

PT Semen Indonesia (Persero) Tbk

Analysts: Yogie Surya Perdana / Mega Nugroho

Phone/Fax/E-mail: (62-21) 7278 2380 / 7278 2370 / yogie.perdana@pefindo.co.id / mega.nugroho@pefindo.co.id

CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Dec-2016	Dec-2015	Dec-2014	Dec-2013
			(Audited)	(Audited)	(Audited)	(Audited)
Corporate Rating	<i>idAA+/Stable</i>	Total Adjusted Assets [IDR Bn]	42,754.2	36,884.1	33,114.7	29,574.0
Rated Issues		Total Adjusted Debt [IDR Bn]	6,260.4	4,001.3	3,913.0	4,082.6
	<i>Proposed Shelf-Registered Bond I/2017</i>	Total Adjusted Equity [IDR Bn]	29,101.7	26,171.8	23,787.9	20,492.4
	<i>idAA+</i>	Total Sales [IDR Bn]	26,134.3	26,948.0	26,987.0	24,501.2
Rating Period		EBITDA [IDR Bn]	6,709.2	7,427.4	8,296.8	8,099.0
	<i>March 10, 2017 – March 1, 2018</i>	Net Income after MI [IDR Bn]	4,521.6	4,521.5	5,559.9	5,370.2
Rating History		EBITDA Margin [%]	25.7	27.6	30.7	33.1
	<i>NA</i>	Adjusted Debt/EBITDA [X]	0.9	0.5	0.5	0.5
		Adjusted Debt/Adjusted Equity [X]	0.2	0.2	0.2	0.2
		FFO/Adjusted Debt [%]	86.0	149.9	173.4	157.2
		EBITDA/IFCCI [X]	18.5	20.1	21.7	23.8
		USD Exchange Rate [IDR/USD]	13,436	13,795	12,440	12,189

FFO = EBITDA – IFCCI + interest income – current tax expense
EBITDA = operating profit + depreciation expense + amortization expense
IFCCI = gross interest expense + other financial charges + capitalized interest; (FX loss not included)
MI = minority interest
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 assigns "idAA+" rating to PT Semen Indonesia (Persero) Tbk

PEFINDO has assigned its "idAA+" ratings to PT Semen Indonesia (Persero) Tbk (SMGR) and its proposed Shelf-Registered Bond I Year 2017 for a maximum of IDR8 trillion. The proceeds of the bonds will be used for refinancing of its existing bank loans in PT Semen Tonasa (subsidiary) amounting to IDR1.4 trillion, working capital, as well as capacity expansion, including the development of new greenfield projects, and acquisition. The outlook for the corporate rating is "stable".

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 ratings reflect SMGR's strong market position and good sales network, conservative capital structure, and strong cash flow protection measures and liquidity. However, continued pressure on its profitability margins, execution risks related to expansion, and its exposure to the volatility of the property and construction end markets constrain its ratings, in our view.

The rating could be raised if SMGR improves its profitability while expanding its market shares, both domestically and in the regional market, by successfully expanding to the downstream business of ready-mix concrete and aggregates, while maintaining a conservative capital structure and strong cash flow protection measures on a sustained basis. However, the rating could be lowered if there is an indication of sustained loss in market shares to new players, and a material deterioration in profitability due to weaker pricing power as a result of a severe cement oversupply, higher coal prices, and/or weaker domestic currency, given that majority of its energy needs are pegged to the US dollar. The rating could also be under pressure if it adds greater debt than projected for its expansion program, indicated by a debt to EBITDA ratio exceeding 2.5x for a prolonged basis.

Established in 1953, SMGR is the largest cement producer in Indonesia, with 29.5 million tons of installed capacity and a domestic market share of more than 40% in 2016. It has three integrated cement plants in Indonesia via principal subsidiaries, located in Tuban, East Java; Indarung, West Sumatra; and Pangkep, South Sulawesi. In 2012, it acquired a 70% stake in Thang Long Cement (TLC), Vietnam, which has an annual production capacity of 2.3 million tons. 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 December 31, 2016, the government of Indonesia held a 51% stake in it, while the public held the rest.

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