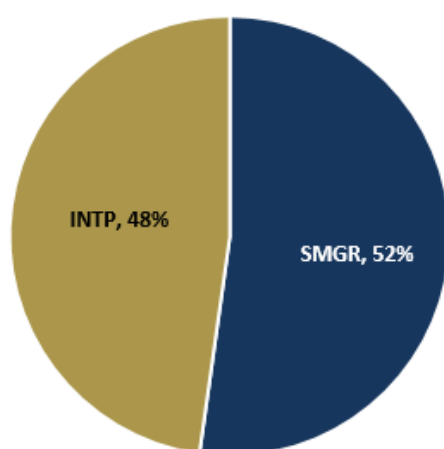


Neutral

Stock Recommendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside
SMGR	BUY	6,850	7,925	15.7%
INTP	BUY	11,275	12,625	12.0%

Sector Market Cap Weighting



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7M23 Cement Sales

Domestic cement sales went up +9.7% MoM in July. Domestic cement sales volume went up +9.7% MoM, +12.6% YoY to 5.8 million tons in July, bringing its cumulative 7M23 figure to 33.2 million tons (-2.3% yoy). Both bulk and bagged cement saw positive growth in sales volume; bulk cement sales volume went up +19.3% YoY, with Kalimantan experiencing the largest growth (+122.9% YoY), mainly due to the IKN project. Meanwhile, bagged cement sales volume went up +10.2% YoY, with sales outside Java growing by +15.2% YoY. The two cement companies under our coverage (INTP and SMGR) also posted positive growth, with INTP posting sales of 1.7 million tons in July (+17.9% MoM, +25.1% YoY) with a cumulative 7M23 figure of 9.2 million tons (+7.7% YoY), and SMGR recorded sales of 2.9 million tons in July (+6.4% MoM, +23.2% YoY) with a cumulative 7M23 figure of 17.2 million tons (+5.0% YoY).

More market share for INTP. INTP booked sales growth of +25.3% YoY in July (bagged cement: +23.1% YoY, bulk cement: +31.9% YoY); its bagged cement sales growth was mainly driven by regions outside Java (+61.4% YoY), supported by its factory in Maros that helped boost sales in Eastern Indonesia as well as the company's export sales. Meanwhile, INTP's bulk cement sales in Java grew +20.9% YoY, and sales outside Java grew +96.1% YoY, with Kalimantan as the main driver (+174.3% YoY) mainly thanks to supplies from ready mix players in the Samarinda terminal. Supported by its solid performance, INTP's market share went up +200bps MoM, +340bps YoY to 28.7%, while SMGR's market share came in at 50.8% (-180bps MoM, +220bps YoY).

FY23F outlook. We noticed that the demand for cement had started to pick up at the beginning of 2H23, in line with our and cement companies' predictions. In addition, we observed that prices of bagged cement in Java are relatively stable, and there's no price war between tier-1 and tier-2 players. Therefore, we are quite optimistic that domestic cement sales will grow +1-2% YoY in FY23F, driven mainly by bulk cement (thanks to demand from infrastructure and government projects, especially IKN). Meanwhile, bagged cement sales are projected to remain relatively stable, especially in Java.

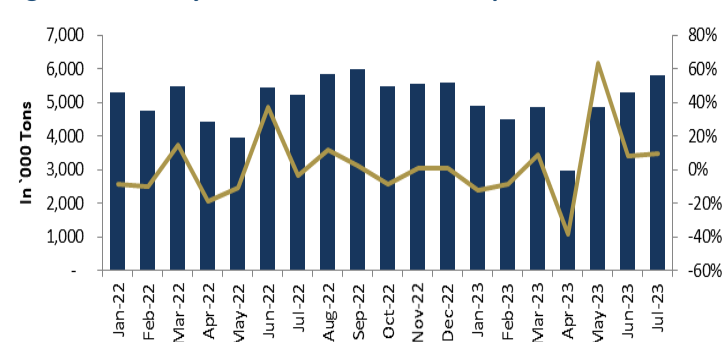
NEUTRAL. We reiterate our NEUTRAL rating on the cement sector. We project domestic cement sales volume to grow slightly in FY23F (+1-2% YoY), driven mainly by bulk cement, while bagged cement sales are expected to remain relatively stable. We have BUY ratings for SMGR (TP: IDR 7,925; 16.9x FY24F P/E) and INTP (TP: IDR 12,625; 20.5x FY24F P/E). Main risks: Fluctuations in demand, fuel and distribution costs.

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	6,850	7,925	15.7	16.6	14.6	2,793	3,164	4.2	13.3	5.8	6.3	3.4	3.9
INTP	BUY	11,275	12,625	12.0	20.8	18.3	1,859	2,113	0.9	13.7	9.5	10.7	7.3	8.2
Sector					18.7	16.5			2.6	13.5	7.7	8.5	5.4	6.1

Source: Bloomberg, SSI Research (*Valuation at closing price 14/08/23)

