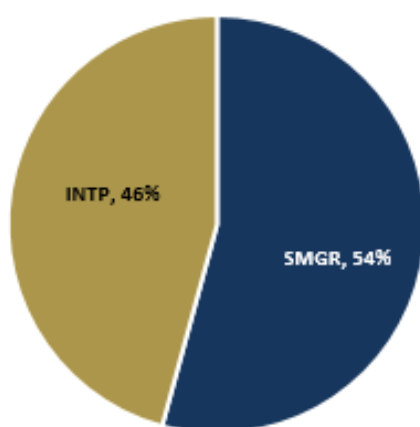


Neutral

Stock Recommendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside
SMGR	BUY	6,225	7,925	27.3%
INTP	BUY	9,300	12,625	35.8%

Sector Market Cap Weighting



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11M23 Cement Sales

Sales volume growth of +11.3% YoY in Nov-23. Domestic cement sales volume came in at 6.2mn tons in Nov-23 (-2.2% MoM, +11.3% YoY), translating into a cumulative 11M23 figure of 57.8mn tons (+2.5% YoY). The slight MoM decline was mainly caused by the rainy season, which led to logistic delays. Bulk cement sales fell -3.1% MoM, while bagged cement slipped -1.8% MoM. Regarding the 11M23 figures, we noticed that bulk cement sales experienced positive growth, coming in at 16.6mn tons (+11.9% YoY), while bagged cement sales slipped a bit to 41.4mn tons (-0.8% YoY). All areas in Indonesia experienced significant growth in cement sales in Nov-23, both bagged and bulk; bagged cement sales in Java (+10.0% YoY) grew slightly better than outside Java (+9.3% YoY), while bulk cement sales outside Java (+36.1% YoY) experienced much better growth than in Java (+14.8% YoY), supported by the development of IKN.

Better margins for INTP. INTP recorded a quite solid sales volume in Nov-23, reaching 1.7mn tons (+3.1% MoM, +24.0% YoY), which translates to cumulative 11M23 revenue of 15.8mn tons (+11.3% YoY). The significant growth was mainly driven by higher demand from Java (partly due to the tax incentives for low-to-mid residential properties), while outside Java, INTP has started to supply bulk cement to IKN and made efforts to increase distribution to their terminals in North Sumatera (Kuala Tanjung), Palembang, and Lampung to cater the demand from Trans Sumatera toll road project. Also, INTP has completed the acquisition of Semen Grobogan for IDR 1.5T, giving the company an additional production capacity of 2.5mn tons/annum (Grobogan's sales volume will be consolidated into INTP's books starting Dec-23). We expect to see the impact of the merger next year, and we project INTP to book a profit margin of 32.0% (FY23F: 31.8%) and an EBITDA margin of 19.7% (FY23F: 19.5%).

Update from IKN. According to the Nusantara Capital City Authority (OIKN), most of the key projects and infrastructure development (including the Presidential Palace, toll road, airport, housing, and others) in IKN is going according to plan, with the progress reaching 60.3% by the end of Nov-23, with the expected completion date in 3Q24 (Indonesia's 79th Independence Day). Most of the cement supply to IKN is brought from regions outside Kalimantan (c.95%). We expect cement demand from Kalimantan will grow at a strong pace until 2030, in line with the government's plans to build more infrastructure, including digital cities, airports, connecting roads, and other facilities. We project domestic cement sales volume to grow +2-3% YoY in 2023F, and it will continue to grow at a steady pace in 2024F.

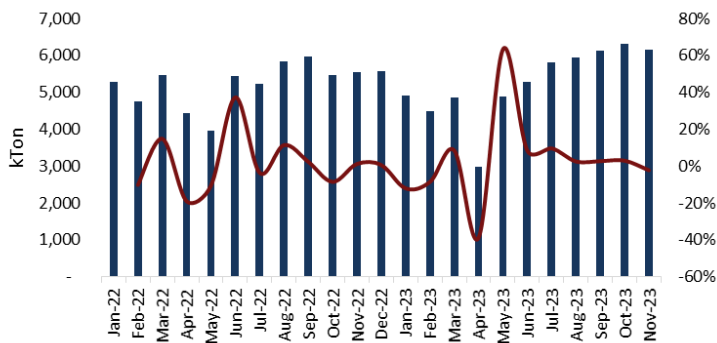
Maintain NEUTRAL. We reiterate our NEUTRAL rating for the cement sector. We project domestic sales volume will grow +2-3% YoY in 2023F, driven mainly by bulk cement. We have BUY recommendations for SMGR (TP: IDR 7,925; 13.6x FY24F P/E) and INTP (TP: IDR 12,625; 16.6x FY24F P/E). **Risks:** 1) Fluctuations in cement demand, 2) higher fuel and distribution costs.

