Indocement Tunggal Prakarsa

Bloomberg: INTP.IJ | Reuters: INTP.JK

Cement Sector

31 March 2023 **JCI Index: 6,805**

BUY (Upgrade)

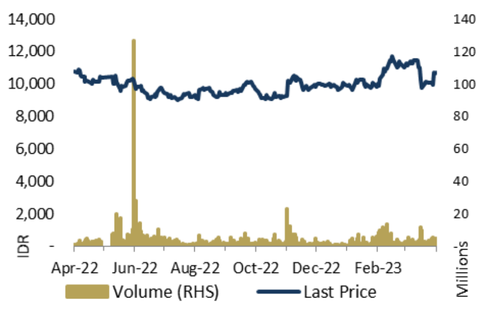
Target Price (IDR)	**12,200 (From 9,380)**
Potential Upside (%)	**15.9**

Price Comparison	
Cons. Target Price (IDR)	12,268
SSI vs. Cons. (%)	99.4

Stock Information	
Last Price (IDR)	10,525
Shares Issued (Mn)	3,681
Market Cap. (IDR Bn)	38,745
52-Weeks High/Low (IDR)	11,850/8,975
3M Avg. Daily Value (IDR Bn)	41.9
Free Float (%)	42.2
Shareholder Structure:	
Birchwood Omnia Ltd. (%)	51.0
Treasury (%)	6.8
Public (%)	42.2

Stock Performance				
(%)	**YTD**	**1M**	**3M**	**12M**
Absolute	6.3	(5.4)	6.3	(2.3)
JCI Return	(0.7)	(0.6)	(0.7)	(3.8)
Relative	7.0	(4.8)	7.0	1.4

Stock Price & Volumes, 12M



Company Background

PT Indocement Tunggal Prakarsa Tbk (INTP) is the second-largest integrated cement producer in Indonesia with two main brands, Tiga Roda and Rajawali. Through its subsidiary, INTP produces and sells cement, ready mix, aggregate and quarry with a total production capacity of 25.5 million tons.

Daniel A. Widjaja
+62 21 2854 8322
Daniel.aditya@samuel.co.id

Yosua Zisokhi
+62 21 2854 8387
Yosua.Zisokhi@samuel.co.id

Lower Cost, Higher Profitability

4Q22 net profit growth of +54.3% yoy, FY22: +3.0% yoy. INTP book revenue growth of +12.1% yoy (-1.7% qoq) despite recording a slight decline in sales volume (-2.1% yoy). Cumulatively, in FY22, INTP posted revenue growth of +10.5% yoy to IDR 16.3 trillion, supported by higher ASP (+11.7% yoy). Its gross profit remained relatively flat (IDR 5.1 trillion, +0.3% yoy), though its GPM fell -32 bps yoy to 31.5%, mainly due to higher fuel and electricity expenses (+23.8% yoy); however, in 4Q22, INTP managed to record solid gross profit growth (+10.9% yoy to IDR 1.7 trillion) due to DMO policy (60% of INTP's 4Q22 coal supply were secured at DMO prices). On its bottom line, INTP reported net profit growth of +54.3% yoy (+36.7% qoq) in 4Q22, partly due to the massive spike in its other income (+627.3% qoq). The solid 4Q22 helped push the company's FY22 net profit to IDR 1.8 trillion (+3.0% yoy), well above ours and cons (SSI: 208.9%, consensus: 137.3%).

FY23F outlook. Considering that coal and fuel prices have normalized, and the management's claims that the company has secured DMO coal supply through 1Q23, we expect INTP to have a solid year in FY23F, with cement sales growth projection of 2-4%, especially in 2H23 (after Eid). Regarding its ASP, INTP has no plan to reduce it in FY23F, which should help support the company's profit margins.

Forecast changes. INTP's ability to secure DMO coal supply and its HR efficiency plan should help boost its growth in FY23F. This prompted us to revise our projections for FY23F, with revenue growth of +8.5% yoy, gross profit growth of +21.5% yoy, and net profit growth of +32.2% yoy (see Table 2).

