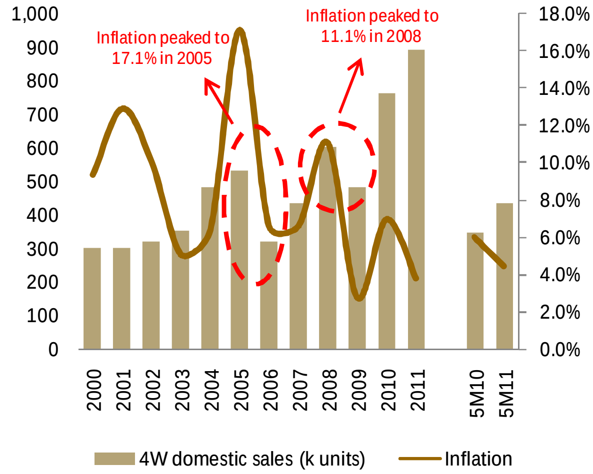
Source: Gaikindo, Pertamina, OSK Research

Exhibit 17: Change in subsidized fuel price vs inflation



Source: CEIC, OSK Research

Exhibit 18: 4W sales vs inflation



Source: Gaikindo, Bloomberg, OSK Research

Auto parts companies revenue exposure

Growing automotive manufacturing activities, in tandem with rising domestic automotive sales, will positively impact the auto spare parts producer in Indonesia. However the degree of the impact will be different to each company considering the products, position in production chains, and degree of revenue exposure to Indonesian market. Below we provide the revenue sources of listed major auto spare parts producers and tyre makers to give the broad picture. Considering auto spare parts industry is fragmented in nature with more than 155 large and mid players from 1,200 total auto spare parts makers, compared to small amount of listed one, our approach are more on bottom up for the auto spare parts makers.

Exhibit 19: Auto parts companies revenue exposure

By value				% by market		
				Domestic		Export
		Product	% by product	REM	OEM	
Tyre maker	Gajah Tunggal	Radial tyre	39	12	1.1	87
		Bias tyre	31	70	18	12
		Motorcycle tyre	21	70	30	-
		Total Tyre	91	46	14	40
		Tyre cord and synthetic rubber	9		62	38
	Multistrada	Radial tyre	90	14	3	83
		Motorcycle tyre	10	98	-	2
		Total	100	22	3	75
Autoparts	Selamat Sempurna	Filter	75		28	72
		Radiator	22		15	85
		Other	3		100	
		Total	100	22	5	73
	Indospring	Leaf spring	90	n/a	n/a	n/a
		Coil spring	9	n/a	n/a	n/a
		Flat bar	1	n/a	n/a	n/a
		Total	100	28	43	29
	Astra Otoparts*	Consolidated Revenue		40	50	10
		Associates and JV's**		10	80	10

** Approximation*

*** Astra Otoparts consists of 17 consolidated companies & divisions and 17 non-consolidated companies; equity in net income of associates and jointly controlled entities contributes 55% of the pretax income in 2011.*

Source: Companies

Top Pick: Astra International, Indospring, Gajah Tunggal

As the largest 4W and 2W vehicle distributor in Indonesia, we see Astra International (ASII) as the biggest beneficiary from the increase in domestic vehicle demand. Note that ASII's share of the domestic 4W market had risen to 57.1% from Jan-May 2012, from 54.3% in the same period last year while, its share of the domestic 2W market rose from 51.2% to 55.2%. Auto parts makers will also benefit from the increase in vehicles sales, with Indospring (INDS) set to gain due to its position as Indonesia's largest spring producer and Gajah Tunggal (GJTL) set to profit from strong domestic tyre demand.

Exhibit 20: A peers comparison

Company	Ticker	Market Cap	PER (x)		PBV (x)		Div yield (%)		ROE (%)		NDER (x)
		(USD m)	FY12f	FY13f	FY12f	FY13f	FY12f	FY13f	FY12f	FY13f	1Q12
Astra International	ASII IJ	29,361	14.9	13.2	4.0	3.5	3.7	3.8	28.8	28.4	0.4
Indomobil	IMAS IJ	2,020	16.3	13.1	3.4	2.8	1.3	1.8	20.9	21.7	0.9
Dongfeng Motor	489 HK	14,145	9.6	8.6	1.9	1.6	1.5	1.6	21.8	20.7	(0.5)
Great Wall Motor	2333 HK	7,445	11.1	10.1	2.4	2.0	2.1	2.4	23.1	22.3	N/A
BYD Company	002594 CH	7,263	33.5	23.0	2.4	2.3	0.3	1.5	6.4	7.8	0.6
Guangzhou Auto	2238 HK	7,109	9.5	7.9	1.3	1.1	2.7	3.1	13.7	14.8	(0.2)
Brilliance China	1114 HK	4,605	15.5	12.1	3.8	2.9	0.1	0.2	28.4	28.0	0.4
Geely Auto	175 HK	2,639	11.9	9.9	1.9	1.6	1.1	1.3	17.0	17.0	0.3
Tata Motor	TTMT IN	12,710	6.1	5.4	1.8	1.4	1.8	2.0	34.4	29.2	2.5
Bajaj Auto	BJAUT IN	7,823	13.1	11.8	5.5	4.5	3.5	3.9	46.4	41.6	(0.3)
Mahindra and Mahindra	MM IN	7,495	12.0	9.8	2.2	1.9	1.8	1.9	20.6	19.9	0.6
Maruti Suzuki	MSIL IN	5,570	12.9	10.7	1.8	1.6	0.8	1.0	14.7	15.8	(0.1)
TVS Motor	TVSL IN	282	7.2	6.1	1.6	1.5	3.9	3.8	21.9	23.2	1.4
Hyundai Motor	005380 KS	46,253	7.7	7.1	1.4	1.2	0.8	0.8	19.4	17.0	N/A
Kia Motors	000270 KS	27,146	8.0	7.5	1.8	1.5	0.8	0.9	27.0	23.6	N/A
UMW Holdings	UMWH MK	3,270	12.6	11.2	2.2	2.0	4.5	4.9	17.9	18.9	0.0
Weighted average automaker and retailer			**11.1**	**9.6**	**2.4**	**2.0**	**1.6**	**1.8**	**24.0**	**22.2**	**0.3**
											-
Astra Otoparts	AUTO IJ	1,357	12.0	10.4	N/A	N/A	-	-	21.2	21.2	0.1
Selamat Sempurna	SMSM IJ	291	11.8	10.2	3.9	3.6	6.8	7.8	35.6	36.8	0.3
Indospring	INDS IJ	127	8.5	7.3	1.6	1.4	3.0	3.5	20.8	20.8	0.5
Zhejiang Yinlun Machinery	002126 CH	327	12.7	9.9	15.5	13.5	0.8	1.1	12.2	14.1	0.2
Wuhu Shunrong Autoparts	002555 CH	224	25.1	19.5	1.7	1.6	0.4	0.5	6.8	8.1	(0.4)
APM Automotive Holdings	APM MK	310	7.4	6.6	1.1	1.0	5.2	5.9	15.4	15.8	(0.4)
Samboon Advance Technology	SAT TB	305	10.7	8.9	2.0	1.7	3.9	4.1	19.6	19.8	0.6
Aapico Hitech	AH TB	103	10.3	9.1	0.8	0.8	3.3	4.0	8.1	8.7	1.2
Weighted average autoparts			**12.2**	**10.3**	**2.6**	**2.3**	**1.9**	**2.2**	**19.3**	**19.8**	**0.1**
Gajah Tunggal	GJTL IJ	867	10.0	7.8	1.6	1.3	0.4	0.5	16.9	18.1	0.6
Multistrada	MASA IJ	477	26.1	16.2	1.4	1.3	0.0	0.0	7.1	8.3	0.4
MRF	MRF IN	754	7.0	5.6	1.6	1.3	0.5	0.5	16.5	17.3	1.2
Appolo Tyres	APTY IN	697	7.0	5.9	1.2	1.0	1.0	1.1	18.4	18.4	0.8
Aeolus Tyre	600469 CG	546	12.3	9.8	1.5	1.3	-	-	11.9	13.9	1.2
Hankook	000240 KS	6,181	12.0	11.0	2.2	1.8	0.8	0.9	20.1	18.6	N/A
Nexen	002350 KS	1,747	12.2	9.6	2.9	2.2	0.3	0.3	26.1	26.5	N/A
Weighted average tyremaker			**11.8**	**10.0**	**2.1**	**1.7**	**0.6**	**0.7**	**19.5**	**19.0**	**0.2**

Source: OSK Research, Bloomberg consensus

OSK

INDONESIA EQUITY
Investment Research

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Company Update

Astra International

Forging Ahead Despite Strong Headwinds

BUY ÛÜ

Target	**IDR7,600**
Previous	**IDR8,250**
Price	**IDR6,850**

AUTO

ASII is a conglomerate with its main businesses in automotive, heavy equipment, agribusiness, financial services, information technology and infrastructure.

