

PT Semen Indonesia (Persero) Tbk

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Jun-2019	Dec-2018	Dec-2017	Dec-2016
			(Unaudited)	(Audited)	(Audited)	(Audited)
Corporate Rating	<i>idAA/Stable</i>	Total Adjusted Assets [IDR Bn]	65,650.0	49,829.6	47,683.1	42,754.2
Rated Issues		Total Adjusted Debt [IDR Bn]	33,631.7	9,864.1	10,019.3	6,260.4
<i>Shelf-Registered Bond I/2017</i>	<i>idAA</i>	Total Adjusted Equity [IDR Bn]	20,586.0	31,410.0	28,660.5	29,101.7
<i>Shelf-Registered Bond I/2019</i>	<i>idAA</i>	Total Sales [IDR Bn]	16,351.0	30,687.6	27,813.7	26,134.3
		EBITDA [IDR Bn]	3,140.2	6,413.7	4,601.0	6,625.8
		Net Income after MI [IDR Bn]	484.8	3,079.1	1,621.0	4,521.6
Rating Period		EBITDA Margin [%]	19.2	20.9	16.5	25.4
<i>September 2, 2019 – March 1, 2020</i>		Adjusted Debt/EBITDA [X]	*5.4	1.5	2.2	0.9
		Adjusted Debt/Adjusted Equity [X]	1.6	0.3	0.3	0.2
Rating History		FFO/Adjusted Debt [%]	*9.1	49.8	33.9	83.5
<i>MAR 2019</i>	<i>idAA+/Negative</i>	EBITDA/IFCCI [X]	2.1	6.7	5.2	15.1
<i>NOV 2018</i>	<i>idAA+/C.W Negative</i>	USD Exchange Rate [IDR/USD]	14,141	14,481	13,548	13,436
<i>MAR 2018</i>	<i>idAA+/Stable</i>					
<i>MAR 2017</i>	<i>idAA+/Stable</i>					

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 lowers PT Semen Indonesia (Persero) Tbk's ratings to "idAA". Outlook revised to "stable".

PEFINDO has lowered the ratings for PT Semen Indonesia (Persero) Tbk (SMGR) and its Shelf-Registered Bond I Year 2017 and 2019 to "idAA" from "idAA+". The downgrade reflects our expectation that SMGR's leverage will remain significantly high for the rating category, following the Holcim Indonesia (name changed to Solusi Bangun Indonesia or SBI) acquisition and the slower than expected synergies between SBI and SMGR amid a relatively weak industry environment. About 70% of the national cement production is consumed by the property market, a sector that we consider to be slowing down. In 1H2019, SMGR's leverage, measured by debt to EBITDA, rose to 5.4x while its EBITDA to interest also weakened to 2.1x, levels that no longer commensurate with an AA+ credit rating. The outlook for the Company's rating has been revised to "Stable" from "Negative".

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 rating reflects SMGR's very strong market position in the cement industry, its well diversified production and logistic facilities, and new potential market following the acquisition of Holcim Indonesia. However, SMGR's high 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 could be raised if SMGR could materially realize its synergies with SBI, thus improving its credit profile to the level that is commensurate with an AA+ credit rating. The rating will be lowered if SMGR is unable to achieve its expected revenue and EBITDA, and/or there is a significant deterioration in market share, and/or continuous weakening condition in the cement industry. The rating could also be under pressure if SMGR incurs higher debt than expected without accompanied with a higher revenue.

Established in 1953, SMGR is the largest cement producer in Indonesia, with 51.0 million tons of domestic installed capacity as of June 30, 2019, and a domestic market share of around 53.1% in the first semester of 2019. It has eight integrated cement plants in Indonesia via principal subsidiaries, located in Java, West Sumatra, Aceh and South Sulawesi. In the beginning of 2019, it has completed the acquisition of SBI, the third largest cement producer in Indonesia. As of June 30, 2019, SMGR owned 98.3% of SBI's shares. 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 June 30, 2019, the government of Indonesia held a 51% stake in it, while the public held the rest.

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