

## PT Semen Indonesia (Persero) Tbk

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<b>CREDIT PROFILE</b>		<b>FINANCIAL HIGHLIGHTS</b>				
		<b>As of/for the year ended</b>	<b>Dec-2020</b>	<b>Dec-2019</b>	<b>Dec-2018</b>	<b>Dec-2017</b>
			(Audited)	(Audited)	(Audited)	(Audited)
<b>Corporate Rating</b>	<i>idAA+/Stable</i>	Total Adjusted Assets [IDR Bn]	74,044.5	75,547.0	49,699.1	47,683.1
<b>Rated Issues</b>		Total Adjusted Debt [IDR Bn]	25,735.6	30,041.9	9,602.5	10,019.3
Shelf-Registered Bond I/2017	<i>idAA+</i>	Total Adjusted Equity [IDR Bn]	31,691.6	29,631.9	31,530.6	28,660.5
Shelf-Registered Bond I/2019	<i>idAA+</i>	Total Sales [IDR Bn]	35,171.7	40,368.1	30,687.6	27,813.7
<b>Rating Period</b>		EBITDA [IDR Bn]	9,076.9	8,606.6	6,469.3	4,601.0
March 1, 2021 – March 1, 2022		Net Income after MI [IDR Bn]	2,792.3	2,392.2	3,079.1	1,621.0
<b>Rating History</b>		EBITDA Margin [%]	25.8	21.3	21.1	16.5
SEP 2020	<i>idAA/Stable</i>	Adjusted Debt/EBITDA [X]	2.8	3.5	1.5	2.2
SEP 2019	<i>idAA/Stable</i>	Adjusted Debt/Adjusted Equity [X]	0.8	1.0	0.3	0.3
MAR 2019	<i>idAA+/Negative</i>	FFO/Adjusted Debt [%]	23.1	15.2	51.7	33.9
NOV 2018	<i>idAA+/C.W Negative</i>	EBITDA/IFCCI [X]	3.9	2.7	6.7	5.2
MAR 2018	<i>idAA+/Stable</i>	USD Exchange Rate [IDR/USD]	14,105	13,901	14,481	13,548
MAR 2017	<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.*

### PT Semen Indonesia (Persero) Tbk ratings raised to "idAA+" with stable outlook

PEFINDO has raised the ratings for PT Semen Indonesia (Persero) Tbk (SMGR) and its Shelf-Registration Bond I/2017 and 2019 to "idAA+" from "idAA". The ratings action reflects our view on SMGR's stronger credit profile, particularly its capital structure and cash flow protection ratios which in the medium term will be maintained at the levels that we believe are commensurate with the rating. SMGR has made efforts in lowering its debt level significantly amid economic downturn, and we expect that it will continue over the near to medium term. SMGR will generate cash in a substantial amount in the near term on divestment around 18% share of PT Solusi Bangun Indonesia Tbk (SMCB) through right issue, which proceeds will be used to early repay some of its debt. In addition, by commanding more than 50% market share, we view that SMGR should be able to control the national cement industry and reduce the competition among players, resulting in more stable selling price in the medium term. However, we also view that cement industry is still overshadowed by an oversupply condition over the near to medium term, and it remains be one of our concern. 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 its category.

The rating reflects SMGR's very strong market position in the cement industry, its well diversified production and logistic facilities, and conservative financial profile. However, tight competition in the cement industry, and exposure to the volatility of the property and construction end markets constrain its rating, in our view.

The rating could be raised if SMGR materially improves its business profile, as reflected by higher-than-projected revenue and EBITDA on a sustained basis, as well as maintaining the financial profile to a conservative level. However, the rating could be lowered if there is an indication of sustained loss in shares, and a material deterioration in profitability due to weaker pricing power as a result of a severe cement oversupply. The rating could also be under pressure if it incurs higher debt than expected without being accompanied by higher revenue.

Established in 1953, SMGR is the largest cement producer in Indonesia, with 50.3 million tons of domestic installed capacity as of December 31, 2020 with domestic market share of 52.0%. 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 completed the acquisition of SMCB, the third largest cement producer in Indonesia and owned 98.3% of SMCB's shares at the end of 2020 (FY2020). It 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, 2020, the government of Indonesia held a 51% stake, while the public held the rest.

**DISCLAIMER**

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