

**PT Semen Indonesia (Persero), Tbk**

**BUY**

Cement, Equity  
10 October 2023

Price	IDR.	6,600
Target	IDR.	9,200
JKSE Index		6,891.455



<b>Stock code</b>	SMGR IJ
Bloomberg code	45,235.3
Market cap (in Bn)	8,277
52-week high	5,623
52-week low	48.99%
Free Float (%)	

<b>Major Share Holders (%)</b>	
Government RI	51.01%
Public	48.99%

<b>USD/IDR-YE</b>	
2022	15,592
2023F (6m-avg)	15,431

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**Investment Considerations**

**Softer domestic sales in August**

- August witnessed a softer domestic sales performance, following a robust +12.6% YoY growth in domestic cement demand in July. In August, domestic demand growth slowed to +4% YoY, reaching 5.95 million tonnes (mt) of cement. The bag market increased slightly by +0.8%, while the bulk market saw significant growth at +12.7%. For the period of January to August, domestic cement demand decreased by -1.3% YoY, totaling 39.18 mt due to lower demand in the first half of 2023.
- However, SMGR outperformed with a 6.5% YoY increase in domestic cement sales, reaching 3.07 mt in August 2023. Total sales for SMGR showed impressive double-digit growth, surging by +21.5% YoY to 3.87 mt in August. Despite the overall domestic market decline of -0.2% YoY to 20.25 mt in the first eight months of 2023.
- In the first half of 2023, SMGR's revenue reached IDR 17.03 trillion, reflecting a 2% YoY increase, driven by a 4.5% YoY increase in domestic selling prices (ASP). However, sales volume dipped by -4.3% YoY to 14.2 mt for domestic sales, while regional sales increased by +21.8% to 3.67 mt. For 2Q2023, SMGR's revenue was slightly lower by -1% YoY, totaling IDR 8.14 trillion. This decline was attributed to a prolonged public holiday during the second quarter and its impact on fewer working days.
- Looking ahead, cement demand in 2H2023 is expected to rise due to ongoing infrastructure projects, both government and private, particularly in Kalimantan, which will be a key driver for bulk cement growth. Additionally, the longer dry season in 2H2023 is anticipated to stimulate demand.

**Lower Margins in 2Q2023**

- Net income for 2Q2023 decreased by -9% YoY, primarily due to a -9% YoY decline in sales volume. The net profit margin (NPM) also decreased to 3.8% in 2Q2023, while it remained stable at 5.1% for 1H2023. Higher costs of revenue in 2Q2023, driven by increased raw material usage (+13.7% YoY) and higher fuel and energy costs (+10.8%), resulted in a lower gross profit, down by -16% YoY to IDR 1.97 trillion, and a reduced gross profit margin (GPM) of 24.3%.
- Although operating expenses decreased by -15% YoY, mainly due to lower transportation, promotion, and labor costs, the operating profit margin (OPM) remained lower at 6.2%.
- Considering the expected trends of higher cement prices and lower coal prices for 2023, SMGR's bottom-line profit is projected to reach IDR 2.7 trillion, representing a substantial 15.7% YoY growth.

**Valuation Maintain BUY, TP 9,200 with 40% upside**

- We maintain our a BUY recommendation with a target price (TP) of IDR 9,200, indicating a potential 40% upside. This valuation is based on a 23x price-to-earnings (PE) ratio for 2023F.

