

Semen Gresik



Parningotan Julio
Julio@bps.co.id
 62-21 5207374

William Hutapea
William@bps.co.id

Waiting for Bigger Capacity

- Lower growth than competitor's**

Lack of capacity to match the Indonesian cement demand growth caused SMGR sales growth being outnumbered by its competitor's (INTP & SMCB). Up to the 3Q-2011 SMGR has recorded sales worth of Rp. 11,610 bn, growing 12.81% compared than in 3Q-2010. Smaller than INTP (20.62%) and SMCB (26.15%). As for 9M-2011 net income, SMGR recorded an increase of 8.18% (Rp. 2,761 bn) compared to the same period last year (Rp. 2,552 bn). The maximum production capacity is still the main concern for SMGR as the new cement factory has not been completed yet.

- New factory on the way**

The Tonasa V and Tuban IV cement plant project which have been started since 2009 are expected to complete in 2012. This will give SMGR the capacity to increase its cement production. Other ongoing project is the Tonasa power plant project. A 2 x 35 MW power plant is built to support the energy need of the cement plant in Tonasa.

- Still expecting growth in the Indonesian cement demand**

As the government plan to push infrastructure in order to drive the Indonesian economy, we predicted that cement demand in 2012 will still grow. With new plant and bigger production capacity in 2012, SMGR is expected to be able to maintain its market share as the biggest cement producer in Indonesia.

- Upgraded Target Price with Revised Recommendation**

Based on the ongoing new plant development and the expectation of the rising cement demand in 2012 we revise our recommendation from "HOLD" to "BUY" for SMGR. We also upgraded our target price from Rp. 9,900 to Rp. 10,800, which is 21.35% higher than SMGR last price at Rp. 8,900 (21/11/11).

Financial Highlights

In Rp Billion	2008A	2009A	2010A	2011F	2012F
Revenue	12,210	14,388	14,344	16,521	19,673
Gross Profit	5,355	6,774	6,810	7,848	9,443
Operational Profit	3,387	4,343	4,489	5,084	6,192
Net Profit	2,524	3,326	3,633	3,925	4,541
EPS	425	561	613	662	766

Financial Highlights

	2008A	2009A	2010A	2011F	2012F
P/E (X)	13.3	13.4	13.6	13.4	11.6
P/BV (X)	4.1	4.4	3.8	4.6	3.5
ROA	24%	26%	23%	20%	20%
ROE	31%	33%	30%	28%	28%

Financial Highlights

In Billion Rp	2008A	2009A	2010A	2011F	2012F
Sales Volume ('000 ton)	17,700	18,100	18,200	19,500	21,600
Sales Price (Rp'000/ton)	690	795	788	847	911

Source : Company, Batavia Prosperindo Sekuritas

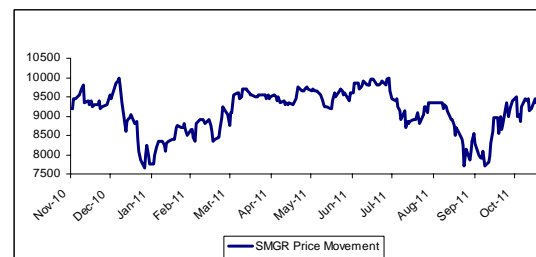
Stock Data

Price Rp	8,900
Target Rp	10,800
Recommendation	BUY
52-weeks range Rp	7,250 – 10,000
Market Cap (Rp bn)	52,791
Outstanding shares (mn shares)	5,931
Daily average volume ('000 shares)	6,116
Daily average value (Rp mn)	53,201

