

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

**BUY**

Cement, Equity  
20 June 2023

Price	IDR. 6,000
Target	IDR. 10,100
JKSE Index	6,686.059



<b>Stock code</b>	SMGR IJ
Bloomberg code	40,509.2
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)	15,018

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**Investment Considerations**

**Higher Sales in May**

- In May 2023, SMGR experienced higher sales volume, aligning with increased domestic demand. Domestic cement sales rose by 24.9% YoY to 4.87 million tonnes (mt) due to the timing of Lebaran falling at the beginning of May in 2022. Bag sales volume increased by 20% YoY, while the bulk market saw growth of 41.2%.
- Total sales for SMGR also recorded a YoY increase of 28.8% to 2.96 mt in May.
- However, for January to May 2023, cement sales in the domestic market declined by 5.8% YoY to 22.12 mt, attributed to lower demand due to higher cement prices. During the same period, SMGR's domestic cement sales decreased by 6.1% YoY to 11.45 mt.
- In 1Q2023, SMGR's revenue reached IDR 8.93 trillion, reflecting a 4% YoY increase, driven by a 7.7% YoY increase in domestic selling prices (ASP). Sales volume, however, declined by 2.3% YoY to 9.37 mt.
- Improvements in cement demand observed in May 2023 indicate a potential recovery in domestic demand, supported by ongoing infrastructure projects in 2H2023. A 6.6% YoY growth in top-line revenue to IDR 38.8 trillion is anticipated for 2023.

**Higher Operating Margins in 1Q2023**

- In 1Q2023, SMGR's net income increased by 11% YoY to IDR 562 billion, but decreased by 21% QoQ due to seasonality. The higher YoY figure resulted from a 7.8% reduction in financing costs and a 4% decrease in operating expenses, leading to an improved net profit margin (NPM) of 6.3% compared to 5.9% in 1Q2022.
- Despite a 6% YoY increase in cost of goods sold (COGS) to IDR 6.48 trillion in 1Q2023, SMGR maintained a flat gross profit of IDR 2.44 trillion, resulting in a lower gross profit margin (GPM) of 27.4%.
- Operating expenses decreased by 4% YoY, primarily due to lower transportation, promotion, and labor costs, leading to an improved operating profit margin (OPM) of 9%.
- Considering higher cement prices and lower coal prices projected for 2023, SMGR's bottom-line profit is expected to reach IDR 2.7 trillion, which is 15.7% YoY growth.

**Valuation Maintain BUY, TP 10,100 with 68% upside**

- SMGR's target price (TP) is set at IDR 10,100, representing a 68% upside. The valuation is based on a 25x price-to-earnings (PE) ratio for 2023F.

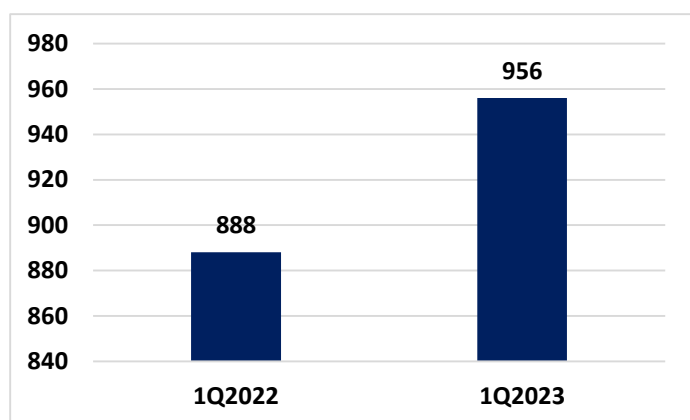
Financial Highlights	2020A	2021A	2022A	2023F	2024F
Revenue (IDR Bn)	35.172	36.702	36.379	38.799	41.472
EBITDA (IDR Bn)	8.906	8.433	6.860	7.421	7.760
Net Income (IDR Bn)	2.792	2.047	2.365	2.735	2.924
EPS (IDR)	471	344	397	405	433
EBITDA Margin (%)	25,3%	23,0%	18,9%	19,1%	18,7%
PBV (x)	2,2	1,1	0,9	1,6	1,5
PER (x)	26,4	21,1	15,5	24,9	23,3