Stock Statistics

Bloomberg Ticker	ASII IJ
Share Capital (m)	40,483.6
Market Cap (IDRbn)	277,313
52 week H│L Price (IDR)	7,965│ 5,500
3mth Avg Vol ('000)	34,915
YTD Returns	-7.4
Beta (x)	1.2

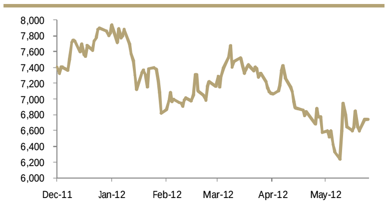
Major Shareholders (%)

Jardine Cycle	50.1

Share Performance (%)

Month	Absolute	Relative
1m	-0.5	2.9
3m	-5.3	-1.4
6m	-7.1	-9.2
12m	15.8	12.2

6-month Share Price Performance



ASII's domestic 4W market share rose to 57.1% in Jan-May 2012, from 54.3% in the same period last year, while its 2W market share rose to 55.2% from 51.2%. Although vehicle sales were temporary affected by the implementation of a new downpayment policy, we expect ASII's vehicle sales growth to outperform that of the industry. That said, we are revising down our earnings estimates to IDR18.6trn-IDR21.0trn (-1.4% to -0.1%) for FY12-FY13f, factoring in slower 2W sales growth. We also cut our TP to IDR7,600 which implies 16.5x-14.6x FY12-FY13f PER.

Strong 4W sales. ASII's 4W vehicle sales, which grew 30.5% y-o-y to 247k units in Jan-May, outpaced the industry's y-o-y sales growth of 24.7% to 433k units. ASII's domestic 4W market share rose to 57.1% in Jan-May 2012, from 54.3% in the same period last year. We reckon that the strong domestic 4W vehicle sales could be mainly attributed to purchases brought forward in anticipation of the implementation of the new downpayment policy. In 2H, domestic 4W vehicle sales are expected to temporarily decline as customers have to pay a higher downpayment starting from 15 June. However, we expect the gradual recovery of domestic 4W vehicle sales by year-end.

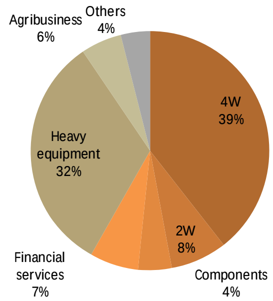
Resilient 2W sales. ASII's 2W vehicle sales have proved to be resilient. Domestic 2W vehicle sales declined -7.0% y-o-y to 3.2m units in Jan-May but ASII surprisingly managed to maintain a positive 2W y-o-y sales growth of 1.8% to 1.8m units. ASII's share of the domestic 2W market rose to 55.2% in Jan-May 2012 from 51.2% in the corresponding period in 2011, thanks to its new *Absolute Revo* scooter model, strong distribution network and solid financing arm. Although overall domestic 2W vehicle sales are expected to decline this year, we expect ASII to record positive 2W sales growth. Nonetheless, this year's sales growth could be much lower than our previous estimate of 5.0% y-o-y.

Heavy equipment remains robust. We expect Indonesia's heavy equipment sales to grow by 19% and 15% to 23,576 and 27,109 units respectively as commodity production, especially coal, is expected to remain strong. This should benefit ASII as it is the biggest heavy equipment distributor in the country with a 44% market share. Notably, competition in the domestic small- to medium-sized equipment segment has intensified since products from China began flooding the market. This may hurt ASII's small- to medium-sized equipment sales which account for 15%-20% of its heavy equipment sales. However, we expect ASII's market position to remain strong, thanks mainly to its solid after-sales service and heavy equipment financing arm.

Forecast and TP revised down. Given the lower 2W vehicle sales estimates, we are revising down our net profit forecasts to IDR18.6trn-IDR21.0trn (-1.4% to -0.1%) for FY12-FY13f. We are also lowering our SOTP-derived target price to IDR7,600, which implies 16.5x-14.6x FY12-FY13f PER.

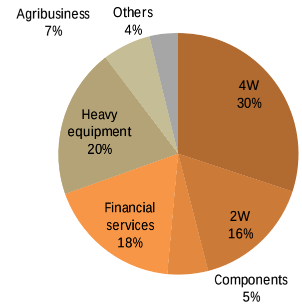
FYE Dec (IDR bn)	FY10	FY11	FY12f	FY13f	FY14f
Revenue	129,991	162,564	167,192	184,768	202,193
Net Profit	14,366	17,785	18,645	21,034	23,730
% chg y-o-y	43.7	23.8	4.8	12.8	12.8
Consensus	-	-	19,122	22,315	25,169
EPS (IDR)	355	439	461	520	586
DPS (IDR)	111	202	250	263	296
Dividend yield (%)	1.6	3.0	3.7	3.8	4.3
ROE (%)	32.2	32.4	28.8	28.4	27.8
ROA (%)	14.2	13.4	11.9	12.5	12.8
PER (x)	19.3	15.6	14.9	13.2	11.7
BV/share (IDR)	1,218	1,493	1,703	1,960	2,250
P/BV (x)	5.6	4.6	4.0	3.5	3.0
EV/ EBITDA (x)	16.0	13.5	11.2	9.5	8.2