Upgrade to BUY with a TP of IDR 12,200 (22.6x FY23F P/E). INTP's better-than-expected FY22 performance despite coal and fuel spike boosted our optimism that INTP would record even better performance in FY23F, with projected cement sales volume growth of +2-4% yoy. Therefore, we decided to upgrade our rating for INTP to BUY (From SELL) with a TP of IDR 12,200), reflecting an FY23F P/E of 22.6x. Main risk: lower-than-expected demand, further spikes in coal prices.

Valuations (at closing price IDR 10,725 per share)

Y/E Dec	**21A**	**22A**	**23F**	**24F**	**25F**
Revenue (IDR Bn)	14,772	16,328	17,085	17,099	19,081
EBITDA (IDR Bn)	3,144	3,239	3,552	3,899	4,844
EV/EBITDA (x)	9.8	10.3	9.3	8.3	6.4
Net Profit (IDR Bn)	1,788	1,842	1,859	2,065	2,765
EPS (IDR)	504	537	541	601	805
EPS Growth (%)	2.7	6.5	0.9	11.1	33.9
P/E Ratio (x)	21.3	20.0	19.8	17.8	13.3
BVPS (IDR)	5,809	5,698	5,703	5,763	5,967
P/BV Ratio (x)	1.8	1.9	1.9	1.9	1.8
DPS (IDR)	519	507	537	541	601
Dividend Yield (%)	4.8	4.7	5.0	5.0	5.6
ROAE (%)	8.4	9.2	9.5	10.5	13.7
ROAA (%)	6.7	7.1	7.3	8.1	10.6
Interest Coverage (x)	65.5	51.9	48.4	56.6	79.6
Net Gearing (x)	n.c	n.c	n.c	n.c	n.c

Indocement Tunggal Prakarsa

Bloomberg: INTP.IJ | Reuters: INTP.JK

Cement Sector

31 March 2023 JCI Index: 6,805

Table 1: FY22 Results

INTP (IDR Bn)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)	FY22/SSI	FY22/Cons
Revenue	4,163	4,750	4,667	-1.7	12.1	14,772	16,328	10.5	105.2	101.7
Gross Profit	1,534	1,674	1,701	1.6	10.9	5,126	5,143	0.3	117.6	107.2
Operating Profit	660	830	1,062	27.9	60.8	2,071	2,226	7.5	215.3	159.1
EBITDA	1,835	1,964	2,056	4.7	12.1	6,379	6,371	(0.1)	259.6	230.4
Net Profit	580	655	896	36.7	54.3	1,788	1,842	3.0	208.9	137.3
Gross Margin	36.8%	35.2%	36.4%	1.2%	-0.4%	34.7%	31.5%	-3.2%		
Operating Margin	15.9%	17.5%	22.7%	5.3%	6.9%	14.0%	13.6%	-0.4%		
Net Margin	44.1%	41.3%	44.1%	2.7%	0.0%	43.2%	39.0%	-4.2%		

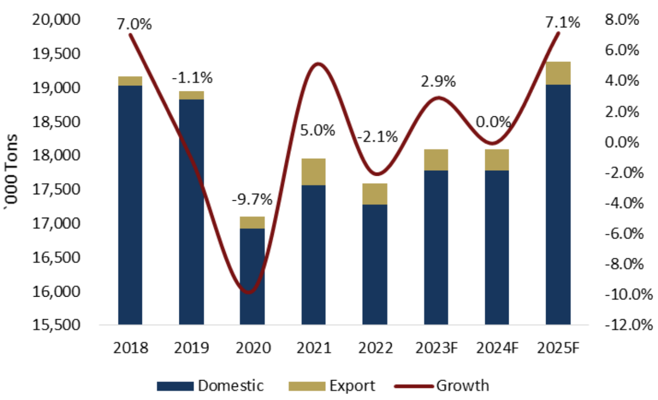
Source: Company, SSI Research

Table 2: Forecast Changes

IDR Bn	OLD		NEW		OLD vs NEW	
	2023F	2024F	2023F	2024F	2023F	2024F
Revenue	15,740	16,189	17,085	17,099	8.5%	5.6%
Gross Profit	5,093	5,624	6,189	6,437	21.5%	14.5%
Operating Profit	1,708	2,146	2,270	2,520	32.9%	17.5%
Net Profit	1,406	1,773	1,859	2,065	32.2%	16.5%