Table 1. Valuation Highlights

Ticker	Rating	CP (IDR)	TP (IDR)	Upside (%)	P/E (X)		NP (IDRbn)		EPSG (%)		ROE (%)		ROA (%)	
					2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
SMGR	BUY	6,225	7,925	27.3	16.3	13.6	2,573	3,097	8.8	20.3	5.4	6.2	3.1	3.8
INTP	BUY	9,300	12,625	35.8	18.0	16.6	1,778	1,924	(3.5)	8.3	9.1	9.8	6.9	7.5
Sector					17.2	15.1			2.7	14.3	7.3	8.0	5.0	5.7

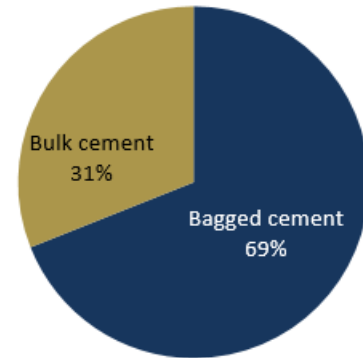
Source: Bloomberg, SSI Research (*Valuation at closing price 13/12/23)

Figure 1. Monthly Domestic Cement Consumption



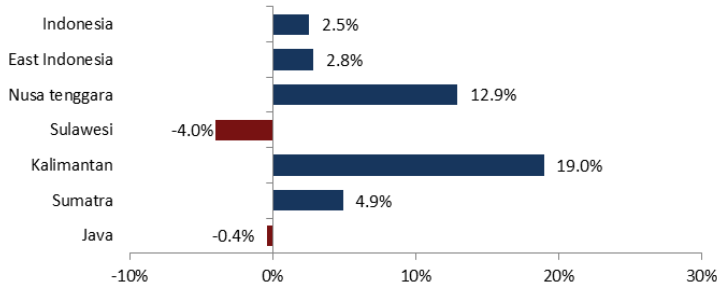
Source: ASI, SSI Research

Figure 2. Bagged and Bulk Contribution (Nov-23)



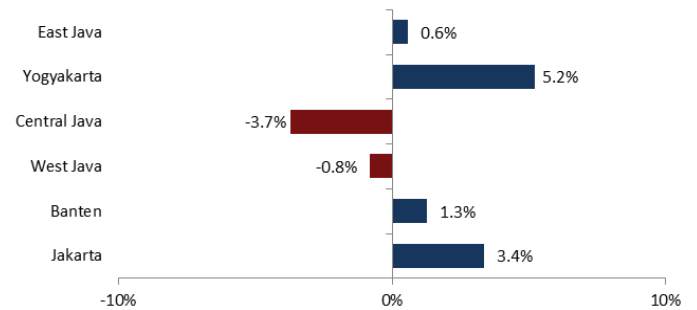
Source: ASI, SSI Research

Figure 3. Domestic Cement Consumption by Region (11M23)



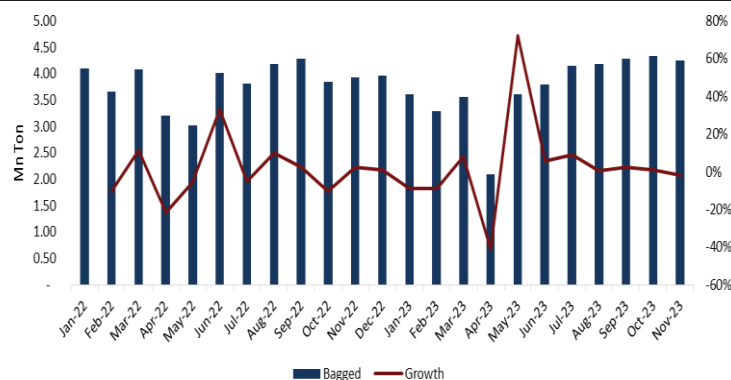
Source: ASI, SSI Research

Figure 4. Cement Consumption in Java (11M23)