Exhibit 1: 1Q12 revenue breakdown



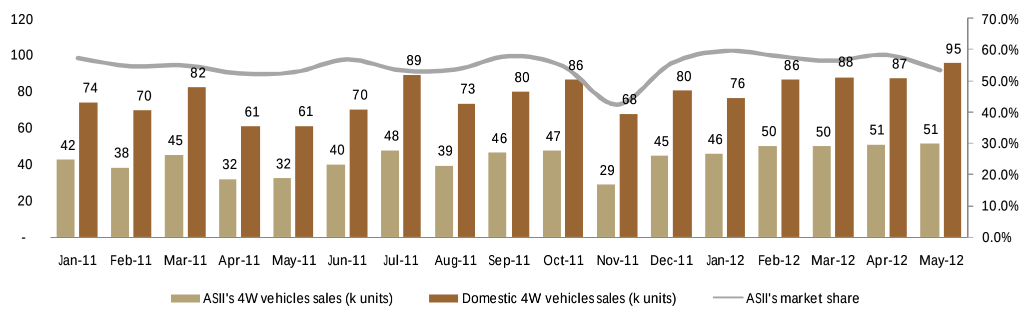
Source : Company, OSK Research

Exhibit 2: 1Q12 net profit breakdown



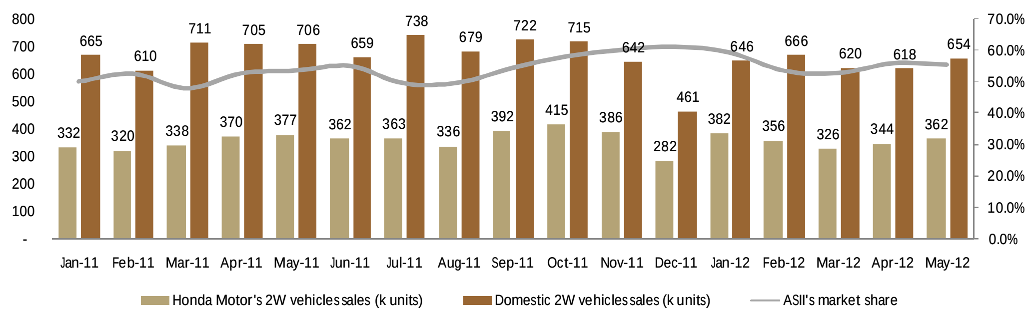
Source : Company, OSK Research

Exhibit 3: ASII's 4W vehicle sales



Source: Gaikindo, ASII, OSK Research

Exhibit 4: ASII's 2W vehicle sales



Source: AISI, ASII, OSK Research

EARNINGS FORECAST

FYE Dec (IDRbn)	FY10	FY11	FY12f	FY13f	FY14f
Turnover	129,991	162,564	167,192	184,768	202,193
EBITDA	18,860	22,832	28,040	33,148	38,140
PBT	21,031	25,772	27,375	30,896	34,810
Net Profit	14,366	17,785	18,645	21,034	23,730
EPS (IDR)	355	439	461	520	586
DPS (IDR)	111	202	250	263	296
Margin					
EBITDA (%)	14.5%	14.0%	16.8%	17.9%	18.9%
PBT (%)	16.2%	15.9%	16.4%	16.7%	17.2%
Net Profit (%)	11.1%	10.9%	11.2%	11.4%	11.7%
ROE (%)	32.2%	32.4%	28.8%	28.4%	27.8%
ROA (%)	14.2%	13.4%	11.9%	12.5%	12.8%
Balance Sheet					
Fixed Assets	25,704	37,416	46,309	51,883	55,925
Current Assets	46,316	65,978	61,929	68,773	79,758
Total Assets	112,857	153,521	160,396	176,751	194,835
Current Liabilities	37,125	48,371	29,356	30,443	31,351
Net Current Assets	9,191	17,607	32,574	38,330	48,407
LT Liabilities	54,168	77,683	75,371	77,574	79,818
Shareholders' Funds	49,310	60,449	68,953	79,357	91,093
Net Gearing (%)	48.6%	51.1%	54.1%	48.6%	38.2%
Cash Flow					
PBT	21,031	25,772	27,375	30,896	34,810
Other Operating Cash	(2,504)	(3,105)	(926)	(438)	(125)
Chg in Working Capital	(7,608)	(5,546)	(4,635)	(5,961)	(4,952)
Operating Cash Flow	10,919	17,121	21,814	24,497	29,733
CAPEX	(6,319)	(15,718)	(16,700)	(15,000)	(15,000)
FCF	(5,163)	(5,412)	3,084	5,558	11,676

Company Update

Gajah Tunggal

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BUY

Target	**IDR3,400**
Previous	**IDR3,350**
Price	**IDR2,350**

TYRE MANUFACTURER

Gajah Tunggal is Indonesia's largest listed tyre manufacturer that produces radial, bias and motorcycle tyres.

Stock Profile/Statistics

Bloomberg Ticker	GJTL IJ
Share Capital (m)	3,485
Market Cap (IDRbn)	8,189
52 week H│L Price (IDR)	3,475│2,100
3mth Avg Vol ('000)	3,143
YTD Returns (%)	-21.7
Beta (x)	1.3

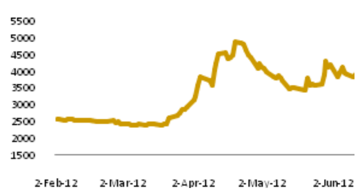
Major Shareholders (%)

Denham Pte Ltd	49.7
Compagnie Financiere Michelin	10.0

Share Performance (%)

Month	Absolute	Relative
1m	-0.7	0.2
3m	-12.7	-9.6
6m	-21.5	-22.9
12m	-20.9	-21.1

6M Share Price Performance



Fundamentally on Solid Ground

Solid footing in domestic replacement market. In the domestic replacement market, GJTL commands 21%, 50% and 52% of the radial, bias and motorcycle tyre sub-segments respectively. We expect the radial and motorcycle tyre replacement market to keep growing, propelled by the increasing number of cars and motorcycles. Meanwhile, the sunset bias tyre market is expected to remain flat in the near term and go on a gradual decline over the long term, and eventually be superseded by the truck and bus radial tyre segment.

Increasing exports fuelled by shift to value brands. Despite the softer-than-expected recovery in the US economy and sluggish economic conditions in Europe, GJTL's exports to both continents surged by 64% last year, spurred mainly by a shift in consumers' preferences from high-end brands to value brands as their purchasing power diminished, a trend we expect to continue benefit GTJL export sales while may be moderated compared to last year especially for Europe. This year export growth will also be partially offset by the expected decline in Michelin off-take orders, mostly anticipated in 1Q.

New expansion in the pipeline. This year, GJTL will complete its 5-year expansion that will beef up its radial and motorcycle tyre production capacity by 50% and 200% respectively relative to those in 2005. It is currently considering another expansion plan to increase its tyre production capacity for passenger cars by 11% and kick off the production of truck and bus radial tyres. We have not factored this expansion plan into our forecasts as it is still in the early planning phase.

Forecast revisions. We are changing several of our assumptions to take into account the appreciating USD-IDR exchange rate, declining rubber prices and more muted increase in selling prices moving forward. We are also increasing our discount and rebate cost, which usually edge up amid declining raw material prices. For the non-operation side, we are ramping up our estimated forex loss to IDR138bn, which changes our FY12 net income and core income forecasts by -4% and +3% respectively, but leaves our FY13-FY14 forecasts relatively unchanged.

Compelling valuation. We maintain our BUY recommendation on GJTL as its current valuation of 8.8x FY12 core PER still looks attractive. In comparison, our revised TP of IDR3,400 implies a FY12 core PER of 12.7x.

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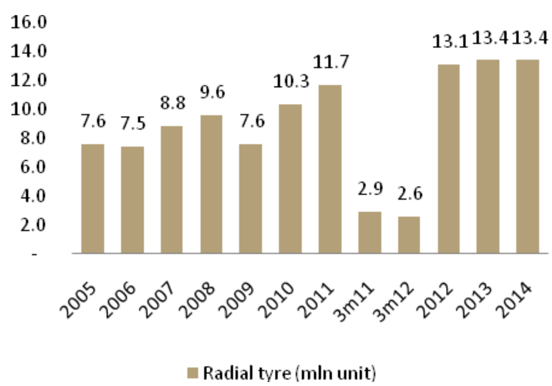
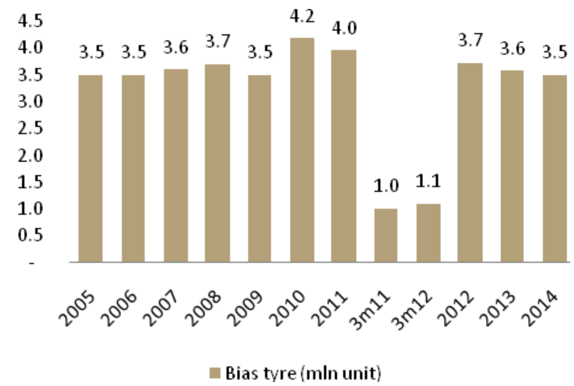
FYE Dec (IDRbn)	FY10	FY11	FY12f	FY13f	FY14f
Revenue, IDRbn	9,854	11,841	13,077	13,984	14,682
% chg y-o-y	24.2	20.2	10.4	6.9	5.0
EBITDA, IDRbn	1,661	1,410	1,869	2,037	2,134
Net profit, IDRbn	831	684	823	1,055	1,273
% chg y-o-y	(8.3)	(17.7)	20.3	28.2	20.7
Core profit, IDRbn	760	637	933	1,055	1,273
% chg y-o-y	41.9	(16.2)	46.4	13.1	20.7
EPS, IDR	238	196	236	303	365
EPS growth%	(8)	(18)	20	28	21
Core EPS, IDR	218	183	268	303	365
Core EPS growth, %	42	(16)	46	13	21
PER, x	9.9	12.0	10.0	7.8	6.4
Core PER, x	10.8	12.9	8.8	7.8	6.4
EV/EBITDA	6.8	8.1	5.6	4.6	3.5

