

**PT. Indocement Tunggal Prakarsa Tbk.**

**BUY**

**Investment Consideration**

**Highest domestic sales volume since Oct 2021**

- October 2023 marked the highest domestic cement sales since October 2021. Domestic demand surged by +18.3% YoY to 6.3 million tonnes (mt) in October, driven by low-based volumes from the previous year and continuous dry weather. Bagged cement sales rose by +14.6%, while bulk cement experienced substantial growth of +27.5%. From January to October, domestic cement demand recorded positive growth of +1.4% YoY, totaling 51.6 mt.
- Aligned with domestic sales demand, INTP also reported a +15.5% increase in cement sales volume, totaling 1.63 mt. Bagged cement grew by +14.9%, and bulk cement by +17% YoY in October. For January – October, INTP achieved +8.5% YoY growth, reaching 14.1 mt of cement, with bagged cement growing by +23.1% and bulk cement by +31.9%. From January to August 2023, INTP's cement sales continued to grow at +8.5% YoY, reaching 10.8 mt. INTP's market share improved from 25.6% to 27.4% for October YTD.
- For 9M2023, INTP's cement sales recorded +7.1% YoY growth to 13.2 mt, mainly contributed by Maros operation. The market share also improved to 27.6%.
- Despite the rainy season at the end of the year, cement demand is expected to rise due to ongoing infrastructure projects, both government and private.

**Improve Margin in 3Q2023**

- INTP maintained higher margins in 3Q2023 due to volume recovery and higher prices from 1H2023. INTP's sales rose by +4% YoY or 33% QoQ to IDR 4.95 trillion.
- Despite higher cost of revenue and higher operating expenses, INTP's bottom line improved +74% QoQ but still decreased -13% YoY, with net profit reaching IDR 569 billion, and the Net Profit Margin (NPM) rising to 11.5% from 8.8% in 2Q2023.
- Cost of revenue increased +7% YoY or +29% YoY due to increases in raw material by +16.3% YoY, higher manufacturing overhead costs by +26% YoY, and higher fuel and power costs which increased by +3.4% YoY to IDR 1.46 trillion. Gross profit still increased by +43% QoQ but decreased -1% YoY to IDR 1.65 trillion with a higher Gross Profit Margin (GPM) of 33.4%.
- Operating expenses also recorded higher figures, with higher delivery, loading, and transportation costs by +12.7%, higher salaries by +13.7%, and higher financial costs by +20%, resulting in a lower Operating Profit Margin (OPM) at 11.3%.

**Semen Grobogan Acquisition**

- The acquisition of PT Semen Grobogan is expected to close by November 30, 2023, and start consolidating on December 1, 2023. The acquisition funds will come from internal cash. With the acquisition, INTP will maintain a strong position in the Central Java market while enjoying benefits in both logistic cost and production cost efficiency.

**Valuation: Maintain BUY with TP 13.100**

- Regarding valuation, we are setting a target for INTP to trade at a 20X 2024F Price-to-Earnings (PE) ratio within a year, with a target price of IDR 13,100, representing a potential upside of +40%. Therefore, we maintain our recommendation to BUY.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Revenue (IDR Bn)	14.184	14.772	16.328	17.990	19.576
EBITDA (IDR Bn)	3.317	3.339	3.344	3.639	3.939
Net Profit (IDR Bn)	1.806	1.788	1.843	2.072	2.255
GPM (%)	36,1%	34,7%	31,5%	31,5%	31,5%
NPM (%)	12,7%	12,1%	11,3%	11,5%	11,5%
EPS (IDR)	491	486	501	604	657
PBV (x)	2	2	2	2	2
PER (x)	29	25	21	22	20
ROE (%)	6,61%	6,84%	7,17%	7,66%	7,89%
ROA (%)	8,15%	8,67%	9,42%	9,58%	9,94%

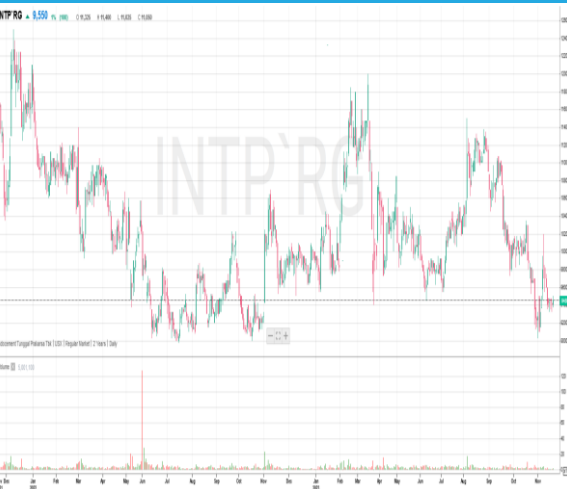
Source: company & Binaartha

21 November 2023  
Basic Industry – Cement

Price IDR 9,350

Target Price IDR 13,100

JKSE Index 6,961.790



**Stock Information**

Bloomberg Code	INTP IJ
Market Cap (IDR bn)	35,155
52-week high (IDR)	11,850
52-week low (IDR)	9,025
Shares issued (mn)	3,681.2
Free float	49%