Figure 1. Monthly National Cement Consumption



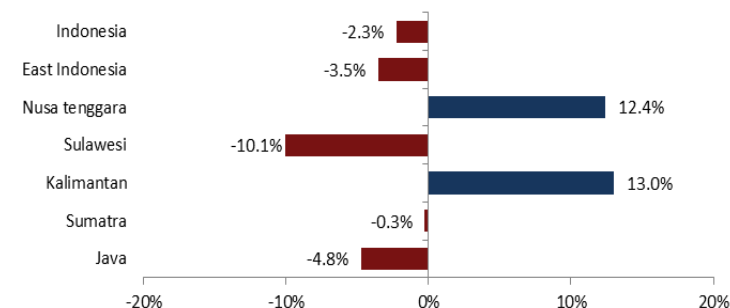
Source: ASI, SSI Research

Figure 2. Bagged Cement Price Comparison

Jakarta (40 kg)	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Tiga Roda	58,000	59,000	58,000	58,000	58,000
Semen Gresik	58,000	57,000	54,500	56,400	56,200
Rajawali	46,500	48,000	46,500	46,500	46,500
Garuda Conch	43,500	43,500	46,000	47,000	46,000
Merah Putih	52,500	54,500	54,500	54,500	54,500
Grobogan	N/A	49,000	50,000	50,000	50,000
Dynamix	N/A	54,000	55,000	56,700	55,000
Semen Padang	N/A	46,900	46,000	45,000	45,000
Semen Jakarta	N/A	47,000	43,000	43,500	42,400

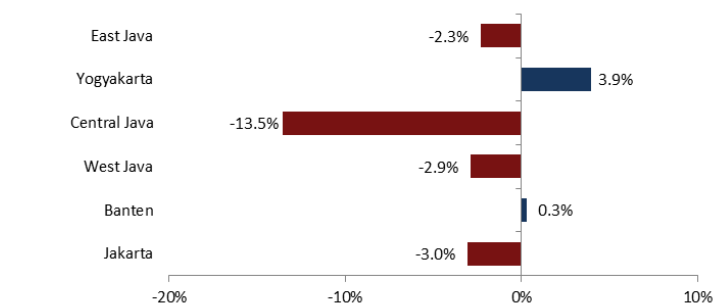
Source: Various Resources, SSI Research

Figure 3. National Cement Consumption by Region (7M23)



Source: ASI, SSI Research

Figure 4. Java Cement Consumption (7M23)



Source: ASI, SSI Research

Figure 5. Bagged Cement Sales Volume



Source: ASI, SSI Research

Figure 6. Bulk Cement Sales Volume



Source: ASI, SSI Research

Figure 7. SMGR's P/E Band



Source: Company, Bloomberg, SSI Research

Figure 8. INTP's P/E Band



Source: Company, Bloomberg, SSI Research

Figure 9. Peers Comparison

Company Ticker	Country	Company Ticker	Market Cap (USD Mn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
				2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
XINJIANG TIAN-A	CN	000877 CH	10,013	9.7	8.9	7.2	6.7	0.8	0.7	7.8	8.2
TANGSHAN JIDON-A	CN	000401 CH	2,944	15.0	16.1	8.1	6.7	0.7	0.7	2.6	4.2
CONCH CEMENT-H	CN	914 HK	17,550	6.3	5.6	3.4	3.0	0.5	0.5	8.9	9.6
CHINA NATL BDG-H	CN	3323 HK	4,640	4.1	3.2	7.7	6.8	0.3	0.3	6.5	8.4
CHINA NATL BDG-H	CN	3323 HK	4,640	4.1	3.2	7.7	6.8	0.3	0.3	6.5	8.4
AMBUJA CEMENTS	IN	ACEM IN	10,585	32.1	29.4	14.5	13.1	2.2	2.3	8.8	9.6
ACC LTD	IN	ACC IN	4,350	30.2	21.8	15.9	12.6	2.5	2.3	9.9	11.4
ULTRATECH CEMENT	IN	UTCEM IN	28,080	30.9	25.6	17.3	14.8	3.9	3.4	13.2	14.1
SHREE CEMENT	IN	SRCM IN	10,360	42.9	33.0	20.5	17.2	4.2	3.8	10.4	11.5
ASIA CEMENT CORP	TW	1102 TT	4,490	11.8	10.7	14.2	13.5	0.9	0.9	7.0	7.5
TAIWAN CEMENT	TW	1101 TT	8,254	23.8	19.1	18.8	14.7	1.2	1.1	5.1	6.0
SSANGYONG C&E CO	KR	003410 KS	2,028	25.6	23.7	9.2	9.6	1.8	1.8	6.7	7.6
SAMPYO CEMENT CO	KR	038500 KS	277	10.8	10.1	6.7	6.6	0.5	0.5	4.9	5.0
SIAM CEMENT PCL	TH	SCC TB	10,817	12.9	10.8	12.1	10.2	1.0	0.9	8.2	8.2
HOLCIM LTD	US	HOLN SW	39,529	11.6	10.9	7.2	6.9	1.2	1.1	10.2	10.8
HEIDELBERG MATER	DE	HEI GR	15,906	7.8	7.5	5.5	5.4	0.8	0.7	10.6	10.4
ADBRI LTD	AU	ABC AU	1,155	17.2	17.0	8.3	8.0	1.3	1.2	7.6	7.6
BORAL LTD	AU	BLD AU	3,628	29.9	25.4	11.3	10.3	2.5	2.3	8.0	8.5
EAGLE MATERIALS	US	EXP US	6,505	13.3	12.0	9.3	8.7	4.6	3.6	35.3	30.5
CEMEX SAB-CPO	MX	CEMEXCPO N	11,251	11.3	7.3	6.7	6.3	1.0	0.9	9.2	9.5
SEMEN INDONESIA	ID	SMGR IJ	3,019	16.8	14.1	7.2	6.8	1.0	1.0	6.2	7.1
INDOCEMENT TUNGG	ID	INTP IJ	2,655	19.3	17.2	10.4	9.4	1.9	1.8	10.1	11.0
Global Weighted Average			202,677	17.5	14.9	10.5	9.3	1.8	1.6	10.3	10.8

Source: Companies, Bloomberg, SSI Research (*Valuation at closing price 14/08/23)

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