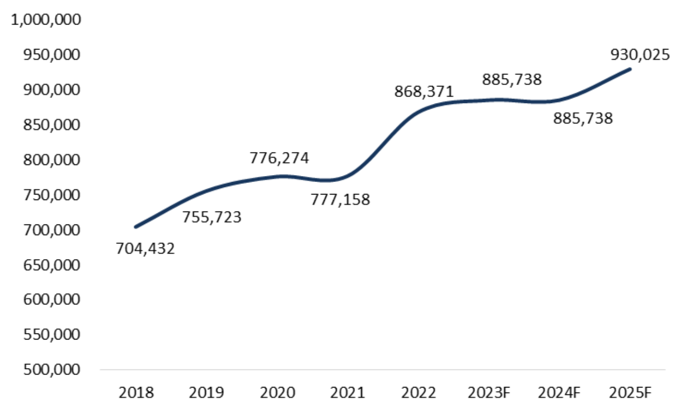
Source: Company, SSI Research

Figure 1. Sales Volume



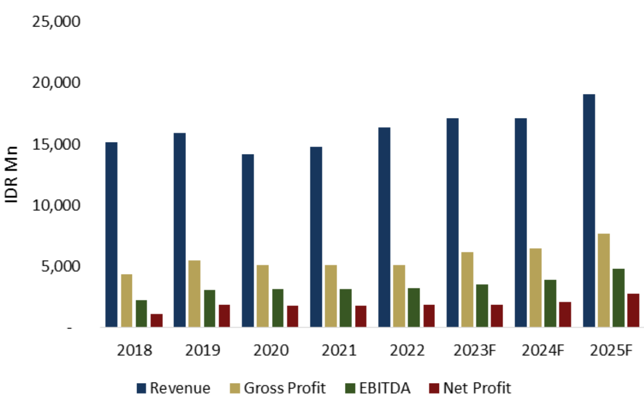
Source: Company, SSI Research

Figure 2. ASP/Ton (IDR)



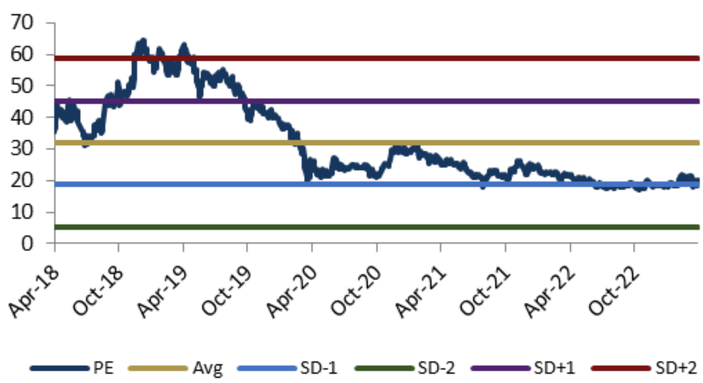
Source: Company, SSI Research

Figure 3. Financial Performance



Source: Company, SSI Research

Figure 4. P/E Band



Source: Bloomberg, Company, SSI Research

Indocement Tunggal Prakarsa

Bloomberg: INTP.IJ | Reuters: INTP.JK

Cement Sector

31 March 2023

JCI Index: 6,805

Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	**21A**	**22A**	**23F**	**24F**	**25F**
Revenue	**14,772**	**16,328**	**17,085**	**17,099**	**19,081**
Cost of Revenue	(9,646)	(11,185)	(10,896)	(10,662)	(11,373)
Gross Profit	**5,126**	**5,143**	**6,189**	**6,437**	**7,708**
Operating Expense	**(3,219)**	**(3,334)**	**(3,875)**	**(3,873)**	**(4,291)**
G&A Expense	(622)	(719)	(993)	(993)	(1,108)
Selling & Marketing Expense	(2,597)	(2,615)	(2,883)	(2,879)	(3,182)
Other Income (Expense)	163	418	(44)	(44)	(49)
Operating Profit	**2,071**	**2,226**	**2,270**	**2,520**	**3,369**
EBITDA	**3,144**	**3,239**	**3,552**	**3,899**	**4,844**
Interest Income	257	126	109	112	132
Interest Expense	(32)	(43)	(47)	(45)	(42)
Forex Gain (Loss)	-	-	-	-	-
Others	24	23	27	29	39
Pre-tax Profit	**2,234**	**2,289**	**2,322**	**2,580**	**3,453**
Taxes	(446)	(447)	(463)	(514)	(689)
Minority Interest	-	-	-	-	-
Net Profit	**1,788**	**1,842**	**1,859**	**2,065**	**2,765**