Exhibit 1: Radial tyre sales volume



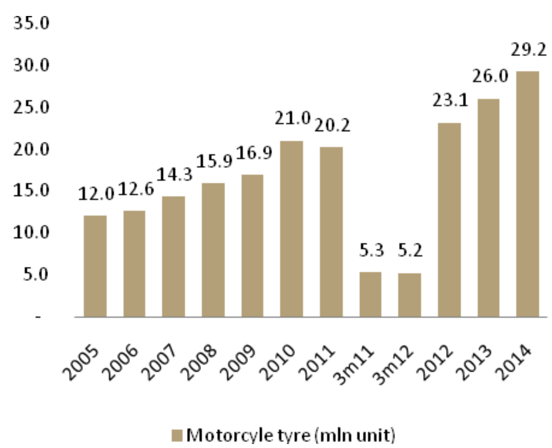
Source : Company, OSK Research

Exhibit 2: Bias tyre sales volume



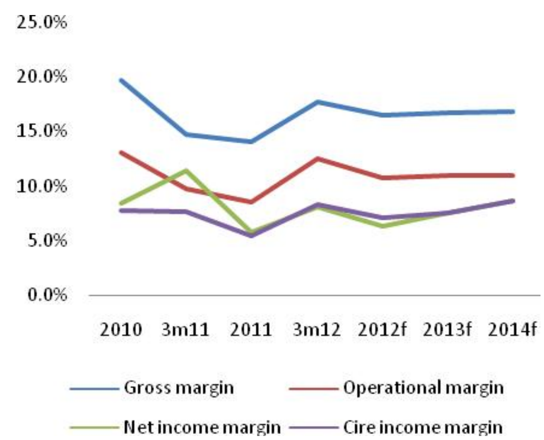
Source : Company, OSK Research

Exhibit 3: Motorcycle sales volume



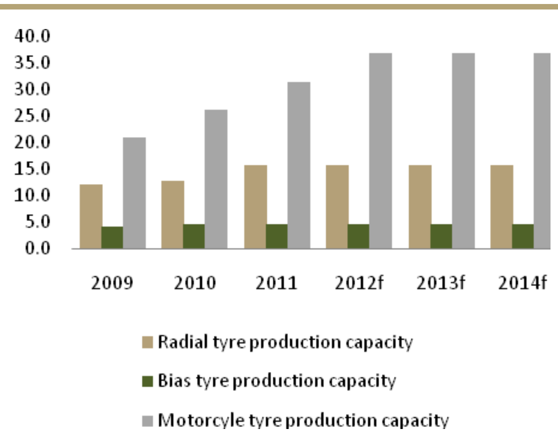
Source : Company, OSK Research

Exhibit 4: Margins



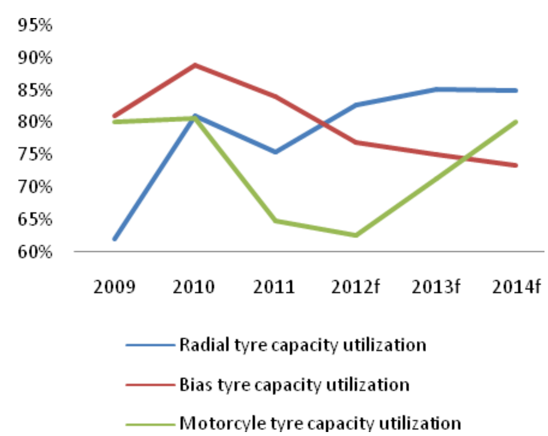
Source : Company, OSK Research

Exhibit 5: Production capacity (mn units)



Source : Company, OSK Research

Exhibit 6: Utilization rate; radial utilization rate may topped at 85%(actual maximum utilization rate) in 2013 without an expansion



Source : Company, OSK Research

EARNINGS FORECAST

FYE Dec (IDRbn)	FY10	FY11	FY12f	FY13f	FY14f
Turnover	9,854	11,841	13,077	13,984	14,682
EBITDA	1,661	1,410	1,869	2,037	2,134
PBT	1,120	856	1,028	1,319	1,591
Net Profit	831	684	823	1,055	1,273
EPS (IDR)	238	196	236	303	365
DPS (IDR)	15	12	10	12	15
Margin					
EBITDA (%)	16.9	11.9	14.3	14.6	14.5
PBT (%)	11.4	7.2	7.9	9.4	10.8
Net Profit (%)	8.4	5.8	6.3	7.5	8.7
ROE (%)	26.8	17.2	16.9	18.1	18.2
ROA (%)	8.6	6.2	6.8	7.9	9.9
Balance Sheet					
Fixed Assets	5,882	6,481	6,225	6,106	5,990
Current Assets	4,489	5,073	6,517	7,917	5,639
Total Assets	10,372	11,554	12,742	14,023	11,629
Current Liabilities	1,761	2,015	2,071	6,019	2,245
Net Current Assets	2,728	3,059	4,446	1,898	3,395
LT Liabilities	5,084	5,109	5,394	1,652	1,765
Shareholders' Funds	3,527	4,431	5,276	6,352	7,619
Net Gearing (%)	0.9	0.7	0.4	0.2	(0.1)
Cash Flow					
OCF	1,011	304	1,197	1,356	1,618
ICF	(882)	(507)	(86)	(226)	274
FCF	(59)	(32)	(128)	(41)	(3,868)

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Company Update

Indomobil Sukses

Making Headway Amid Competition

NEUTRAL ÛÜ

Target	**IDR7,500**
Previous	**N/A**
Price	**IDR6,900**

AUTO

IMAS is Indonesia's second largest automotive distributor involved in the distribution, manufacturing, assembling of cars, after-sales services and auto spare parts distribution. The group is also into vehicles financing and mining contracting.

Stock Statistics

Bloomberg Ticker		IMAS IJ
Share Capital (m)		2,765.3
Market Cap (IDRbn)		19,080
52 week H│L Price (IDR)	9,325│	4,025
3mth Avg Vol ('000)		2,715
YTD Returns		7.8
Beta (x)		1.1

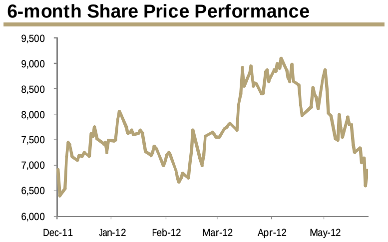
Major Shareholders (%)

Cipta Sarana Duta	52.4
Tritunggal Intipermata	18.1

Share Performance (%)

Month	Absolute	Relative
1m	-18.5	-16.3
3m	-7.7	-5.4
6m	2.6	3.6
12m	62.1	64.4

6-month Share Price Performance



IMAS, which is aiming for FY12 4W vehicles sales to crank up by more than 50% y-o-y, is banking on its newly launched MPV *Nissan Evalia* carving out a 20%-25% share of the MPV market. Although a lucrative segment, competition in MPVs is tough as its competitors had earlier this year launched new models before the new downpayment policy took effect. In addition to rising 4W sales, IMAS' earnings will be spurred by auto spare parts sales, boosted by strong Nissan sales in the past, as well as heavy equipment sales. IMAS is trading at a premium to its peers at 16.3x-13.1x FY12-13f PEs. Our target price of IDR7,500 implies 17.7x-14.3x FY12-13f PEs.

Lucrative but hotly-contested market. IMAS launched its new MPV, *Nissan Evalia,* early this month. The MPV segment is the largest sector in the domestic 4W market, where sales account for around half of nationwide vehicle sales. The company is targeting to sell about 5k units of *Evalia* monthly and garnering a 20%-25% share of the domestic MPV market. IMAS expects its FY12 4W sales to reach 100k units, higher than our projection of 80.6k units. As *Evalia* was launched just two weeks before new downpayment ruling took effect, it will not be easy to spur the vehicle's sales in 2H. Furthermore, the model faces tough competition from *Ertiga, Avanza* and *Xenia* – all of which were launched earlier this year.

Auto spare parts sales to step up. We see spare parts sales – now accounting for 11% of consolidated sales – to go up in line with the rising number of aging Nissan cars. A car running for 2 years usually begins on a cycle where some spare parts would need replacing. Notably, IMAS' vehicles sales growth accelerated in 2010, chalking up a CAGR of 74.8% in the last two years. The gross profit margin from spare parts is much higher than that from cars at 26.2% versus 6.8% respectively. Hence, the higher spare parts sales will accordingly enhance the company's blended profit margin.

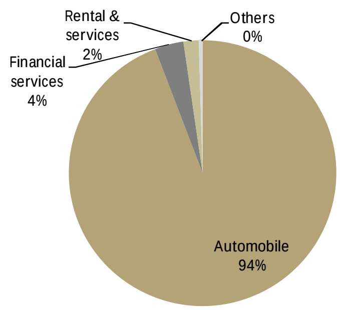
Construction equipment a new income generator. At the end of last year, IMAS obtained a license from Volvo Construction Equipment (VCE) to distribute the latter's products in Sumatra, Java, Nusa Tenggara, and Papua. The company is targeting for VCEs to capture a 3.3%-4.2% share of the domestic heavy equipment market, with sales of 800-1,000 units this year. Our conservative forecast is for sales of 800 units in 2012.

Attractive, but fairly valued. Although we are conservative in our 4W vehicles and heavy equipment sales assumptions, our calculations show that earnings are still estimated to grow at a CAGR of 27.4% from 2011-2014. However, IMAS is trading at 16.3x-13.1x FY12-13f PE, which is at a premium to its peer ASII's PE of 14.9x-13.2x FY12-13f. Based on our DCF valuation and assuming WACC of 11.7% and long-term growth of 9.0%, the counter's fair value is IDR7,500, which implies PEs of 17.7x-14.3x for FY12-13f.