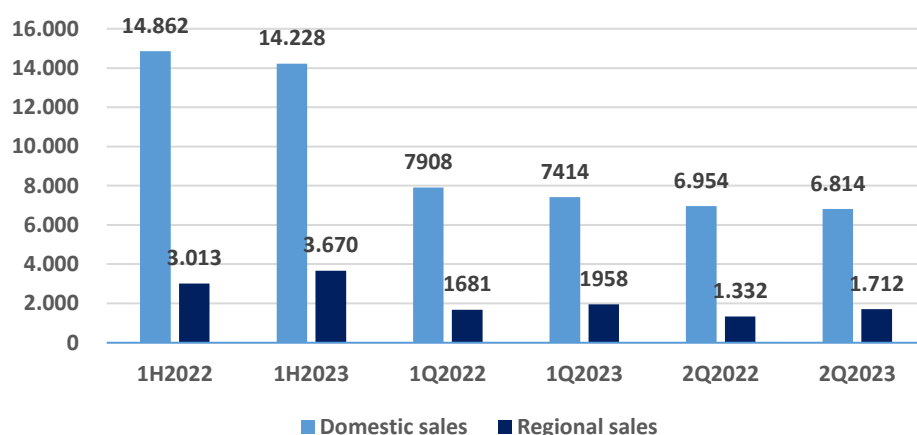
Financial Highlights	2020A	2021A	2022A	2023F	2024F
Revenue (IDR Bn)	35.172	36.702	36.379	38.799	41.472
EBITDA (IDR Bn)	8.906	8.433	6.860	7.425	7.760
Net Income (IDR Bn)	2.792	2.047	2.365	2.697	2.965
EPS (IDR)	471	344	397	399	439
EBITDA Margin (%)	25,3%	23,0%	18,9%	19,1%	18,7%
PBV (x)	2,2	1,1	0,9	1,4	1,4
PER (x)	26,4	21,1	15,5	23,0	20,9

Source: Company and Binaartha

**Table: SMGR Cement Sales in Ton**

	August			Year to Date			July		
	2023	2022	%	2023	2022	%	2023	2022	%
<b>Indonesia Facilities</b>									
Domestic	3.071.995	2.884.639	6,5%	20.248.337	20.284.944	-0,2%	2.948.713	2.538.476	16,2%
Export	695.535	159.150	337,0%	4.327.948	2.478.539	74,6%	708.543	238.558	197,0%
	<b>3.767.530</b>	<b>3.043.789</b>	<b>23,8%</b>	<b>24.576.285</b>	<b>22.763.483</b>	<b>8,0%</b>	<b>3.657.256</b>	<b>2.777.034</b>	<b>31,7%</b>
<b>Vietnam Facilities</b>									
Domestic	63.895	106.834	-40,2%	483.652	786.478	-38,5%	67.948	99.308	-31,6%
Export	41.920	38.000	10,3%	487.962	438.598	11,3%	51.814	49.000	5,7%
	105.815	144.834	-26,9%	971.614	1.225.076	-20,7%	119.762	148.308	-19,2%
<b>TOTAL SMGR</b>	<b>3.873.345</b>	<b>3.188.623</b>	<b>21,5%</b>	<b>25.547.899</b>	<b>23.988.559</b>	<b>6,5%</b>	<b>3.777.018</b>	<b>2.925.342</b>	<b>29,1%</b>

Source: Company

**Chart: SMGR breakdown sales volume (in thousand tons)**


Source: Company

**Table: Income Statement YoY & QoQ in IDR Billion**

Income Statement (IDR Bn)	1Q2023	2Q2023	QoQ	2Q2022	YoY	1H2022	1H2023	YoY
Revenue	8.935	8.097	-9%	8.147	-1%	16.701	17.032	2%
Cost of revenue	-6.489	-6.127	-6%	-5.812	5%	-11.916	-12.616	6%
<b>Gross Profit</b>	<b>2.446</b>	<b>1.970</b>	<b>-19%</b>	<b>2.335</b>	<b>-16%</b>	<b>4.784</b>	<b>4.416</b>	<b>-8%</b>
Operating Expense	-1.643	-1.469	-11%	-1.734	-15%	-3.440	-3.112	-10%
<b>Profit Before Tax</b>	<b>803</b>	<b>501</b>	<b>-38%</b>	<b>601</b>	<b>-17%</b>	<b>1.344</b>	<b>1.304</b>	<b>-3%</b>
Taxes	-220	-193	-13%	-250	-23%	-460	-413	-10%
<b>NIAT</b>	<b>583</b>	<b>309</b>	<b>-47%</b>	<b>352</b>	<b>-12%</b>	<b>884</b>	<b>891</b>	<b>1%</b>
Non-controlling Interest	-21	-4	-81%	-17	-77%	-44	-25	-43%
<b>Net Income</b>	<b>562</b>	<b>305</b>	<b>-46%</b>	<b>334</b>	<b>-9%</b>	<b>840</b>	<b>866</b>	<b>3%</b>
EPS	95	34	-64%	56	-40%	142	128	-9%
<b>GPM</b>	<b>27,4%</b>	<b>24,3%</b>		<b>28,7%</b>		<b>28,6%</b>	<b>25,9%</b>	
<b>OPM</b>	<b>9,0%</b>	<b>6,2%</b>		<b>7,4%</b>		<b>8,1%</b>	<b>7,7%</b>	
<b>NPM</b>	<b>6,3%</b>	<b>3,8%</b>		<b>4,1%</b>		<b>5,0%</b>	<b>5,1%</b>	