Source: Company and Binaartha

**Table: SMGR Cement Sales in Ton**

	May			Year to Date		
	2023	2022	%	2023	2022	%
<b>Indonesia Facilities</b>						
Domestic	2.554.694	1.962.171	30,2%	11.456.411	12.199.063	-6,1%
Export	282.864	214.068	32,1%	2.423.688	1.871.321	29,5%
	<b>2.837.558</b>	<b>2.176.239</b>	<b>30,4%</b>	<b>13.880.099</b>	<b>14.070.384</b>	<b>-1,4%</b>
<b>Vietnam Facilities</b>						
Domestic	668.208	96.225	594,4%	293.778	465.722	-36,9%
Export	61.610	30.550	101,7%	329.610	311.473	5,8%
	<b>729.818</b>	<b>126.775</b>	<b>475,7%</b>	<b>623.388</b>	<b>777.195</b>	<b>-19,8%</b>
<b>TOTAL SMGR</b>	<b>3.567.376</b>	<b>2.303.014</b>	<b>54,9%</b>	<b>14.503.487</b>	<b>14.847.579</b>	<b>-2,3%</b>

Source: Company

**Chart: Blended ASP 1Q2022 vs 1Q2023 In IDR Thousand**


Source: Company

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

Income Statement (IDR Bn)	1Q2022	1Q2023	YoY	4Q2022	QoQ
<b>Revenue</b>	<b>8.554</b>	<b>8.935</b>	<b>4%</b>	<b>11.098</b>	<b>-19%</b>
Cost of revenue	-6.105	-6.489	6%	-7.763	-16%
<b>Gross Profit</b>	<b>2.449</b>	<b>2.446</b>	<b>0%</b>	<b>3.335</b>	<b>-27%</b>
Operating Expense	-1.706	-1.643	-4%	-2.526	-35%
<b>Profit Before Tax</b>	<b>743</b>	<b>803</b>	<b>8%</b>	<b>808</b>	<b>-1%</b>
Taxes	-210	-220	5%	-41	431%
<b>NIAT</b>	<b>533</b>	<b>583</b>	<b>9%</b>	<b>767</b>	<b>-24%</b>
Non-controlling Interest	-27	-21	-22%	-52	-60%
<b>Net Income</b>	<b>506</b>	<b>562</b>	<b>11%</b>	<b>715</b>	<b>-21%</b>
EPS	85	95	11%	118	-20%
<b>GPM</b>	<b>28,6%</b>	<b>27,4%</b>		<b>30,0%</b>	
<b>OPM</b>	<b>8,7%</b>	<b>9,0%</b>		<b>7,3%</b>	
<b>NPM</b>	<b>5,9%</b>	<b>6,3%</b>		<b>6,4%</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	-27.159	-29.030
<b>Gross Profit</b>	<b>12.714</b>	<b>11.617</b>	<b>11.727</b>	<b>10.678</b>	<b>11.640</b>	<b>12.442</b>
Operating Expense	-9.518	-8.128	-8.189	-7.379	-7.760	-8.294
<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	-1.048	-1.120
<b>NIAT</b>	<b>2.371</b>	<b>2.674</b>	<b>2.117</b>	<b>2.499</b>	<b>2.832</b>	<b>3.027</b>
Non-controlling Interest	21	118	-71	-134	-97	-104
<b>Net Income</b>	<b>2.392</b>	<b>2.792</b>	<b>2.047</b>	<b>2.365</b>	<b>2.735</b>	<b>2.924</b>
EPS (In IDR)	403	471	344	397	405	433
<b>EBITDA</b>	<b>8.745</b>	<b>8.906</b>	<b>8.433</b>	<b>6.860</b>	<b>7.421</b>	<b>6.455</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	2.735	2.924
Depreciation	3.096	3.087	2.133	2.212	2.293
Change in WC	-660	2.530	-1.212	2.099	-101
<b>Cash From Operating Activities</b>	<b>5.229</b>	<b>7.664</b>	<b>3.286</b>	<b>7.046</b>	<b>5.116</b>
Change in Non-current Assets	-2.389	-6.227	-633	-3.081	-4.498
<b>Cash From Investing Activities</b>	<b>-2.389</b>	<b>-6.227</b>	<b>-633</b>	<b>-3.081</b>	<b>-4.498</b>
Change in Long-term liabilities	-3.472	-4.091	-2.369	-479	-500
Change in Bonds Payable	4	-2.995	866	0	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	-3.851	-1.616
<b>Cash From Financing Activities</b>	<b>-3.859</b>	<b>-1.413</b>	<b>400</b>	<b>-4.292</b>	<b>-1.202</b>
<b>Net Changes in Cash</b>	<b>-1.020</b>	<b>24</b>	<b>3.052</b>	<b>-328</b>	<b>-585</b>
<b>Beginning Balance</b>	<b>3.950</b>	<b>2.931</b>	<b>2.955</b>	<b>6.007</b>	<b>5.680</b>
<b>Ending Balance</b>	<b>2.931</b>	<b>2.955</b>	<b>6.007</b>	<b>5.680</b>	<b>5.095</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	5.680	5.095
Trade Accounts Receivable	6.038	5.691	5.521	5.044	5.391
Inventories	4.548	4.849	5.610	5.147	5.685
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>17.616</b>	<b>18.037</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	7.097
<b>Total Noncurrent Assets</b>	<b>62.442</b>	<b>65.581</b>	<b>64.081</b>	<b>64.950</b>	<b>67.155</b>
<b>TOTAL ASSETS</b>	<b>78.006</b>	<b>81.766</b>	<b>82.960</b>	<b>82.567</b>	<b>85.193</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Short-term Loans	1.596	3.058	500	1.100	1.100
Trade Account Payable	6.828	7.855	8.096	8.469	9.053
Others Current Liabilities	3.082	3.719	4.465	4.656	4.977
<b>Total Current Liabilities</b>	<b>11.506</b>	<b>14.632</b>	<b>13.061</b>	<b>14.225</b>	<b>15.129</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	4.940	4.940
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>20.218</b>	<b>20.632</b>
<b>TOTAL LIABILITIES</b>	<b>40.572</b>	<b>37.110</b>	<b>33.271</b>	<b>34.443</b>	<b>35.761</b>
Non-controlling interest	1.480	4.362	4.491	3.104	3.318
<b>EQUITY</b>	<b>34.173</b>	<b>38.514</b>	<b>42.748</b>	<b>43.020</b>	<b>44.114</b>
<b>TEMPORARY SYIRKAH TEMPORER</b>	<b>1.781</b>	<b>1.781</b>	<b>2.450</b>	<b>2.000</b>	<b>2.000</b>
<b>TOTAL TEMPORARY SYIRKAH TEMPORER, LIABILITIES &amp; EQUITY</b>	<b>78.006</b>	<b>81.766</b>	<b>82.960</b>	<b>82.567</b>	<b>85.193</b>