FYE Dec (IDR bn)	FY10	FY11	FY12f	FY13f	FY14f
Revenue	10,935	15,777	22,259	26,336	31,282
Net Profit	449	813	1,170	1,455	1,667
% chg y-o-y	281.5	81.2	44.0	24.3	14.6
Consensus	-	-	1,303	1,733	2,022
EPS (IDR)	162	294	423	526	603
DPS (IDR)	-	-	88	127	158
Dividend yield (%)	-	-	1.3	1.8	2.3
ROE (%)	35.1	17.4	20.9	21.7	21.0
ROA (%)	5.6	6.3	8.0	9.0	9.3
PER (x)	42.5	23.5	16.3	13.1	11.4
BV/share (IDR)	462	1,692	2,027	2,426	2,871
P/BV (x)	14.9	4.1	3.4	2.8	2.4
EV/ EBITDA (x)	57.4	30.9	19.5	16.1	13.1

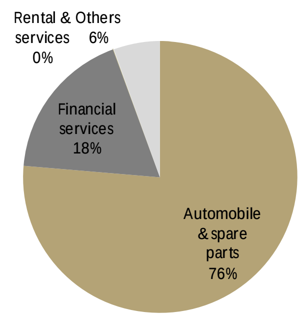
At look at Indomobil Sukses' vital statistics

Exhibit 1: Sales breakdown – 1Q12



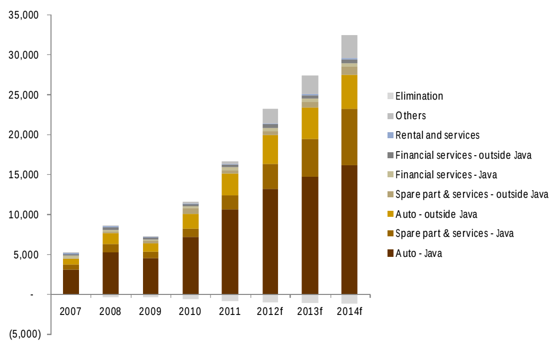
Source : Company, OSK Research

Exhibit 2: Gross profit breakdown – 1Q12



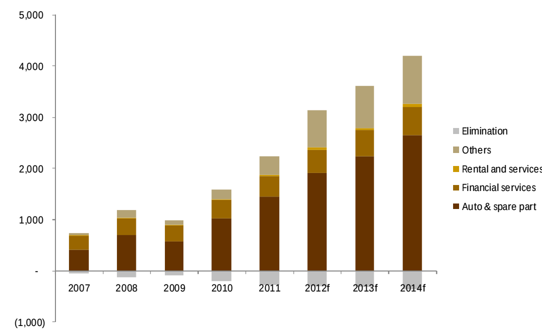
Source : Company, OSK Research

Exhibit 3: Sales breakdown



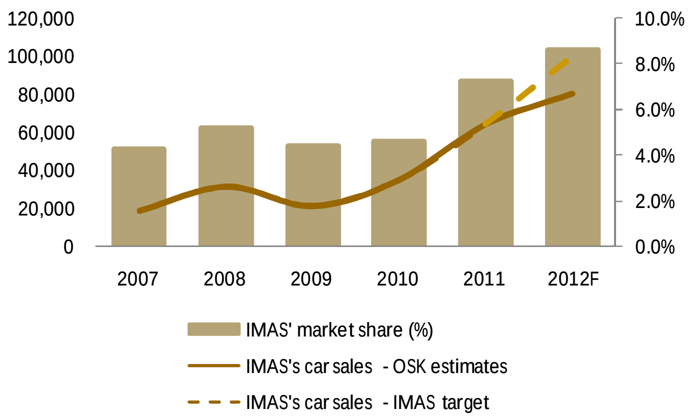
Source : Company, OSK

Exhibit 4: Gross profit breakdown



Source : Company, OSK

Exhibit 3: IMAS' 4W sales



Source : Company, Gaikindo, OSK

Exhibit 4: the *Nissan Evalia*

Source : Various

EARNINGS FORECAST

FYE Dec (IDR bn)	FY10	FY11	FY12f	FY13f	FY14f
Turnover	10,935	15,777	22,259	26,336	31,282
EBITDA	399	710	1,134	1,351	1,633
PBT	646	1,188	1,705	2,104	2,424
Net Profit	449	813	1,170	1,455	1,667
EPS (IDR)	162	294	423	526	603
DPS (IDR)	-	-	88	127	158
Margin					
EBITDA (%)	3.6	4.5	5.1	5.1	5.2
PBT (%)	5.9	7.5	7.7	8.0	7.7
Net Profit (%)	4.1	5.2	5.3	5.5	5.3
ROE (%)	35.1	17.4	20.9	21.7	21.0
ROA (%)	5.6	6.3	8.0	9.0	9.3
Balance Sheet					
Fixed Assets	746	1,877	2,293	2,701	3,098
Current Assets	4,509	7,406	8,671	9,816	11,215
Total Assets	7,985	12,914	14,596	16,148	17,945
Current Liabilities	4,217	5,414	6,270	6,818	7,484
Net Current Assets	293	1,991	2,401	2,998	3,731
LT Liabilities	2,160	2,415	2,315	2,215	2,115
Shareholders' Funds	1,277	4,678	5,604	6,708	7,939
Net Gearing (%)	238.7	56.7	50.2	38.3	28.5
Cash Flow					
PBT	646	1,188	1,705	2,104	2,424
Other Operating Cash	(1,145)	(1,878)	(401)	(479)	(548)
Chg in Working Capital	(698)	(525)	(640)	(404)	(491)
Operating Cashflow	(1,196)	(1,215)	663	1,221	1,385
CAPEX	(197)	(427)	(550)	(578)	(606)
FCF	(1,682)	(1,989)	113	644	779

OSK

INDONESIA EQUITY
Investment Research

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BUY ÛÜ

Target	IDR6,200
Previous	IDR8,650
Price	IDR3,825

Autoparts Manufacturer

Indospring produces automotive springs. It has a production capacity of 7,500 tonnes of leaf spring/month and 400 of tonnes coil spring/month.

Stock Statistics

Bloomberg Ticker		INDS IJ
Share Capital (m)		315
Market Cap (IDRbn)		1,205
52 week H│L Price (IDR)	5,071│	2,142
3mth Avg Vol ('000)		799
YTD Returns		53
Beta (x)		1.6

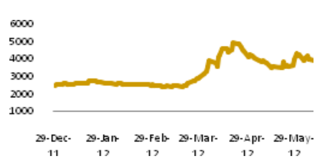
Major Shareholders (%)

Indoprima Investama	87.5

Share Performance (%)

Month	Absolute	Relative
1m	19.2	4.5
3m	69.2	52.4
6m	55.5	42.2
12m	46.6	15.6

6-month Share Price Performance



Company Update

Indospring

Springing With The Growing Market

Commercial vehicle sales on track. Commercial vehicle sales jumped 22% y-o-y in the first five months of the year compared to the same period the last year. Over the longer term, commercial vehicle sales have been growing at a 9% CAGR since 2005. Assuming that the average age of commercial vehicles is five years, the population has over the same 5-year period grown by a 5% CAGR. Meanwhile, passenger car sales and the Indonesian population also grew by a 9% CAGR and 10% CAGR respectively in the last six years. Considering the heightening activities in the plantation, mining and infrastructure sectors as well as the incoming new investments from car makers, we expect the auto market to keep growing. The growing vehicle market will spur domestic demand for the spring OEM and replacement markets. Based on our forecast, Indospring (INDS) will reach 90% utilization of its production capacity next year and full capacity the following year. It already recorded 75% utilization in its annualized 1Q12 period. Hence, the company will need to beef up capacity further next year to cope up with the strong demand.

Preparing for further expansion. The management has plans for the next phase of expansion, with the machinery purchasing list to be finalized by the end of next month. The expansion will ramp up production capacity by 20% to 9,000 tonnes of leaf springs/month at an initial estimated capital expenditure of around IDR200bn. The good thing is that the company has set aside ample space for its third plant, and it would not need to construct another new building. The expansion is expected to be complete sometime in the middle of next year.