**Major share holders**

Birchwood Omnia Ltd	51%
Public	49%

**USD/ IDR – YE (IDR)**

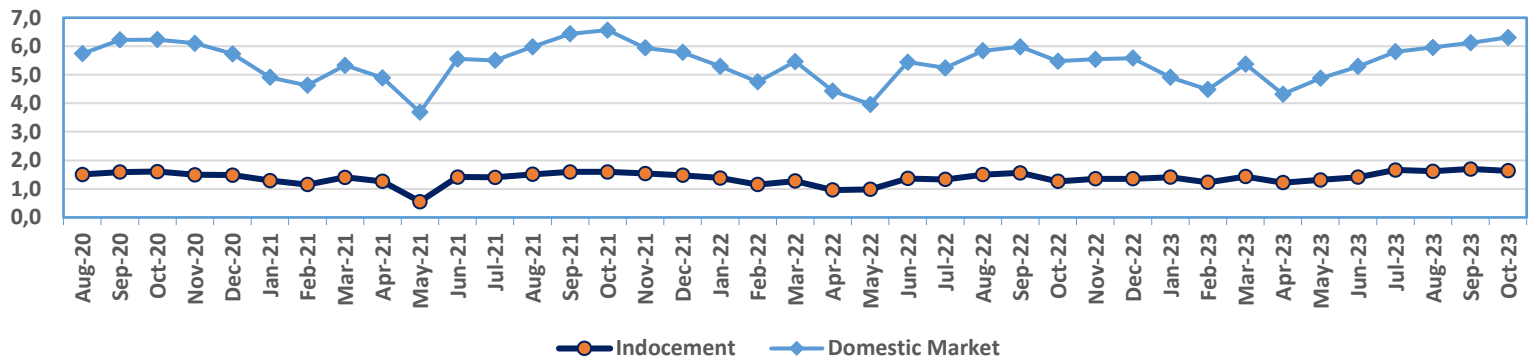
2022	15,592
2023F (6m-avg)	15,734

Analyst  
eka.rahmah@binaartha.com

Table: Income Statement QoQ &YoY in IDR Billion

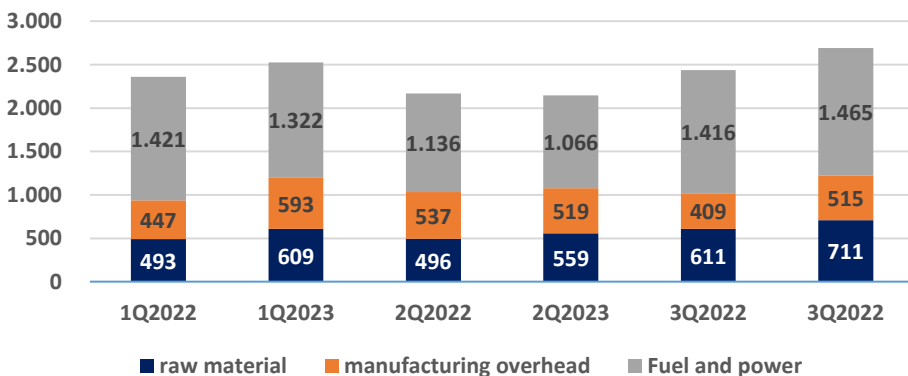
Income Statement (In IDR Bn)	1Q2023	2Q2023	3Q2023	QoQ	3Q2022	YoY	9M2022	9M2023	YoY
<b>Revenue</b>	<b>4.246</b>	<b>3.724</b>	<b>4.958</b>	<b>33%</b>	<b>4.750</b>	<b>4%</b>	<b>11.661</b>	<b>12.928</b>	<b>11%</b>
Cost of revenue	-2.970	-2.568	-3.301	29%	-3.076	7%	-8.218	-8.839	8%
<b>Gross Profit</b>	<b>1.276</b>	<b>1.156</b>	<b>1.657</b>	<b>43%</b>	<b>1.674</b>	<b>-1%</b>	<b>3.442</b>	<b>4.089</b>	<b>19%</b>
Operating Expense	-835	-672	-1.095	63%	-858	28%	-2.292	-2.602	14%
<b>Operating Profit</b>	<b>441</b>	<b>484</b>	<b>562</b>	<b>16%</b>	<b>816</b>	<b>-31%</b>	<b>1.150</b>	<b>1.486</b>	<b>29%</b>
Other Income	27	-69	159	-330%	23	599%	56	117	111%
<b>Profit Before Tax</b>	<b>468</b>	<b>415</b>	<b>721</b>	<b>74%</b>	<b>838</b>	<b>-14%</b>	<b>1.206</b>	<b>1.604</b>	<b>33%</b>
Taxes	-97	-88	-152	74%	-183	-17%	-259	-337	30%
<b>NIAT</b>	<b>371</b>	<b>327</b>	<b>569</b>	<b>74%</b>	<b>655</b>	<b>-13%</b>	<b>947</b>	<b>1.267</b>	<b>34%</b>
Non-controlling Interest	0	0	0		0		0	0	
<b>Net Income</b>	<b>371</b>	<b>327</b>	<b>569</b>	<b>74%</b>	<b>655</b>	<b>-13%</b>	<b>947</b>	<b>1.267</b>	<b>34%</b>
<b>EPS (In IDR)</b>	<b>108</b>	<b>95</b>	<b>166</b>	<b>74%</b>	<b>178</b>	<b>-7%</b>	<b>257</b>	<b>369</b>	<b>44%</b>
<b>GPM</b>	<b>30,1%</b>	<b>31,0%</b>	<b>33,4%</b>		<b>35,2%</b>		<b>29,5%</b>	<b>31,6%</b>	
<b>OPM</b>	<b>10,4%</b>	<b>13,0%</b>	<b>11,3%</b>		<b>17,2%</b>		<b>9,9%</b>	<b>11,5%</b>	
<b>NPM</b>	<b>8,7%</b>	<b>8,8%</b>	<b>11,5%</b>		<b>13,8%</b>		<b>8,1%</b>	<b>9,8%</b>	

