

PT Semen Indonesia (Persero) Tbk

Credit Rating(s)

General Obligation (GO)	idAA+/Stable
SR Bond I/2019	idAA+
Proposed SR Bond II/2022 Phase I	idAA+

Rating Period

August 18, 2022 – August 1, 2023

Published Rating History

MAR 2022	idAA+/Stable
MAR 2021	idAA+/Stable
SEP 2020	idAA/Stable
SEP 2019	idAA/Stable
MAR 2019	idAA+/Negative
NOV 2018	idAA+/C.W. Negative
MAR 2018	idAA+/Stable
MAR 2017	idAA+/Stable

Rating Definition

A debt security rated idAA differs from the highest rated debt only to a small degree. The obligor's capacity to meet its long-term financial commitments on the debt security, relative to other Indonesian obligors, is very strong. The Plus (+) sign indicates that the rating is relatively strong within the respective rating category

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PEFINDO has assigned its idAA+ rating to PT Semen Indonesia (Persero) Tbk (SMGR)'s proposed SR Bond II amounting to a maximum of IDR3 trillion, of which for the first phase, it expects to issue of up to IDR1 trillion. The proceeds from the first phase will be used for working capital and general purpose. At the same time, PEFINDO has also affirmed the ratings for SMGR and its Shelf-Registration (SR) Bond I at idAA+. The outlook for the corporate rating is stable.

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, the intense market competition and risk related to higher input costs constrain its rating, in our view.

The rating may be raised if SMGR materially improves its business profile as reflected in a higher-than-projected revenue and EBITDA on a sustained basis, while maintaining its conservative financial profile. However, the rating may be lowered if there is an indication of a sustained loss in market shares and a material deterioration in profitability due to significant increase in input costs and/or weaker pricing power. We may also lower the rating if SMGR incurs debt higher-than-projected without being compensated by higher revenue prospects, thus, making us no longer view SMGR as having a conservative financial profile.

Established in 1953, SMGR is the largest cement producer in Indonesia, with 52.7 million tons of domestic installed capacity as of March 31, 2022, with a domestic market share of 48%. It has eight integrated cement plants in Indonesia via principal subsidiaries, located in Java, West Sumatra, Aceh, and South Sulawesi. At the beginning of 2019, it completed the acquisition of PT Holcim Indonesia Tbk (SMCB), the third-largest cement producer in Indonesia. SMCB was subsequently renamed to PT Solusi Bangun Indonesia Tbk (SBI) and SMGR owned 83.5% of its shares at end-March 2022. SMGR offers a wide range of cement products, such as 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 March 31, 2022, the government of Indonesia held a 51% stake, with the rest held by the public.