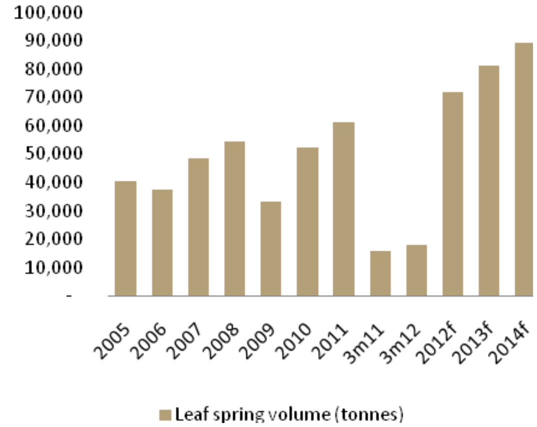
Satisfying yield on cash dividend. The company recently announced a dividend of IDR160/share, or IDR36bn in total, implying a 3% yield (on announcement date, pre stock bonus) and 30% DPR. The dividend is in line with our expectation.

Adjustment on stock bonus. Besides cash dividend, the company also announced a two-for-five bonus issue. While this does not affect the value of the company, we view it as a positive move to increase the stock's liquidity.

Valuation. We maintain our BUY recommendation and adjust our TP to IDR6,200/share to reflect the outstanding new shares. The new TP is at the same 13.8x FY12 PER as the pre-adjustment figure. The counter is currently trading at 8.5x FY12 PER.

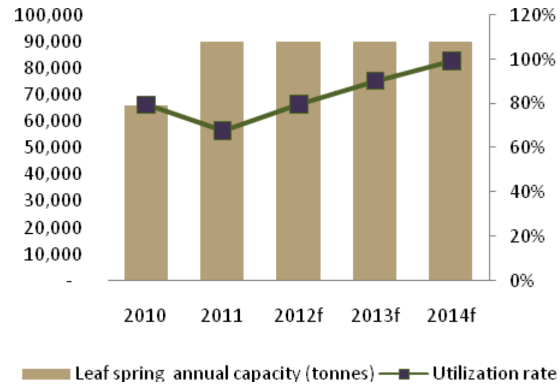
FYE Dec (IDRbn)	FY10	FY11	FY12f	FY13 f	FY14f
Revenue	1,027	1,235	1,471	1,693	1,892
Net Profit	71	120	142	165	179
% chg y-o-y	21.0	69.1	17.9	16.7	8.0
EPS (IDR)	226	382	450	525	567
DPS (IDR)	30	-	114	135	158
Dividend yield (%)	0.8	-	3.0	3.5	4.1
ROAE (%)	36.2	28.0	20.8	20.8	19.3
ROAA (%)	10.2	12.6	11.7	12.5	12.5
PER (x)	16.9	10.0	8.5	7.3	6.7
BV/share (IDR)	722	2,000	2,335	2,726	3,135
P/BV (x)	5.3	1.9	1.6	1.4	1.2
EV/ EBITDA (x)	11.1	7.7	5.6	4.7	4.2

Exhibit 1: Leaf spring volumes



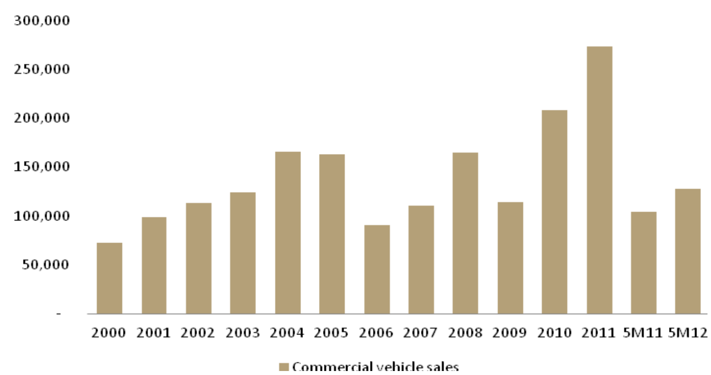
Source : Company, OSK Research

Exhibit 2: Capacity and utilization; without an expansion it will hit 100% in 2014



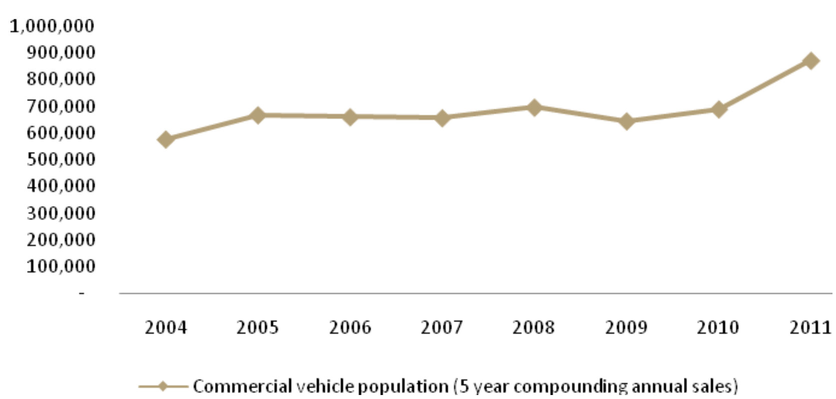
Source : Company, OSK Research

Exhibit 3: Commercial vehicle sales



Source: Gaikindo, OSK Research

Exhibit 4: Commercial vehicle population



Source: Gaikindo, OSK Research

EARNINGS FORECAST

FYE Dec (IDRbn)	FY10	FY11	FY12f	FY13f	FY14f
Turnover	1,027	1,235	1,471	1,693	1,892
EBITDA	147	201	248	285	304
PBT	105	161	189	221	238
Net Profit	71	120	142	165	179
EPS (IDR)	226	382	450	525	567
DPS (IDR)	30	-	114	135	158
Margin					
EBITDA (%)	14.3	16.3	16.9	16.8	16.1
PBT (%)	10.2	13.0	12.9	13.0	12.6
Net Profit (%)	6.9	9.8	9.6	9.8	9.4
ROE (%)	36.2	28.0	20.8	20.8	19.3
ROA (%)	10.2	12.6	11.7	12.5	12.5
Balance Sheet					
Fixed Assets	240	346	352	346	339
Current Assets	530	794	936	1,020	1,152
Total Assets	771	1,140	1,288	1,366	1,491
Current Liabilities	412	330	436	413	429
Net Current Assets	118	464	500	607	724
LT Liabilities	131	177	114	92	73
Shareholders' Funds	227	630	736	859	988
Net Gearing (%)	1.9	0.5	0.3	0.2	0.1
Cash Flow					
OCF	7	(26)	223	126	165
ICF	(52)	(183)	(37)	(39)	(41)
FCF	25	306	(93)	(109)	(73)

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Investment Research

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Company Update

Multistrada Arah Sarana

NEUTRAL Þ

Target	**IDR510**
Previous	**IDR540**
Price	**IDR530**

TIRE MANUFACTURER

Multistrada Arah Sarana is a fast growing tyre manufacturer that produces passenger car radial and motorcycle tyres

Stock Profile/Statistics

Bloomberg Ticker	MASA IJ
Share Capital (m)	9,183
Market Cap (IDRbn)	4,867
52 week H│L Price (IDR)	680│ 445
3mth Avg Vol ('000)	7,169
YTD Returns (%)	6.0
Beta (x)	0.8

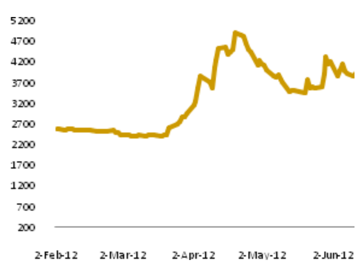
Major Shareholders (%)

PVP XVIII Pte Ltd	14.9
Lunar Crescent	15.1
PT Central Sole Agency	14.5

Share Performance (%)

Month	Absolute	Relative
1m	0.0	9.6
3m	-16.1	-11.2
6m	5.1	3.4
12m	-1.7	0.1

6M Share Price Performance



Fully Valued

Unique business model. We continue to like MASA's unique off-take business of producing branded tyres for multinational distributors, which allows the company to leverage on these distributors' strong networks and substantial demand. The competition in this segment is relatively benign as the big players are not eager to serve third-party brands while the smaller ones are limited by the capital investment needed. Historically, this type of business relationship, combined with MASA's discretionary raw material purchase policy, have led to more stable gross margins compared to that for other players.