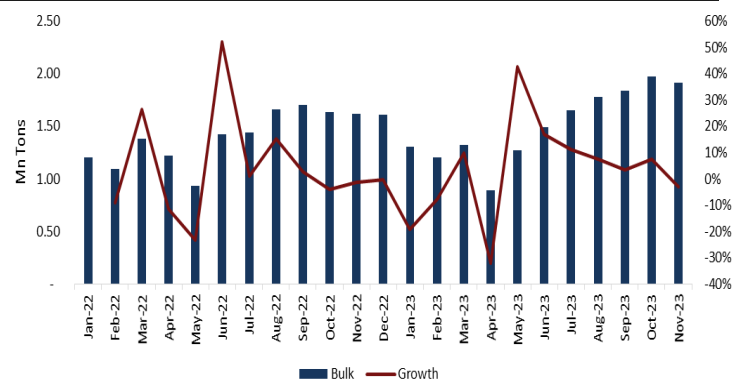
Source: ASI, SSI Research

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. IKN Development

Phase I: 2022-2024	Phase II: 2025-2029	Phase III: 2030-2034	Phase IV: 2035-2039	Phase V: 2040-2045
Initial Transfer	Building the Core of IKN	Development of IKN	Ecosystem & Synergy	World City for All
<ul style="list-style-type: none"> • Building basic infrastructure (drinking water, waste management) • Building main facilities • Initial ASN transfer • Initiation of priority economic sectors 	<ul style="list-style-type: none"> • Expansion of housing complexes • Main transportation can be use • Development of RnD 	<ul style="list-style-type: none"> • Development of other transportation services (Airports, Railroads) • Development of industrial estate • Development of smart city 	<ul style="list-style-type: none"> • Development in education and healthcare services • Capacity expansion • More housing complexes 	<ul style="list-style-type: none"> • Net zero-carbon emission (100% renewables energy) • Development of sustainable industries • Become a leading city

Source: Ministry of Public Works and Spatial Planning

Figure 10. Presidential Palace Target and Realization



Source: Ministry of Public Works and Spatial Planning

Figure 11. Ministry Complex Target and Realization



Source: Ministry of Public Works and Spatial Planning



Figure 12. Ceremonial Complex Target and Realization



Source: Ministry of Public Works and Spatial Planning



Figure 13. Toll Roads Target and Realization



Source: Ministry of Public Works and Spatial Planning



Figure 14. 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	8,142	15.2	14.3	8.9	8.3	0.7	0.7	4.3	4.4
TANGSHAN JIDON-A	CN	000401 CH	2,513	24.8	17.9	8.4	6.4	0.6	0.6	1.3	3.5
CONCH CEMENT-H	CN	914 HK	14,966	6.9	5.9	3.7	3.2	0.4	0.4	6.4	7.1
CHINA NATL BDG-H	CN	3323 HK	3,489	7.1	4.6	8.7	7.8	0.2	0.2	3.3	4.8
CHINA NATL BDG-H	CN	3323 HK	3,489	7.1	4.6	8.7	7.8	0.2	0.2	3.3	4.8
AMBUJA CEMENTS	IN	ACEM IN	12,136	32.5	29.9	17.9	15.5	3.0	2.7	10.0	9.9
ACC LTD	IN	ACC IN	4,924	24.0	20.1	14.1	11.8	2.6	2.4	11.5	12.5
ULTRATECH CEMENT	IN	UTCEM IN	33,755	36.7	30.3	20.9	17.8	4.6	4.1	13.5	14.3
SHREE CEMENT	IN	SRCM IN	12,362	45.8	39.9	23.5	19.6	5.0	4.6	11.0	12.1
ASIA CEMENT CORP	TW	1102 TT	4,815	12.3	12.4	14.2	13.6	0.9	0.9	6.7	6.3
TAIWAN CEMENT	TW	1101 TT	7,858	27.7	20.9	15.5	14.0	1.1	1.1	4.0	5.3
SSANGYONG C&E CO	KR	003410 KS	2,302	34.1	31.1	9.3	9.4	1.8	1.8	5.6	6.0
SAMPYO CEMENT CO	KR	038500 KS	265	9.9	9.0	6.1	5.9	0.5	0.5	4.9	5.2
SIAM CEMENT PCL	TH	SCC TB	11,041	12.7	11.5	13.2	11.2	0.9	0.8	7.2	7.2
HOLCIM LTD	US	HOLN SW	44,253	12.8	12.1	7.8	7.5	1.3	1.3	10.3	10.8
HEIDELBERG MATER	DE	HEI GR	16,330	7.8	7.5	5.4	5.3	0.8	0.8	11.1	10.6
ADBRI LTD	AU	ABC AU	915	12.8	12.9	7.0	6.8	1.0	0.9	7.8	6.7
BORAL LTD	AU	BLD AU	3,726	27.2	23.2	10.7	9.8	2.5	2.3	9.6	9.1
EAGLE MATERIALS	US	EXP US	6,709	13.6	12.5	9.2	8.8	4.7	3.9	36.9	32.0
CEMEX SAB-CPO	MX	CEMEXCPO M	10,841	11.5	8.9	6.1	5.6	0.9	0.8	8.9	10.1
SEMEN INDONESIA	ID	SMGR IJ	2,714	16.1	13.9	6.8	6.4	0.9	0.9	5.9	6.6
INDOCEMENT TUNGG	ID	INTP IJ	2,205	16.7	14.7	8.3	7.3	1.6	1.5	9.6	10.4
Global Weighted Average			209,751	20.3	17.6	11.9	10.6	2.1	1.9	10.2	10.6

Source: Companies, Bloomberg, SSI Research (*Valuation at closing price 13/12/23)

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