

PT Semen Indonesia (Persero) Tbk

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Sep-2018	Dec-2017	Dec-2016	Dec-2015
			(Unaudited)	(Audited)	(Audited)	(Audited)
Corporate Rating	<i>idAA+/Negative</i>	Total Adjusted Assets [IDR Bn]	49,279.7	47,577.9	42,754.2	36,884.1
Rated Issues		Total Adjusted Debt [IDR Bn]	10,288.0	10,019.3	6,260.4	4,001.3
<i>Shelf-Registered Bond I/2017</i>	<i>idAA+</i>	Total Adjusted Equity [IDR Bn]	30,191.8	29,053.5	29,101.7	26,171.8
Rating Period		Total Sales [IDR Bn]	21,455.3	27,813.7	26,134.3	26,948.0
<i>March 11, 2019 – March 1, 2020</i>		EBITDA [IDR Bn]	4,502.6	5,093.6	6,625.8	7,341.9
Rating History		Net Income after MI [IDR Bn]	2,087.4	2,014.0	4,521.6	4,521.5
<i>NOV 2018</i>	<i>idAA+/C.W Negative</i>	EBITDA Margin [%]	21.0	18.3	25.4	27.2
<i>MAR 2018</i>	<i>idAA+/Stable</i>	Adjusted Debt/EBITDA [X]	*1.7	2.0	0.9	0.5
<i>MAR 2017</i>	<i>idAA+/Stable</i>	Adjusted Debt/Adjusted Equity [X]	0.3	0.3	0.2	0.2
		FFO/Adjusted Debt [%]	*43.9	38.8	83.5	147.5
		EBITDA/IFCCI [X]	6.3	5.8	15.1	19.3
		USD Exchange Rate [IDR/USD]	14,929	13,548	13,436	13,795

FFO = EBITDA – IFCCI + interest income – current tax expense
EBITDA = (operating profit + depreciation exp. + amortization exp.)
IFCCI = (gross interest expense + other financial charges + capitalized interest); foreign exchange loss not included
*MI = minority interest * annualized*
The above ratios have been computed based on information from the company and published accounts. Where applicable, some items have been reclassified according to PEFINDO's definitions.

PEFINDO affirms "idAA+" ratings for SMGR, outlook revised to negative

PEFINDO has affirmed its "idAA+" ratings for PT Semen Indonesia (Persero) Tbk (SMGR) and the Company's Shelf-Registered Bond I Year 2017. However, we have revised the status of "Credit watch with negative implication" on SMGR's corporate rating to "Negative" outlook. The negative outlook is to anticipate longer and/or lesser than expected realization of synergies, which is expected to be derived from the debt funded acquisition of PT Holcim Indonesia Tbk (SMCB, unrated), and thus weakening SMGR's financial profile.

An obligor rated idAA differs from the highest rated obligors only to a small degree and has a very strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors.

The plus (+) sign indicates that the rating is relatively strong within the respective rating category.

The rating reflects SMGR's very strong market position in the cement industry, its well diversified production and logistic facilities, and potential synergies following the acquisition of SMCB. However, the Company's more aggressive financial leverage, tight competition in the cement industry, and its exposure to the volatility of the property and construction end markets constrain its rating, in our view.

The rating will be lowered if SMGR is unable to materially realize synergies from the acquisition of SMCB, indicated by lower than expected revenue and/or EBITDA generation, and thus causing its financial profile to be weaker than expected. The rating will also be under pressure if it incurs higher debt than expected which is not accompanied by adequate income generation. The outlook of the Company's rating could be revised to stable if SMGR could materially realize synergies from the acquisition of SMCB, and thus enabling to maintain its financial profile at a conservative level.

Established in 1953, SMGR is the largest cement producer in Indonesia, with 35.5 million tons of domestic installed capacity as of September 30, 2018, and a domestic market share of around 40% in the first nine months of 2018. It has four integrated cement plants in Indonesia via principal subsidiaries, located in Java, West Sumatra, and South Sulawesi. In the beginning of 2019, it has completed the acquisition of SMCB, the third largest cement producer in Indonesia with combined capacity of around 14.8 million tons per annum, from Lafarge Holcim. SMGR offers a wide range of cement products, including ordinary Portland (OPC), Portland composite (PCC), Portland Pozolan (PPC), special blended (SBC), super masonry (SMC), oil well (OWC), Portland mixed, and white cement. It also manufactures cement bags and ready-mix concrete. As of September 30, 2018, the government of Indonesia held a 51% stake in it, while the public held the rest.

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