Potential headwinds. Despite its solid business model, demand from Western Europe may be dampened by current sluggish economic conditions. To mitigate this risk, MASA aims to expand into Eastern Europe and other smaller countries with high growth potential. For instance, it has a joint venture in Kazakhstan that is currently in a development phase. MASA will also strengthen its domestic market position by supplying tyres to Daihatsu starting from 4Q12, on top of serving existing clients like Suzuki and Mitsubishi. It plans to expand its footprint in the domestic replacement market by opening 100 speed tyre shops in 2012. The company, which completed the second phase of its production capacity expansion at end-2011, will ramp up its capacity for passenger car and motorcycle tyres by 72% and 100% relative to levels in early 2010. However, it may postpone the next phase of its passenger car radial tyre capacity expansion of 23% to the end of the year in view of the softening demand.

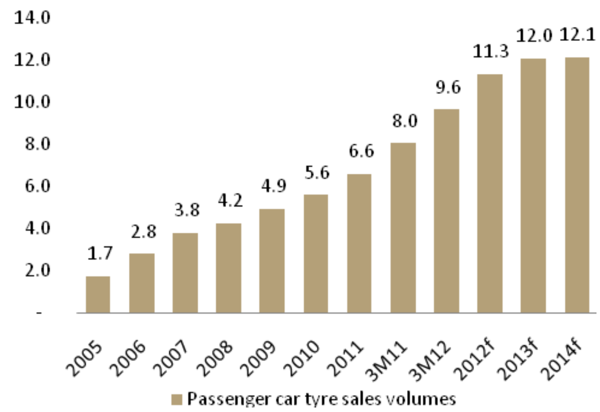
Mixed views on non-core venture. MASA recently announced that it will venture into the industrial land business via a newly-established subsidiary, Kawasan Industri Multistrada. This subsidiary has the licence for a 210-ha land in Cikarang, of which 80ha is already used for MASA's tyre plant. Of the remaining 130ha, 40ha is in the process of being cleared, with another 50-60ha slated to be cleared this year. Although we are positive on the current upcycle in the industrial land business, we also deem this move risky as MASA is venturing beyond its core competence

Forecast adjustment. We have tweaked several assumptions for our forecast, including a weaker IDR against USD, easing rubber prices and declining ASP growth, which result in our gross profit being tweaked down by ~2%. We also increase our opex forecast to reflect higher marketing costs and general expenses. In tandem with the changes to our USD-IDR assumption, we also increase our forex loss forecast to IDR69bn. All in, our core income forecasts for FY12-FY13-FY14 are now lower by 15%-14%-17%, with our net income forecasts also lower by 32%-14%-17% respectively.

Valuation. While we like the company's business model and growth potential, we think its current share price valuation is quite rich compared to those of other autoparts companies. Hence, we change our call to Neutral. We also adjust our TP to IDR510, which implies 19.5x-15.7x FY12-FY13 core PERs.

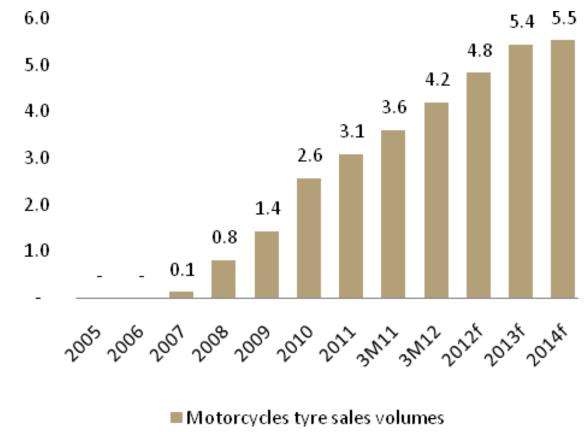
FYE Dec (IDRbn)	FY10	FY11	FY12f	FY13f	FY14f
Revenue, IDRbn	2,007	2,862	3,605	4,441	5,267
% chg y-o-y	18.6	42.6	26.0	23.2	18.6
EBITDA, IDRbn	376	448	603	738	874
Net profit, IDRbn	176	143	186	301	355
% chg y-o-y	0.7	(18.7)	30.2	61.4	18.1
Core profit, IDRbn	173	186	242	301	355
% chg y-o-y	28.9	7.2	30.2	24.4	18.1
EPS, IDR	19	16	20	33	39
Core EPS, IDR	19	20	26	33	39
PER, x	27.6	34.0	26.1	16.2	13.7
Core PER, x	28.1	26.2	20.1	16.2	13.7
EV/EBITDA	15.2	16.0	9.8	8.9	7.4

Exhibit 1: Passenger car tyre sales volumes



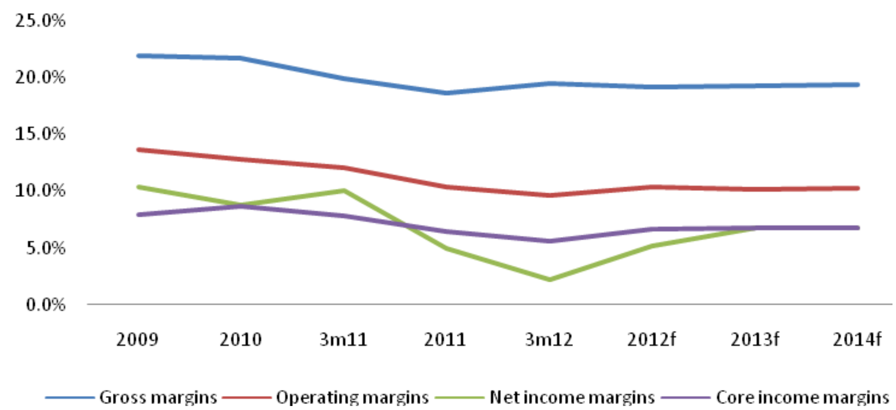
Source: Company, OSK Research

Exhibit 2: Motorcyle tyre sales volumes



Source: Company, OSK Research

Exhibit 3: Margins



Source: Company, OSK Research

EARNINGS FORECAST

FYE Dec (IDRbn)	FY10	FY11	FY12f	FY13f	FY14f
Turnover	2,007	2,862	3,605	4,441	5,267
EBITDA	376	448	603	738	874
PBT	227	188	233	376	444
Net Profit	176	143	186	301	355
EPS (IDR)	19	16	20	33	39
DPS (IDR)	1	1	-	-	-
Margin					
EBITDA (%)	18.7	15.7	16.7	16.6	16.6
PBT (%)	11.3	6.6	6.5	8.5	8.4
Net Profit (%)	8.8	5.0	5.2	6.8	6.7
ROE (%)	11.4	8.4	7.1	8.3	9.0
ROA (%)	6.3	3.7	3.6	4.8	5.1
Balance Sheet					
Fixed Assets	2,373	3,475	3,867	4,749	4,845
Current Assets	665	1,262	1,889	1,939	2,363
Total Assets	3,038	4,736	5,756	6,688	7,209
Current Liabilities	993	2,619	1,255	1,471	1,677
Net Current Assets	(327)	(1,357)	634	468	687
LT Liabilities	417	350	1,018	1,433	1,393
Shareholders' Funds	1,629	1,766	3,483	3,784	4,139
Net Gearing (%)	0.5	1.3	0.3	0.5	0.4
Cash Flow					
OCF	504	99	394	429	528
ICF	(743)	(1,236)	(596)	(1,155)	(419)
FCF	260	1,150	633	468	7

INDONESIA EQUITY
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Company Update

Selamat Sempurna

Hydraxle Comes on Board

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BUY ÛÜ

Target	**IDR2,250**
Previous	**IDR2,050**
Price	**IDR1,910**

Automotive Parts

Selamat Sempurna produces automotive filters and radiators for the domestic market and exports to 105 countries.

Stock Statistics

Bloomberg Ticker		SMSM IJ
Share Capital (m)		1,440
Market Cap (IDRbn)		2,750
52 week H│L Price (IDR)	2,225│	1,160
3mth Avg Vol ('000)		1,658
YTD Returns		40.4
Beta (x)		0.8

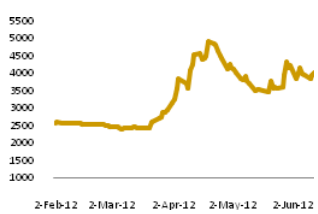
Major Shareholders (%)

PT. Adrindo Intiperkasa	58.0

Share Performance (%)

Month	Absolute	Relative
1m	4.4	4.5
3m	7.9	11.5
6m	40.4	39.1
12m	72.1	57.7

6-month Share Price Performance



Acquiring a growing and profitable company... We value positively SMSM's acquisition of 49% in its sister company Hydraxle Perkasa (HP) last month. HP, which mainly produces dump body and hoists, is the market leader with a 20%-30% share in this growing fragmented market, whose demand is driven by the domestic mining and plantation sectors, and infrastructure activities. Its strength lies in the fact that since HP is the only domestic company that makes the hoist all by itself, it has product customization flexibility and is able to guarantee uniformity product quality, which places it as the price leader. The numbers are comforting as sales and net profit have been growing by 42% and 67% CAGRs respectively in the last five years, with last year's ROE at 21%.