chart: Domestic Sales vs Indocement Sales 2020 – October 2023 in Million Tons



Source: company

chart: INTP cost of revenue (in IDR Billion)



Source: company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
Revenue	15.939	14.184	14.772	16.328	17.990	19.576
Cost of revenue	-10.439	-9.071	-9.646	-11.185	-12.323	-13.410
<b>Gross Profit</b>	<b>5.500</b>	<b>5.114</b>	<b>5.126</b>	<b>5.143</b>	<b>5.667</b>	<b>6.166</b>
Operating Expense	-3.595	-3.238	-3.055	-2.917	-3.238	-3.524
<b>Operating Profit</b>	<b>1.905</b>	<b>1.876</b>	<b>2.071</b>	<b>2.226</b>	<b>2.429</b>	<b>2.643</b>
Other Income	370	272	163	63	162	176
<b>Profit Before Tax</b>	<b>2.275</b>	<b>2.148</b>	<b>2.234</b>	<b>2.289</b>	<b>2.591</b>	<b>2.819</b>
Taxes	-440	-342	-446	-447	-518	-564
<b>NIAT</b>	<b>1.835</b>	<b>1.806</b>	<b>1.788</b>	<b>1.843</b>	<b>2.072</b>	<b>2.255</b>
Non-controlling Interest	0	0	0	0	0	0
<b>Net Income</b>	<b>1.835</b>	<b>1.806</b>	<b>1.788</b>	<b>1.843</b>	<b>2.072</b>	<b>2.255</b>
EPS (In IDR)	499	491	486	501	604	657
<b>EBITDA</b>	<b>3.483</b>	<b>3.317</b>	<b>3.339</b>	<b>3.344</b>	<b>3.639</b>	<b>3.939</b>

Source: company &amp; Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2020A	2021A	2022A	2023F	2024F
Net Income	1.806	1.788	1.843	2.072	2.255
Depreciation	1.118	1.073	1.012	1.012	1.081
Change in WC	919	-163	-415	-1.382	48
<b>Cash From Operating Activities</b>	<b>3.843</b>	<b>2.698</b>	<b>2.439</b>	<b>1.703</b>	<b>3.384</b>
Change in Non-Current Asset	-1.285	-827	-1.607	-2.065	-2.209
<b>Cash From Investing Activities</b>	<b>-1.285</b>	<b>-827</b>	<b>-1.607</b>	<b>-2.065</b>	<b>-2.209</b>
Long-term liabilities	-16	-61	-125	30	36
Others Noncurrent Liabilities	214	-23	574	56	87
Equity	-2.710	-3.344	-2.897	4	-1.219
<b>Cash From Financing Activities</b>	<b>-2.512</b>	<b>-3.428</b>	<b>-2.448</b>	<b>90</b>	<b>-1.095</b>
<b>Net Changes in Cash</b>	<b>46</b>	<b>-1.556</b>	<b>-1.616</b>	<b>-272</b>	<b>79</b>
<b>Beginning Balance</b>	<b>7.652</b>	<b>7.698</b>	<b>6.141</b>	<b>4.526</b>	<b>4.254</b>
<b>Ending Balance</b>	<b>7.698</b>	<b>6.141</b>	<b>4.526</b>	<b>4.254</b>	<b>4.333</b>