Cash Flow					
Y/E Dec (IDR Bn)	**21A**	**22A**	**23F**	**24F**	**25F**
Net Profit	1,788	1,842	1,859	2,065	2,765
D&A	1,073	1,012	1,282	1,379	1,476
Changes in Working Capital	(71)	(607)	(103)	278	(30)
Operating CF	**2,791**	**2,247**	**3,038**	**3,722**	**4,210**
Capital Expenditure	(1,018)	(1,565)	(1,000)	(1,000)	(1,000)
Others	191	(42)	-	-	-
Investing CF	**(827)**	**(1,607)**	**(1,000)**	**(1,000)**	**(1,000)**
Dividend Paid	(1,841)	(1,741)	(1,842)	(1,859)	(2,065)
Net Borrowing	(225)	712	(49)	(47)	(45)
Others	(1,539)	(1,226)	-	(0)	0
Financing CF	**(3,604)**	**(2,255)**	**(1,892)**	**(1,906)**	**(2,110)**
Net - Cash flow	**(1,641)**	**(1,615)**	**147**	**817**	**1,100**
Adjustment	85	(1)	-	-	-
Cash at Beginning	7,698	6,141	4,526	4,672	5,489
Cash at Ending	**6,141**	**4,526**	**4,672**	**5,489**	**6,589**

Balance Sheet					
Y/E Dec (IDR Bn)	**21A**	**22A**	**23F**	**24F**	**25F**
Cash	6,141	4,526	4,672	5,489	6,589
Receivables	2,587	2,652	2,721	2,451	2,462
Inventory	2,267	2,831	2,724	2,665	2,843
Others	341	304	282	281	281
Total Current Asset	**11,337**	**10,312**	**10,400**	**10,886**	**12,175**
Net Fixed Asset	14,342	14,895	14,613	14,234	13,758
Other Assets	457	499	499	499	499
Total Asset	**26,136**	**25,706**	**25,512**	**25,619**	**26,432**
Payables	2,083	1,835	1,761	1,723	1,838
ST. Debt and CMLTD	162	354	908	862	819
Other Current Liabilities	2,402	2,634	2,546	2,532	2,575
Current Liability	**4,647**	**4,822**	**5,214**	**5,117**	**5,232**
LT. Debt	114	634	30	29	27
Other LT. Liabilities	755	683	683	683	683
Total Liability	**5,515**	**6,139**	**5,928**	**5,829**	**5,943**
Minority Interest	**-**	**-**	**-**	**-**	**-**
Total Equity	**20,621**	**19,567**	**19,583**	**19,790**	**20,489**

Key Ratios					
Y/E Dec	**21A**	**22A**	**23F**	**24F**	**25F**
Gross Profit Margin (%)	34.7	31.5	36.2	37.6	40.4
Operating Margin (%)	14.0	13.6	13.3	14.7	17.7
Pretax Margin (%)	15.1	14.0	13.6	15.1	18.1
Net Profit Margin (%)	12.1	11.3	10.9	12.1	14.5
Revenue Growth (%)	4.1	10.5	4.6	0.1	11.6
EBITDA Margin (%)	21.3	19.8	20.8	22.8	25.4
EBITDA Growth (%)	(0.8)	3.0	9.7	9.8	24.2
Debt to Equity (x)	0.0	0.1	0.0	0.0	0.0

Major Assumptions					
Y/E Dec	**21A**	**22A**	**23F**	**24F**	**25F**
Sales Volume (000 Ton)	17,960	17,586	18,091	18,091	19,384
Local Coal Price Benchmark	121	350	220	150	110
USD/IDR Assmp. (Avg.)	14,253	15,568	14,800	14,600	14,600

