



August, 3rd 2009

Recommendation

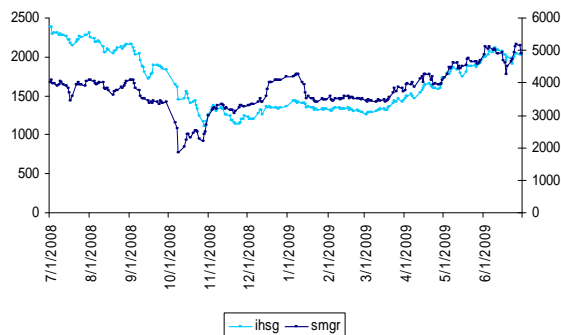
Buy

Ticker	SMGR
Target Price	Rp 6,900
Current Price	Rp 6,000
Upside Side Potential	15%
Hi/Lo (52 Week)	5,200/1,850
Shares (as of Jun 2009)	5.9 Miliar
Market Cap (as of Jun 2009)	29.06 Triliun

Share Holder

Government of RI	51.6%
Blue Valley Hold. Pte. Ltd	25.19%
Public	23.21%

SMGR vs JCI



Analyst

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Above expectation

Semen Gresik posted its revenue Rp6.7 trillion in 1H09 or boost 18.8% yoy. Again, this revenue is above our expectation at 1H09, Rp6.2 trilliion. Eventough domestic sales volume decrease from 8.3 million tonne to 8 million tonne or 3.4% yoy, SMGR is able to maintain its domestic ASP at Rp814,000/tonne (+16% ytd). A long with its flat sales volume and ASP, we belive that the revenue can at least reach the revenue of FY08 or even above it.

Effective cost control

SMGR is able to control its cost effectively, it is shown by declining of coal consumption, lowering paper craft index, and low of transportation cost. Margin also inceasing, GPM increase 44.2% yoy, OPM goes to 28.3%, EBITDA Margin drop to 31.4% yoy, NPM increase 22.4% yoy. Compare to the same periode last year, COGS/tonne to Rp449,525 or 21% yoy. However if we compare the 1Q09 to2Q09, COGS/tonne drops from Rp463,449/tonne to Rp433,600/tonne.

Better than total national sales volume

SMGR's total sales volume is 8.4 million tonne, tumble 5.7% yoy. Its total sales volume is better than the Indonesia cement sales (-8.4% yoy). The market share in Jakarta dan Banten goes up to 2.3% yoy and 1.3% yoy. Total market share of SMGR in Java also increase to 21.2% yoy. Where as we know, Java is Indocement's (INTP) sales basis but its market share in last semester decreased to 21% from 22.7%.

Upgrade our recommendation to Buy from Hold

We have revised our forecast for SMGR which reflects its result in 1H09. Furthermore, we saw several factors which can lift the demand of cement in 2H09, there are 1) Declining of BI Rate, 2) Government fiscal stimulus, and 3) Government spending in infrastructure sector. We recommend to Buy with the Target Price at Rp6,900/share. It reflects 15.9x P/E 2010 and US\$173.9 EV/tonne 2010.

Forecast

	2008	2009F	2010F	2011F
in Rp Billion				
Sales	12,209.8	13,059.3	13,976.0	15,410.7
Operating Profit	3,387.2	3,231.2	3,464.1	3,836.3
EBTIDA	3,865.0	3,864.0	4,120.3	4,515.0
Net Profit	2,523.8	2,382.2	2,582.8	2,842.4
EPS (Rp)	425.5	401.6	435.4	479.2
PER (x)	9.8	17.3	15.9	14.5
PBV (x)	3.1	4.1	3.5	3.0
EV/EBITDA (x)	5.5	9.2	8.1	6.9
EV/Ton (US\$/ton)	118.2	188.1	173.9	162.2
Dividend Yield	3.6%	1.7%	1.7%	2.0%

Source : Company and Erdikha Research Estimates



Figure 1. SMGR Performance

Rp Bn	2Q 2008	2Q 2009	+/-	1Q 2009	2Q 2009	+/-	1H 2008	1H 2009	+/-
Sales	3,139.9	3,539.6	12.7%	3,227.7	3,539.6	9.7%	5,697.4	6,767.3	18.8%
Gross Profit	1,318.1	1,615.7	22.6%	1,377.5	1,615.7	17.3%	2,397.5	2,993.3	24.9%
Operating Profit	824.6	1,048.4	27.1%	865.9	1,048.4	21.1%	1,525.0	1,914.3	25.5%
EBITDA	905.5	1,154.6	27.5%	973.2	1,154.6	18.6%	1,794.9	2,127.8	18.5%
Net Profit	623.6	832.5	33.5%	681.1	832.5	22.2%	1,136.3	1,513.6	33.2%
Margins :									
Gross Profit	42.0%	45.6%		42.7%	45.6%		42.1%	44.2%	
Operating Profit	26.3%	29.6%		26.8%	29.6%		26.8%	28.3%	
EBITDA	28.8%	32.6%		30.2%	32.6%		31.5%	31.4%	
Net Profit	19.9%	23.5%		21.1%	23.5%		19.9%	22.4%	