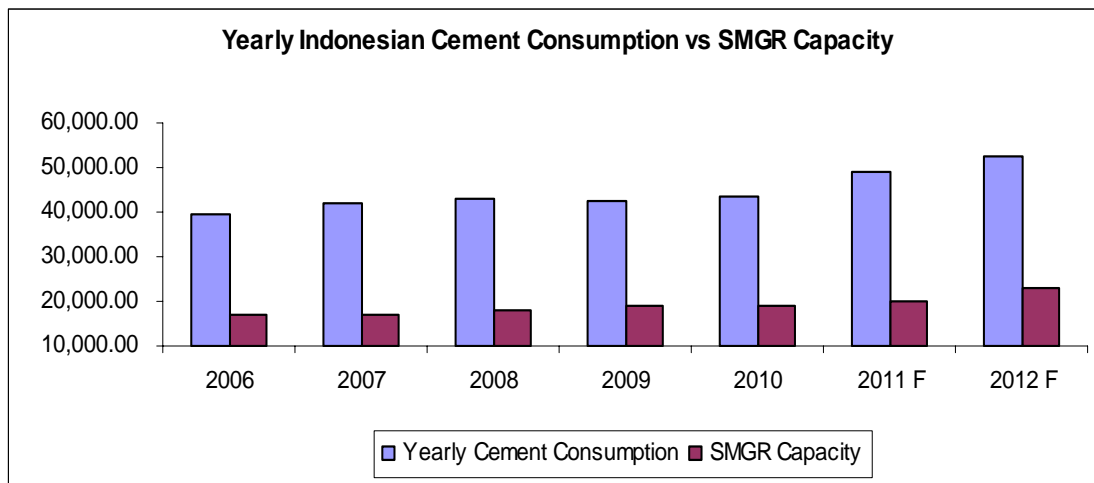
Shareholders

Government of Indonesia	52.5%
Public	47.5%

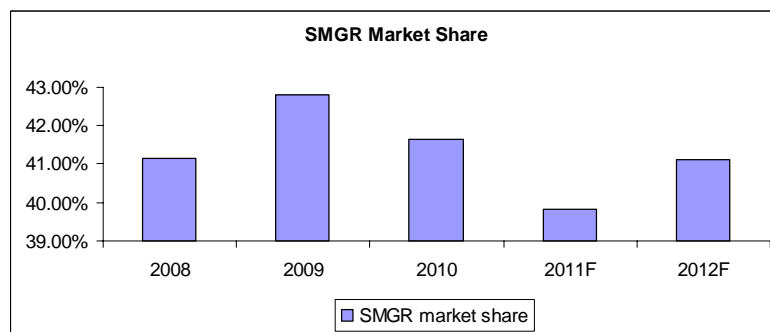
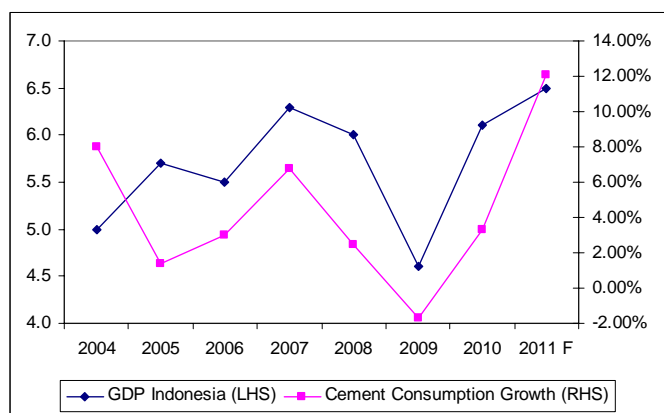
Stock Price



Source: Bloomberg



Source : Company, Batavia Prosperindo Sekuritas



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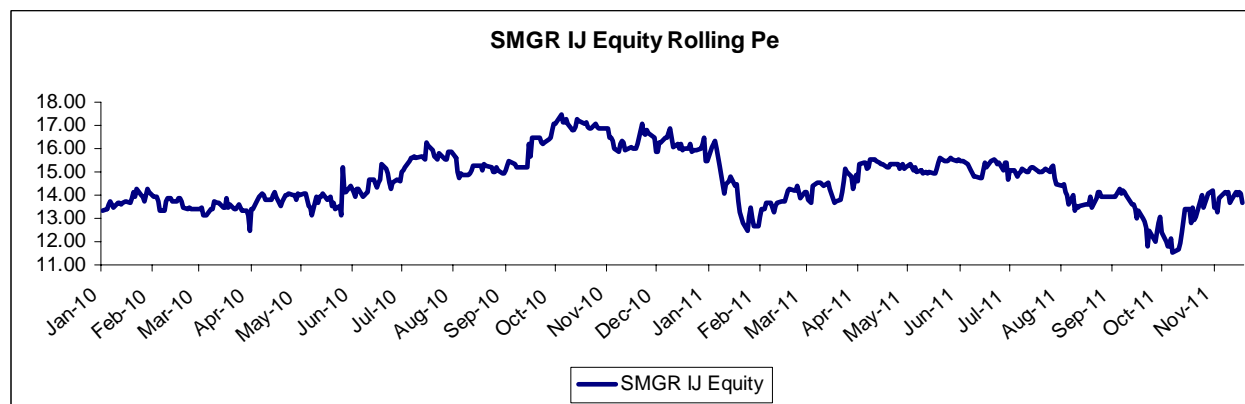
Source : Company, Batavia Prosperindo Sekuritas

