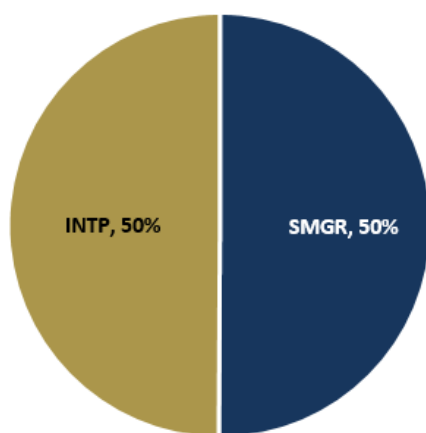


Neutral

Stock Recommendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside
SMGR	BUY	5,925	7,630	28.8%
INTP	BUY	10,375	12,200	17.6%

Sector Market Cap Weighting



Eid-Driven Slowdown

Eid-driven slowdown. Domestic cement sales volume fell -38.8 MoM (--31.0% YoY) to 3.0 million tons in April 2023, with a cumulative 4M23 sales volume of 17.3 million tons (-11.9% yoy). Bagged cement sales slipped to 2.1 million tons (-41.2% MoM, -33.8% YoY), while bulk cement sales plunged to 893 thousand tons (-32.2 MoM, -23.2% YoY). INTP posted sales of 841.5 thousand tons (-35.3% MoM, -12.3% YoY) with a cumulative 4M23 sales volume of 4.8 million tons (+0.4% YoY). The decline in April 2023 was mainly caused by the long Eid holiday, which hampered distribution for approximately two weeks, especially in Java.

Java suffered the biggest blow in sales. Cement sales in all regions in Indonesia declined in April 2023, with Central Java experiencing the largest drop (-45.1% YoY to 312.2 thousand tons), followed by East Java (-38.2% YoY to 354 thousand tons), and Jakarta (-32.0% YoY to 112.5 thousand tons). Sales in regions outside Java, especially Kalimantan, fell -22.4% to 234.5 thousand tons and sales in Nusa Tenggara fell -24.3% to 191 thousand tons. However, if we take a look at the cumulative 4M23 figures, cement sales in Kalimantan was relatively flat (-0.7% YoY to 1.3 million tons), while sales in Nusa Tenggara actually grew +4.4% YoY to 1.0 million tons.

Recovery is on the horizon. After starting the year on the wrong foot, cement sales has started to pick up, especially in the first week of May 2023 (after the Eid holiday). We expect to see positive growth through the rest of the year, supported by demand from the new capital city project in Kalimantan and recovery in sales in regions outside Java. We maintain our projection for national FY23F cement sales volume growth at 2-3% YoY.

NEUTRAL. We reiterate our NEUTRAL rating for the cement sector; we expect to see better sales volume in 2H23, especially with potentially large demand from projects outside Java. We have BUY recommendations on SMGR (TP: IDR 7,630; -1.0x 5-year PER average) and INTP (TP: IDR 12,200; -0.70x 5-year PER average). Risks: declining demand and higher distribution costs.