Source: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2019A	2020A	2021A	2022A	2023F	2024F
Sales	31,5%	-12,9%	4,4%	-0,9%	6,7%	6,9%
OP	-22,1%	9,2%	1,4%	-6,8%	17,6%	6,9%
EBITDA	30,7%	1,8%	-5,3%	-18,7%	8,2%	4,6%
NP	-22,3%	16,7%	-26,7%	15,5%	15,7%	6,9%
EPS	-22,3%	16,7%	-27,0%	15,4%	2,1%	6,9%
<b>Profitability</b>						
Gross Profit Margin (%)	31,5%	33,0%	32,0%	29,4%	30,0%	30,0%
Operating Margin(%)	7,9%	9,9%	9,6%	9,1%	10,0%	10,0%
EBITDA margin(%)	21,7%	25,3%	23,0%	18,9%	19,1%	18,7%
NET Profit margin(%)	5,9%	7,9%	5,6%	6,5%	7,1%	7,1%
ROA(%)	3,0%	3,6%	2,5%	2,9%	3,3%	3,4%
ROE(%)	7,4%	8,2%	5,3%	5,5%	6,4%	6,6%
<b>Stability</b>						
Net debt/ equity (x)	0,9	0,7	0,4	0,3	0,3	0,3
Int. Coverage (x)	0,7	1,2	1,2	1,8	2,1	2,3
Current Ratio (X)	1,4	1,4	1,1	1,4	1,2	1,2
<b>Per Share data</b>						
EPS (IDR)	403	471	344	397	405	433
PBV (x)	2,2	2,2	1,1	0,9	1,6	1,5
PER (x)	29,8	26,4	21,1	15,5	24,9	23,3
EBITDA/share	1.474	1.501	1.417	1.151	1.099	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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