Cement Sector

(in Rp billion)

No.	Company	Ticker	Actual		FY11 Bloomberg Consensus		Attainment of Consensus (%)		Classification*
			Revenue	Net Income	Revenue	Net Income	Revenue	Net Income	
1	Indocement Tunggak Prakarsa	INTP	9,779.55	2,585.84	13,057.36	3,597.49	75%	72%	Inline
2	Holcim Indonesia	SMCB	5,408.08	740.22	7,109.55	964.39	76%	77%	Inline
3	Semen Gresik	SMGR	11,610.81	2,761.01	15,999.43	3,913.15	73%	71%	Inline

Source : Bloomberg, Batavia Prosperindo Sekuritas



Source : Bloomberg, Batavia Prosperindo Sekuritas

Income Statement

(in Rp billion)	2008A	2009A	2010A	2011F	2012F
Total Revenue	12,209.85	14,387.85	14,344.19	16,521.43	19,673.21
Total Expense	8,822.66	10,045.29	9,855.16	11,437.39	13,481.17
Income from Operation	3,387.19	4,342.56	4,489.02	5,084.05	6,192.04
Interest Expense	(26.19)	(20.36)	(26.10)	(116.79)	(329.87)
Interest Income	224.00	326.04	229.54	272.45	203.90
Others	4.54	6.95	30.16	25.94	22.80
Income pre Tax Profit	3,589.53	4,655.19	4,722.62	5,265.64	6,088.86
Tax	(1,045.57)	(1,302.43)	(1,063.51)	(1,316.41)	(1,522.22)
Net Income before extr item& minority int	2,543.96	3,352.76	3,659.11	3,949.23	4,566.65
Minority Interest	(20.42)	(26.27)	(25.89)	(24.19)	(25.45)
Net Income	2,523.54	3,326.49	3,633.22	3,925.04	4,541.20
% Change		31.82%	9.22%	8.03%	15.70%

Balance Sheet

(in Rp billion)	2008A	2009A	2010A	2011F	2012F
Cash & equivalent	3,746.68	4,234.70	3,789.17	3,405.67	2,548.76
Short term investment	89.50	1,048.55	113.46	114.59	115.74
Account Receivables	1,518.94	1,451.78	1,764.28	1,903.89	2,386.59
Inventories	1,637.85	1,407.58	1,624.22	1,866.91	2,205.64
Advances, prepaid tax & expense	90.44	76.39	52.48	55.10	55.65
Total Current Assets	7,083.42	8,219.01	7,343.60	7,346.16	7,312.39
Deferred tax assets	75.64	111.92	95.68	96.64	97.61
Investment in associates	59.57	66.67	71.89	71.89	71.89
Fixed asset	3,308.88	4,014.14	7,662.56	11,387.28	15,193.75
Deferred charges net of amortisation	22.46	24.14	21.34	22.54	22.62
Other	53.00	515.43	367.91	409.05	484.80
Total non Current Assets	3,519.54	4,732.30	8,219.39	11,987.40	15,870.66
Total Assets	10,602.96	12,951.31	15,563.00	19,333.57	23,183.05
Trade payables	805.15	776.21	892.02	936.62	983.45
Other payables	33.54	32.76	482.24	35.26	34.89
Accrued expenses	640.95	788.69	801.90	809.92	818.01
Taxes payable	461.09	538.53	222.70	357.49	369.40
Sales advances	56.15	67.17	32.02	50.46	53.50
Current maturities - bank loans	3.49	9.08	28.10	22.53	29.53
Current maturities - loans & others	90.21	82.40	58.54	12.46	10.15
Total Current Liabilities	2,090.59	2,294.84	2,517.52	2,224.74	2,298.94
Employee benefits liabilities	148.69	197.90	216.98	226.18	248.28
Long term loans - net	156.82	107.38	599.63	2,727.31	4,187.63
Other Payables	33.15	33.09	89.12	35.63	38.21
Total non Current Liabilities	338.66	338.37	905.73	2,989.11	4,474.12
Total Liabilities	2,429.25	2,633.21	3,423.25	5,213.85	6,773.06
Minority Interest	104.13	120.42	133.31	150.76	170.44
Share capital	593.15	593.15	593.15	593.15	593.15
Additional paid in capital	1,053.85	1,458.26	1,458.26	1,458.26	1,458.26
Retained earnings	6,422.59	8,146.27	9,955.03	11,917.55	14,188.15
Equity & Minority Interest	8,173.72	10,318.09	12,139.75	14,119.71	16,409.99
Total Liabilities & Equity	10,602.96	12,951.31	15,563.00	19,333.57	23,183.05
% Change		22.15%	20.17%	24.23%	19.91%