Source: Company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
Revenue	40.368	35.172	36.702	36.379	38.799	41.472
Cost of revenue	-27.654	-23.555	-24.976	-25.701	-27.547	-29.445
<b>Gross Profit</b>	<b>12.714</b>	<b>11.617</b>	<b>11.727</b>	<b>10.678</b>	<b>11.252</b>	<b>12.027</b>
Operating Expense	-9.518	-8.128	-8.189	-7.379	-7.372	-7.880
<b>Profit Before Tax</b>	<b>3.196</b>	<b>3.489</b>	<b>3.538</b>	<b>3.299</b>	<b>3.880</b>	<b>4.147</b>
Taxes	-825	-814	-1.420	-800	-1.125	-1.120
<b>NIAT</b>	<b>2.371</b>	<b>2.674</b>	<b>2.117</b>	<b>2.499</b>	<b>2.755</b>	<b>3.027</b>
Non-controlling Interest	21	118	-71	-134	-58	-62
<b>Net Income</b>	<b>2.392</b>	<b>2.792</b>	<b>2.047</b>	<b>2.365</b>	<b>2.697</b>	<b>2.965</b>
EPS (In IDR)	403	471	344	397	399	439
<b>EBITDA</b>	<b>8.745</b>	<b>8.906</b>	<b>8.433</b>	<b>6.860</b>	<b>7.425</b>	<b>7.760</b>

Source: Company and Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2020A	2021A	2022A	2023F	2024F
Net Income	2.792	2.047	2.365	2.697	2.965
Depreciation	3.096	3.087	2.133	2.212	2.293
Change in WC	-660	2.530	-1.212	2.564	-245
<b>Cash From Operating Activities</b>	<b>5.229</b>	<b>7.664</b>	<b>3.286</b>	<b>7.473</b>	<b>5.014</b>
Change in Non-current Assets	-2.389	-6.227	-633	-3.081	-3.856
<b>Cash From Investing Activities</b>	<b>-2.389</b>	<b>-6.227</b>	<b>-633</b>	<b>-3.081</b>	<b>-3.856</b>
Change in Long-term liabilities	-3.472	-4.091	-2.369	-479	-500
Change in Bonds Payable	4	-2.995	866	-3.360	0
Change in Others Noncurrent Liabilities	858	498	-765	488	914
Change in Temporary Shirkah temporer	-219	0	669	-450	0
Change in Equity	-1.031	5.175	2.000	-2.260	-1.566
<b>Cash From Financing Activities</b>	<b>-3.859</b>	<b>-1.413</b>	<b>400</b>	<b>-6.062</b>	<b>-1.152</b>
<b>Net Changes in Cash</b>	<b>-1.020</b>	<b>24</b>	<b>3.052</b>	<b>-1.670</b>	<b>6</b>
<b>Beginning Balance</b>	<b>3.950</b>	<b>2.931</b>	<b>2.955</b>	<b>6.007</b>	<b>4.337</b>
<b>Ending Balance</b>	<b>2.931</b>	<b>2.955</b>	<b>6.007</b>	<b>4.337</b>	<b>4.343</b>