Source: company &amp; Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	7.652	7.698	6.141	4.526	4.254	4.333
Trade Accounts Receivable	3.090	2.621	2.587	2.686	3.055	3.272
Inventories	1.895	1.824	2.267	2.831	2.940	3.029
Others Current Assets	193	157	341	270	357	356
<b>Total Current Assets</b>	<b>12.829</b>	<b>12.299</b>	<b>11.337</b>	<b>10.312</b>	<b>10.605</b>	<b>10.990</b>
<b>NONCURRENT ASSETS</b>						
Fixed Assets	14.080	14.397	14.342	14.895	15.907	16.988
Other Noncurrent Assets	798	648	457	499	540	587
<b>Total Noncurrent Assets</b>	<b>14.878</b>	<b>15.045</b>	<b>14.799</b>	<b>15.394</b>	<b>16.447</b>	<b>17.575</b>
<b>TOTAL ASSETS</b>	<b>27.708</b>	<b>27.345</b>	<b>26.136</b>	<b>25.706</b>	<b>27.052</b>	<b>28.565</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Short-term liability	189	343	319	416	374	407
Trade Account Payable	2.516	2.319	2.955	2.583	1.889	2.055
Others Current Liabilities	1.169	1.553	1.373	1.824	1.742	1.896
<b>Total Current Liabilities</b>	<b>3.873</b>	<b>4.216</b>	<b>4.647</b>	<b>4.822</b>	<b>4.005</b>	<b>4.358</b>
<b>NONCURRENT LIABILITIES</b>						
Long-term liability	586	571	509	384	414	450
Others Noncurrent Liabilities	168	382	359	933	989	1.077
<b>Total Noncurrent Liabilities</b>	<b>754</b>	<b>952</b>	<b>869</b>	<b>1.317</b>	<b>1.403</b>	<b>1.527</b>
<b>TOTAL LIABILITIES</b>	<b>4.627</b>	<b>5.168</b>	<b>5.515</b>	<b>6.139</b>	<b>5.409</b>	<b>5.885</b>
Non-controlling interest	0	0	0	0	0	0
<b>EQUITY</b>	<b>23.080</b>	<b>22.176</b>	<b>20.621</b>	<b>19.567</b>	<b>21.643</b>	<b>22.680</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>27.708</b>	<b>27.345</b>	<b>26.136</b>	<b>25.706</b>	<b>27.052</b>	<b>28.565</b>

Source: company &amp; Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2020A	2021A	2022A	2023F	2024F
Revenue	-11,01%	4,14%	10,54%	10,18%	8,82%
OP	-1,53%	10,39%	7,51%	9,08%	8,82%
EBITDA	-4,77%	0,65%	0,16%	8,81%	8,25%
NP	-1,58%	-0,99%	3,02%	12,48%	8,82%
EPS	-1,58%	-0,99%	3,02%	20,68%	8,82%
<b>Profitability</b>					
GPM(%)	36,05%	34,70%	31,50%	31,50%	31,50%
Operating Margin(%)	13,23%	14,02%	13,64%	13,50%	13,50%
EBITDA margin(%)	23,39%	22,60%	20,48%	20,23%	20,12%
NET Profit margin(%)	12,73%	12,11%	11,28%	11,52%	11,52%
ROA(%)	6,61%	6,84%	7,17%	7,66%	7,89%
ROE(%)	8,15%	8,67%	9,42%	9,58%	9,94%
<b>Stability</b>					
Tot debt/ equity (x)	0,233	0,267	0,314	0,250	0,259
Int. Coverage (x)	35	57	43	57	57
Current Ratio (X)	2,92	2,44	2,14	2,65	2,52
<b>Per Share data</b>					
EPS (IDR)	491	486	501	604	657
PBV (x)	2	2	2	2	2
PER (x)	29	25	21	22	20
EBITDA/share	901	907	908	1.061	1.148

Source: company &amp; Binaartha

**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%**.
- Sel : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

**RESEARCH TEAM**  
**(62 21) 520 6678 ext. 611**

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