Source : Company and Erdikha Research Estimates



Income Statement

Rp Bn	2008	2009F	2010F
Sales	12,209.8	13,059.3	13,976.0
COGS	(6,855.2)	(7,634.8)	(8,120.0)
Gross Profit	5,354.6	5,424.6	5,856.0
Operating Expense	(1,967.4)	(2,193.4)	(2,391.9)
EBIT	3,387.2	3,231.2	3,464.1
EBITDA	3,865.0	3,864.0	4,120.3
Interest Income	224.0	185.5	205.8
Gain Sale on Fixed Asset	5.9	-	-
Gain on Forec Exchange	(9.2)	-	-
Interest Expense	(26.2)	(18.8)	(13.2)
Other Inc (Exp)	(3.1)	-	-
Profit Before Tax	3,589.8	3,412.5	3,676.6
Tax Expense	(1,045.6)	(1,026.5)	(1,092.9)
Net Income	2,523.8	2,382.2	2,582.8

Ratios

	2008	2009F	2010F
ROE (%)	31%	24%	22%
ROCE (%)	41%	32%	29%
ROIC (%)	29%	22%	20%
ROA (%)	32%	26%	24%
Margins			
Gross Profit (%)	44%	42%	42%
EBIT (%)	28%	25%	25%
EBITDA (%)	32%	30%	29%
Net Profit (%)	21%	18%	18%
Operating Efficiency			
Inventory Days	90	84	82
Receivables Days	45	49	48
Creditors Days	46	26	28
Cash Conv. Cycle	180	160	159
Financial Structure			
Current Ratio	3.4	4.6	5.2
Quick Ratio	2.6	3.8	4.5
Net Gearing	(0.4)	(0.5)	(0.6)
EBIT/Int Exp	129.3	171.6	261.7
Debt/EBITDA	0.1	0.0	0.0

Valuation

	2008	2009F	2010F
EPS	425.5	401.6	435.4
P/E	9.8	17.2	15.8
EV/EBITDA	5.5	9.2	8.1
EV/Ton	118.2	187.1	172.9
PBV	3.1	4.1	3.5
Dividen Yield (%)	3.6%	1.7%	1.7%

Balance Sheet

Rp Bn	2008	2009F	2010F
Cash	3,746.7	5,544.9	7,710.7
Receivables	1,518.9	1,793.8	1,869.5
Inventory	1,580.6	1,628.6	1,699.6
Advances	123.8	109.7	110.3
Prepaid Expenses	22.1	33.1	37.4
Prepaid Taxes	1.8	5.2	4.2
Non Current Asset	3,519.5	3,143.2	2,912.1
Total Asset	10,603.0	12,373.7	14,447.0
Short Term Loan	-	57.9	42.9
Payables	838.7	548.9	630.8
Current Maturities	93.7	37.1	39.8
Other Current Liab.	1,159.7	1,371.7	1,490.1
Long Term Maturities	156.8	76.7	78.7
Other Liab	180.3	208.3	197.6
Equity	8,069.6	9,955.8	11,833.9
Total Liab & Equity	10,603.0	12,373.7	14,447.0

CashFlow

Rp Bn	2008	2009F	2010F
Net Income	2,523.8	2,382.2	2,582.8
Dep. & Amort.	601.3	624.4	648.4
Chg In Working Cap.	(594.6)	(612.7)	(64.7)
Other Current Asset	381.8	186.0	126.6
Total CFO	2,912.3	2,580.0	3,293.1
Capex	(808.3)	(222.0)	(402.0)
Chg. In Other Asset	(65.2)	(26.1)	(15.3)
Total CFI	(873.5)	(248.1)	(417.3)
Change in Capital	(181.7)	206.7	15.7
Dividend & Adjust.	(887.7)	(689.6)	(704.6)
Adjustment	(0.3)	-	-
Net Change In Debt	(1.4)	(78.8)	(10.2)
Change in Other Liab.	(43.4)	27.9	(10.7)
Total CFF	(1,114.4)	(533.8)	(709.8)
Change in Cash	924.4	1,798.2	2,165.9
Beginning Cash	2,822.3	3,746.7	5,544.9
Ending Cash	3,746.7	5,544.9	7,710.7

Source : Company and Erdikha Research Estimates



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