Source: Company and Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2020A	2021A	2022A	2023F	2024F
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	2.931	2.955	6.007	4.337	4.343
Trade Accounts Receivable	6.038	5.691	5.521	4.656	4.977
Inventories	4.548	4.849	5.610	5.820	5.930
Others Current Assets	2.048	2.691	1.740	1.746	1.866
<b>Total Current Assets</b>	<b>15.565</b>	<b>16.186</b>	<b>18.879</b>	<b>16.559</b>	<b>17.116</b>
<b>NONCURRENT ASSETS</b>					
Fixed Assets	56.053	58.839	57.806	58.912	60.059
Other Noncurrent Assets	6.388	6.742	6.275	6.038	6.454
<b>Total Noncurrent Assets</b>	<b>62.442</b>	<b>65.581</b>	<b>64.081</b>	<b>64.950</b>	<b>66.513</b>
<b>TOTAL ASSETS</b>	<b>78.006</b>	<b>81.766</b>	<b>82.960</b>	<b>81.509</b>	<b>83.629</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Short-term Loans	1.596	3.058	500	4.500	4.500
Trade Account Payable	6.828	7.855	8.096	6.984	7.050
Others Current Liabilities	3.082	3.719	4.465	3.492	3.732
<b>Total Current Liabilities</b>	<b>11.506</b>	<b>14.632</b>	<b>13.061</b>	<b>14.975</b>	<b>15.282</b>
<b>NONCURRENT LIABILITIES</b>					
Long-term bank	14.188	10.097	7.728	7.249	6.749
Bond Payable	7.069	4.074	4.940	1.580	1.580
Others Noncurrent Liabilities	7.808	8.306	7.541	8.029	8.943
<b>Total Noncurrent Liabilities</b>	<b>29.066</b>	<b>22.478</b>	<b>20.210</b>	<b>16.858</b>	<b>17.272</b>
<b>TOTAL LIABILITIES</b>	<b>40.572</b>	<b>37.110</b>	<b>33.271</b>	<b>31.833</b>	<b>32.554</b>
Non-controlling interest	1.480	4.362	4.491	4.656	4.977
<b>EQUITY</b>	<b>34.173</b>	<b>38.514</b>	<b>42.748</b>	<b>43.020</b>	<b>44.098</b>
TEMPORARY SYIRKAH TEMPORER	1.781	1.781	2.450	2.000	2.000
<b>TOTAL TEMPORARY SYIRKAH TEMPORER, LIABILITIES &amp; EQUITY</b>	<b>78.006</b>	<b>81.766</b>	<b>82.960</b>	<b>81.509</b>	<b>83.629</b>

Source: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2020A	2021A	2022A	2023F	2024F
Sales	-12,9%	4,4%	-0,9%	6,7%	6,9%
OP	9,2%	1,4%	-6,8%	17,6%	6,9%
EBITDA	1,8%	-5,3%	-18,7%	8,2%	4,5%
NP	16,7%	-26,7%	15,5%	14,0%	10,0%
EPS	16,7%	-27,0%	15,4%	0,7%	10,0%
<b>Profitability</b>					
Gross Profit Margin (%)	33,0%	32,0%	29,4%	29,0%	29,0%
Operating Margin(%)	9,9%	9,6%	9,1%	10,0%	10,0%
EBITDA margin(%)	25,3%	23,0%	18,9%	19,1%	18,7%
NET Profit margin(%)	7,9%	5,6%	6,5%	7,0%	7,2%
ROA(%)	3,6%	2,5%	2,9%	3,3%	3,5%
ROE(%)	8,2%	5,3%	5,5%	6,3%	6,7%
<b>Stability</b>					
Net debt/ equity (x)	0,7	0,4	0,3	0,3	0,3
Int. Coverage (x)	1,2	1,2	1,8	2,1	2,3
Current Ratio (X)	1,4	1,1	1,4	1,1	1,1
<b>Per Share data</b>					
EPS (IDR)	471	344	397	399	439
PBV (x)	2,2	1,1	0,9	1,4	1,4
PER (x)	26,4	21,1	15,5	23,0	20,9
EBITDA/share	1.501	1.417	1.151	1.100	1.149

**Stock Ratings:**

- Buy : a recommendation to purchase the security with upside potential of **20% or greater**  
Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.  
Sell : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

**RESEARCH TEAM**  
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