Table 2. Peers Comparison

Company Ticker	Country	Company Ticker	Market Cap (USD Mn)	PER (x) 2023F	PER (x) 2024F	EV/EBITDA (x) 2023F	EV/EBITDA (x) 2024F	PBV (x) 2023F	PBV (x) 2024F	ROE (%) 2023F	ROE (%) 2024F
XINJIANG TIAN-A	CN	000877 CH	11,136	9.5	8.4	6.6	6.2	0.8	0.7	8.3	8.8
TANGSHAN JIDON-A	CN	000401 CH	3,374	8.2	8.3	6.2	5.4	0.7	0.6	7.9	7.8
CONCH CEMENT-H	CN	914 HK	21,039	6.7	6.0	4.0	3.6	0.6	0.6	9.9	10.2
CHINA NATL BDG-H	CN	3323 HK	6,952	4.3	3.6	6.6	5.8	0.4	0.4	9.7	10.7
CHINA NATL BDG-H	CN	3323 HK	6,952	4.3	3.6	6.6	5.8	0.4	0.4	9.7	10.7
AMBUJA CEMENTS	IN	ACEM IN	8,786	25.6	22.1	11.7	9.8	2.2	2.0	9.2	9.7
ACC LTD	IN	ACC IN	3,712	21.5	16.1	11.2	8.4	2.1	1.9	9.3	12.1
ULTRATECH CEMENT	IN	UTCEM IN	26,574	41.7	28.8	21.5	16.6	4.0	3.6	10.0	13.0
SHREE CEMENT	IN	SRCM IN	11,321	62.4	37.0	29.9	21.0	5.0	4.5	7.8	12.1
ASIA CEMENT CORP	TW	1102 TT	5,030	12.6	11.6	12.0	12.2	0.9	0.9	7.1	7.7
TAIWAN CEMENT	TW	1101 TT	8,506	20.0	#N/A N/A	14.5	12.8	1.1	1.1	5.9	6.5
SSANGYONG C&E CO	KR	003410 KS	2,324	19.4	17.5	9.7	9.4	1.9	2.0	9.6	11.1
SAMPYO CEMENT CO	KR	038500 KS	295	16.7	13.6	7.7	7.0	0.5	0.5	3.3	4.0
SIAM CEMENT PCL	TH	SCC TB	11,146	12.3	9.6	11.1	9.0	1.0	0.9	8.0	9.6
HOLCIM LTD	US	HOLN SW	39,386	11.8	11.0	6.6	6.3	1.2	1.1	10.1	10.8
HEIDELBERGCEMENT	DE	HEI GR	14,020	8.0	7.4	5.2	5.0	0.7	0.7	9.3	9.4
ADBRI LTD	AU	ABC AU	703	11.0	10.3	6.1	5.7	0.8	0.7	7.3	7.5
BORAL LTD	AU	BLD AU	2,650	33.8	24.5	10.4	8.9	1.9	1.8	6.4	8.2
EAGLE MATERIALS	US	EXP US	5,197	12.0	11.8	8.2	8.3	4.6	3.7	37.3	32.4
CEMEX SAB-CPO	MX	CEMEXCPO M	8,131	5.4	4.2	6.0	5.7	0.7	0.7	7.8	8.6
SEMEN INDONESIA	**ID**	**SMGR IJ**	**2,860**	**12.7**	**11.1**	**6.3**	**5.9**	**0.9**	**0.9**	**7.3**	**7.9**
INDOCEMENT TUNGG	**ID**	**INTP IJ**	**2,623**	**19.3**	**16.3**	**10.1**	**8.7**	**1.8**	**1.8**	**9.5**	**11.1**
Global Weighted Average			**202,718**	**18.5**	**13.5**	**10.6**	**8.9**	**1.7**	**1.6**	**9.8**	**10.9**

Source: Bloomberg, SSI Research (closing price at 30/03/2023)