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19 May 2023

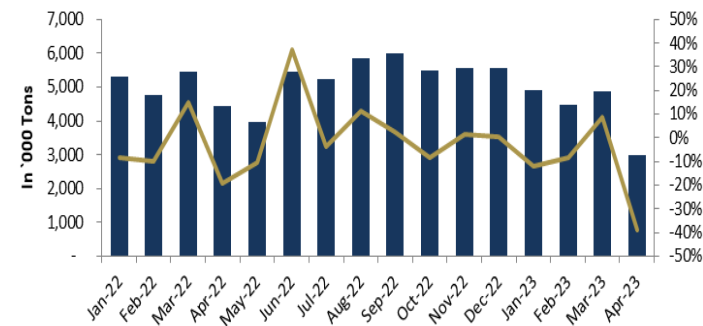
JCI Index: 6,788

Table 1. Valuation Highlights

Ticker	Rating	CP	TP	Upside	P/E (X)		NP (IDRbn)		EPSG (%)		ROE (%)		ROA (%)	
		(IDR)	(IDR)	(%)	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
SMGR	BUY	5,925	7,630	28.8	14.8	10.9	2,793	3,808	4.2	36.4	5.8	7.6	3.4	4.7
INTP	BUY	10,375	12,200	17.6	19.2	17.2	1,406	1,773	59.4	26.1	7.3	9.0	5.8	7.2
Sector					17.0	14.1			31.8	31.3	6.6	8.3	4.6	6.0

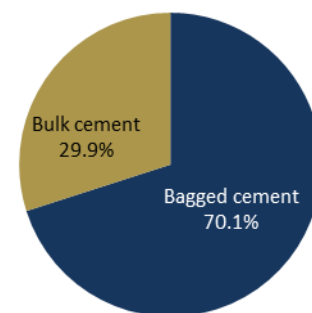
Source: Bloomberg, SSI Research

Figure 1. Monthly National Cement Consumption



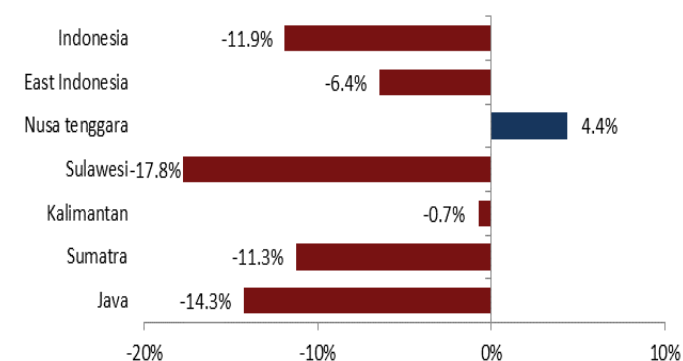
Source: ASI, SSI Research

Figure 2. Bagged vs Bulk Cement Market Share (Apr-23)



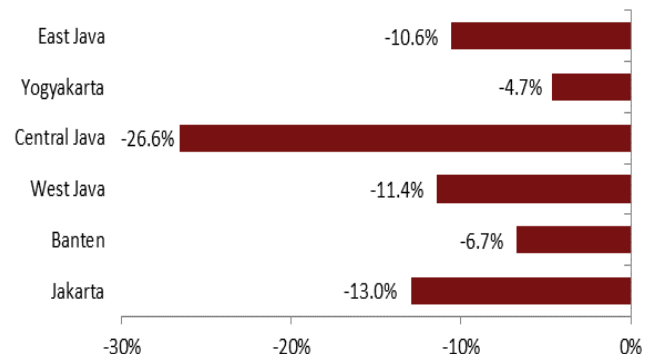
Source: ASI, SSI Research

Figure 3. National Cement Consumption by Region (4M23)



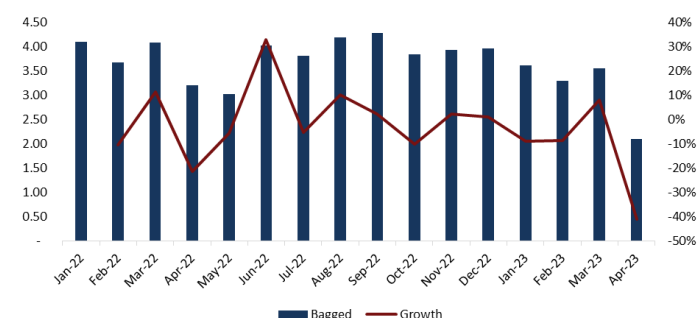
Source: ASI, SSI Research

Figure 4. Java Cement Consumption (4M23)



Source: ASI, SSI Research

Figure 5. Bagged Cement Sales Volume



Source: ASI, SSI Research

Figure 6. Bulk Cement Sales Volume



Source: ASI, SSI Research

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