...with an interesting expansion plan... The company aims to double its production capacity to 10,000 trucks/year in two years. After completing its expansion plan, management intends to aggressively enlarge its market share, which we think is possible since HP currently only focuses on mid-sized trucks with the small-mid mining industry as the major buyers. Hence it has not effectively capitalized on the potential of the market for small-sized trucks in the plantation sector. HP is also in the process of increasing production efficiency, which is now bearing fruit, judging from the 2% gross margin expansion in 2011.

...at a discount. Our DCF-based valuation using 12.4% WACC and 3% terminal growth suggest a fair value of IDR366bn for Hydraxle (IDR188bn for 49%), or 11.8x FY12 earnings. SMSM's acquisition was priced at IDR113bn (for 49% interest), or 7.1x FY12 earnings, which we think is a bargain for the 40% discount. As SMSM is servicing a 7% long term bank loan with Mizuho, we expect the HP acquisition to contribute 2%-3%-4% to SMSM's FY12-FY13-FY14 pre-tax income (after deducting equity income from its acquisition loan cost). We also welcome the acquisition because it reaffirms management's determination to once again capitalize on inorganic opportunities following plans for the Tokyo Radiator Manufacturing JV.

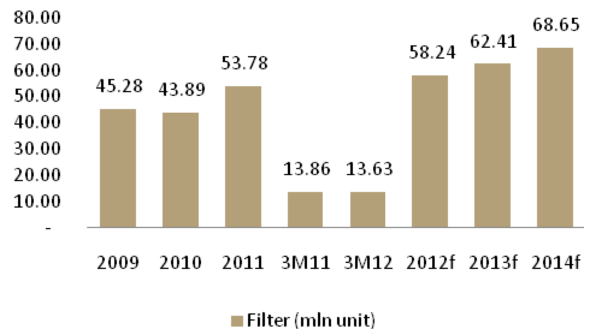
Still a dividend play. SMSM distributed a IDR100/share final dividend for FY11 (including IDR50/share as interim dividend), implying 5.2% yield at the current price. The DPR of 73% for FY11 was within our expectation of a lower DPR for that year. We keep our assumption of a IDR129/share dividend forecast for FY12, which implies a 6.8% yield.

Forecast adjustment. Besides incorporating Hydraxle, we also adjust our USD-IDR assumption, which increases the export revenue nominal value. We also moderate our volume growth, which all in increases our new FY12-FY13-FY14 revenue and net income forecasts by 1%-2%-3% and 3%-5%-7% respectively

Valuation. We maintain our BUY call and raise our TP to IDR2,250, implying 14.0x-12.0x PE on FY12-FY13 earnings. The counter is currently trading at 11.8x-10.2x FY12-FY13 PE.

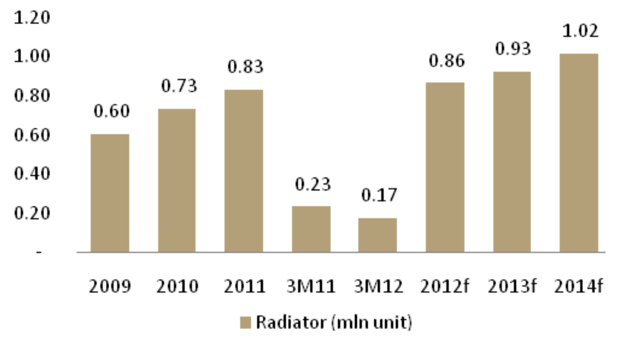
FYE Dec (IDRbn)	FY10	FY11	FY12f	FY13f	FY14f
Revenue	1,562	1,808	2,050	2,319	2,609
Net profit	150	201	232	270	308
% chg y-o-y	13.2	33.5	15.5	16.2	14.2
EPS (IDR)	104	140	161	187	214
DPS (IDR)	95	100	129	150	171
Dividend yield (%)	5.0	5.2	6.8	7.8	9.0
ROAE (%)	29.6	35.7	35.6	36.8	38.8
ROAA (%)	15.0	18.2	18.7	19.5	21.0
PER (x)	18.3	13.7	11.8	10.2	8.9
BV/share (IDR)	361	421	484	534	569
P/BV (x)	5.3	4.5	3.9	3.6	3.4
EV/ EBITDA (x)	9.9	7.8	7.0	6.2	5.6

Exhibit 1: Filter sales volumes



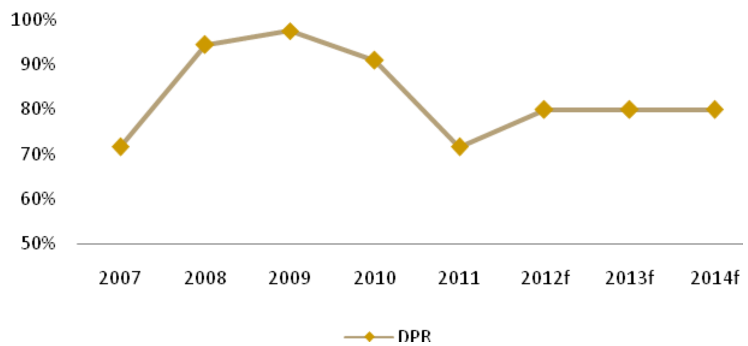
Source : Company, OSK Research

Exhibit 2: Radiator sales volumes



Source : Company, OSK Research

Exhibit 3: Dividen payout ratio



Source: Company, OSK Research

Exhibit 4: Hydraxle highlight

	2006	2007	2008	2009	2010	2011	3M10	3M11	2012f	2013f	2014f
Revenue	53	83	161	154	229	310	83	103	367	436	517
Gross profit	5	7	18	14	27	43	9	18	57	68	81
Operating income	1	3	10	6	18	33	7	15	46	55	67
Net income	2	9	4	4	11	22	5	10	32	41	49
SMSM's portion									11	20	24
Revenue growth		58%	93%	-4%	48%	35%		24%	18%	19%	19%
Gross profit growth		57%	150%	-23%	93%	59%		109%	33%	19%	19%
Operating income growth		99%	281%	-37%	194%	83%		116%	39%	21%	21%
Net income growth		392%	-58%	7%	191%	102%		119%	45%	25%	22%
Gross margin		9%	11%	9%	12%	14%	11%	18%	16%	16%	16%
Operating margin		3%	6%	4%	8%	11%	8%	15%	12%	13%	13%
Net margin		10%	2%	2%	5%	7%	6%	10%	9%	9%	10%
ROAA		7%	2%	2%	7%	13%			13%	12%	13%
ROAE		15%	6%	5%	11%	21%			18%	15%	15%
Net gearing		97%	83%	39%	26%	38%			4%	4%	1%

Source: Company, OSK Research

EARNINGS FORECAST

FYE Dec (IDRbn)	FY10	FY11	FY12f	FY13f	FY14f
Turnover	1,562	1,808	2,050	2,319	2,609
EBITDA	305	386	421	471	520
PBT	205	280	311	361	412
Net Profit	150	201	232	270	308
EPS (IDR)	104	140	161	187	214
DPS (IDR)	95	100	129	150	171
Margin					
EBITDA (%)	19.5	21.4	20.5	20.3	19.9
PBT (%)	13.1	15.5	15.1	15.6	15.8
Net Profit (%)	9.6	11.1	11.3	11.6	11.8
ROE (%)	29.6	35.7	35.6	36.8	38.8
ROA (%)	15.0	18.2	18.7	19.5	21.0
Balance Sheet					
Fixed Assets	405	418	518	502	484
Current Assets	662	719	830	910	1,032
Total Assets	1,067	1,137	1,348	1,412	1,517
Current Liabilities	304	265	340	317	437
Net Current Assets	357	454	490	592	595
LT Liabilities	194	202	239	243	167
Shareholders' Funds	519	606	696	769	819
Net Gearing (%)	0.5	0.4	0.4	0.4	0.3
Cash Flow					
OCF	151	230	271	296	335
ICF	(120)	(100)	(186)	(66)	(65)
FCF	(26)	(134)	(65)	(253)	(255)

OSK Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

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