Research Team			
Prasetya Gunadi	Head of Equity Research, Strategy, Banking, Digital Banks	prasetya.gunadi@samuel.co.id	+6221 2854 8320
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
Arga Samudro	Economist	alkosar.marga@samuel.co.id	+6221 2854 8144
Muhamad Alfatih, CSA, CTA, CFTe	Senior Technical Analyst	m.alfatih@samuel.co.id	+6221 2854 8129
William Mamudi, CFTe, CMT, CCT	Senior Technical Analyst	william.mamudi@samuel.co.id	+6221 2854 8382
Yosua Zisokhi	Cement , Cigarette, Paper, Plantation,Telco Infra, Chemicals	yosua.zisokhi@samuel.co.id	+6221 2854 8387
M. Farras Farhan	Media, Poultry, Oil & Gas, Technology	farras.farhan@samuel.co.id	+6221 2854 8346
Pebe Peresia	Automotive, Consumer Staples, Retail	pebe.peresia@samuel.co.id	+6221 2854 8339
Juan Oktavianus Harahap	Coal, Metal Mining	juan.oktavianus@samuel.co.id	+6221 2854 8846
Jonathan Guyadi	Banking, Healthcare, Telco	jonathan.guyadi@samuel.co.id	+6221 2854 8321
Adolf Richardo	Editor	adolf.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri Yuliana	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389
Abraham Timothy	Research Associate	abraham.timothy@samuel.co.id	+6221 2854 8322
Daniel Aditya Widjaja	Research Associate	daniel.aditya@samuel.co.id	+6221 2854 8322
Laurencia Hiemas	Research Associate	laurencia.hiemas@samuel.co.id	+6221 2854 8392
Brandon Boedhiman	Research Associate	brandon.boedhiman@samuel.co.id	+6221 2854 8392

Equity Institutional Team			
Benny Bambang Soebagjo	Head of Institutional Equity Sales	benny.soebagjo@samuel.co.id	+6221 2854 8312
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
Anthony Yunus	Institutional Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
Widya Meidrianto	Institutional Equity Sales	widya.meidrianto@samuel.co.id	+6221 2854 8317
Fachruly Fiater	Institutional Sales Trader	fachruly.fiater@samuel.co.id	+6221 2854 8325
Lucia Irawati	Institutional Sales Trader	lucia.irawati@samuel.co.id	+6221 2854 8173
Alexander Tayus	Institutional Equity Dealer	alexander.tayus@samuel.co.id	+6221 2854 8319
Leonardo Christian	Institutional Equity Dealer	leonardo.christian@samuel.co.id	+6221 2854 8147

Equity Retail Team			
Joseph Soegandhi	Head of Equity	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Denzel Obaja	Head of Community & Partnership	denzel.obaja@samuel.co.id	+6221 2854 8342
Clarice Wijana	Head of Equity Sales Support	clarice.wijana@samuel.co.id	+6221 2854 8395
Gitta Wahyu Retnani	Equity Sales & Trainer	gitta.wahyu@samuel.co.id	+6221 2854 8365
Vincentius Darren	Equity Sales	darren@samuel.co.id	+6221 2854 8348
Michael Alexander	Equity Sales	michael.alexander@samuel.co.id	+6221 2854 8369
Sylviawati	Equity Sales	sylviawati@samuel.co.id	+6221 2854 8112
Wandha Ahmad	Equity Sales	wandha.ahmad@samuel.co.id	+6221 2854 8316
Handa Sandiawan	Equity Sales	handa.sandiawan@samuel.co.id	+6221 2854 8302
Wahyudi Budiyono	Dealer	wahyudi.budiyono@samuel.co.id	+6221 2854 8152

Fixed Income Sales Team			
R. Virine Tresna Sundari	Head of Fixed Income	virine.sundari@samuel.co.id	+6221 2854 8170
Rudianto Nugroho	Fixed Income Sales	rudianto.nugroho@samuel.co.id	+6221 2854 8306
Sany Rizal Keliobas	Fixed Income Sales	sany.rizal@samuel.co.id	+6221 2854 8337
Safitri	Fixed Income Sales	safitri@samuel.co.id	+6221 2854 8376
Khairanni	Fixed Income Sales	khairanni@samuel.co.id	+6221 28548104
Nadya Attahira	Fixed Income Sales	nadya.attahira@samuel.co.id	+6221 2854 8305