Cash Flow

(in Rp billion)	2008A	2009A	2010A	2011F	2012F
CFO	2,628.31	4,246.50	3,359.37	4,321.80	5,386.37
CFI	(527.81)	(3,347.29)	(1,771.24)	(4,841.42)	(5,477.94)
CFF	(1,176.10)	(1,235.63)	(1,334.11)	261.01	(765.34)
Net Cash flow	924.40	(336.42)	254.01	(258.61)	(856.91)

Source : Bloomberg, Batavia Prosperindo Sekuritas



**BATAVIA
PROSPERINDO
SEKURITAS**

Head Office

Chase Plaza, 12th Floor
Jl.Jend.Sudirman Kav 21, Jakarta 12920
Tel : +62-21 520 7374
Fax : +62-21 2598 9821
www.bps.co.id

Research Team

Andy Ferdinand	Senior Analyst	andy@bps.co.id
Ivan Hadinata	Analyst	ivan@bps.co.id
Parningotan Julio	Analyst	julio@bps.co.id
Billy Budiman	Head of Technical Analyst	billy@bps.co.id
Leticia Seviraneta	Technical Analyst	leticia@bps.co.id
William Hutapea	Research Associate	william@bps.co.id

Branches

Jakarta	Rukan Grand Puri Niaga Jl. Puri Kencana Blok K6 No.2P Jakarta Barat 11610 Tel: +62 21 58351562 Fax: +62 21 58351563	Palembang	Jl.Rajawali No. 1174 D Palembang 30113 Tel : +62 711 375600 Fax : +62 711 376855
Bandung	Jl.Jend Gatot Subroto No.47 C Bandung 40262 Tel : +62 22 87340273 Fax : +62 22 87340274	Yogyakarta	Jl Magelang No 91 Yogyakarta 55242 Tel : +62 274 580 299 Fax : +62 274 544 800
Medan	Jl.Ir Djuanda No.16-J Medan 20157 Tel : +62 61 4562262 Fax : +62 61 4523013	Makassar	Ruko Ruby I No.9 Jl. Boulevard Panakukang Mas Makassar 90222 Tel : +62 411 430959 (hunting) 455038 (sales) Fax : +62 411 432376
Surabaya	Ruko Darmo Square Blok B No.8 Jl.Raya Darmo 54-56 Surabaya 60281 Tel : +62 31 5623445 Fax : +62 31 5689568	Semarang	Jl. Menteri Supeno No.15 Semarang 50244 Tel : +62 24 8419445 Fax : +62 24 8419443
Malang	Jl.Kahuripan No.5 Malang 65119 Tel : +62 341 358889 Fax : +62 341 353797	Solo	Jl. Slamet Riyadi No.217 Tel : +62 71 662425 Fax : +62 71 662424

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