

PT Semen Indonesia (Persero) Tbk

Analysts: Wilson Soegianto / Yogie Surya Perdana

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

CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Sep-2017	Dec-2016	Dec-2015	Dec-2014	
		(Unaudited)	(Audited)	(Audited)	(Audited)	
Corporate Rating	<i>idAA+/Stable</i>					
Rated Issues						
<i>Shelf-Registered Bond I/2017</i>	<i>idAA+</i>					
Rating Period						
<i>March 8, 2018 – March 1, 2019</i>						
Rating History						
<i>MAR 2017</i>	<i>idAA+</i>					
		Total Adjusted Assets [IDR Bn]	46,170.9	42,754.2	36,884.1	33,114.7
		Total Adjusted Debt [IDR Bn]^	9,571.4	6,260.4	4,001.3	3,913.0
		Total Adjusted Equity [IDR Bn]	28,735.9	29,101.7	26,171.8	23,787.9
		Total Sales [IDR Bn]	20,552.0	26,134.3	26,948.0	26,987.0
		EBITDA [IDR Bn]	3,778.4	6,625.8	7,341.9	8,350.5
		Net Income after MI [IDR Bn]	1,459.7	4,521.6	4,521.5	5,559.9
		EBITDA Margin [%]	18.4	25.4	27.2	30.9
		Adjusted Debt/EBITDA [X]	*1.9	0.9	0.5	0.5
		Adjusted Debt/Adjusted Equity [X]	0.3	0.2	0.2	0.2
		FFO/Adjusted Debt [%]	*39.0	83.5	147.5	174.3
		EBITDA/IFCCI [X]	5.5	15.1	19.3	20.8
		USD Exchange Rate [IDR/USD]	13,492	13,436	13,795	12,440

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
** annualized MI = minority interest ^ includes outstanding of notional pooling account*
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 PT Semen Indonesia (Persero) Tbk and its bond

PEFINDO has affirmed its “idAA+” ratings for PT Semen Indonesia (Persero) Tbk (SMGR) and its Shelf-Registered Bond I/2017. 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 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 debt which is substantially larger than what is projected, for its expansion program.

Established in 1953, SMGR is the largest cement producer in Indonesia, with 33.5 million tons of domestic installed capacity as of December 31, 2017, and a domestic market share of more than 40% in the first nine months of 2017. It has three integrated cement plants in Indonesia via principal subsidiaries, located in Java, West Sumatra, and South Sulawesi. In 2012, it acquired a 70% stake in Thang Long Cement Joint Stock Company (TLCC), Vietnam, which has an annual production capacity of 2.3 million tons cement. 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, 2017, the government of Indonesia held a 51% stake in it, while the public held the rest.

DISCLAIMER

PT Pemeringkat Efek Indonesia (PEFINDO) does not guarantee the accuracy, completeness, timeliness or availability of the contents of this report or publication. PEFINDO cannot be held liable for its use, its partial use, or its lack of use, in combination with other products or used solely, nor can it be held responsible for the result of its use or lack of its use in any investment or other kind of financial decision making on which this report or publication is based. In no event shall PEFINDO be held liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses including but not limited to lost profits and opportunity costs in connection with any use of the contents of this report or publication. Credit analyses, including ratings, and statements in this report or publication are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. The contents cannot be a substitute for the skill, judgment and experience of its users, its management employees and/or clients in making investment or other business decisions. PEFINDO also assumes no obligation to update the content following publication in any form. PEFINDO does not act as fiduciary or an investment advisor. While PEFINDO has obtained information from sources it believes to be reliable, PEFINDO does not perform an audit and does not undertake due diligence or independent verification of any information used as the basis of and presented in this report or publication. PEFINDO keeps the activities of its analytical units separate from its business units to preserve independence and objectivity of its analytical processes and products. As a result, certain units of PEFINDO may have information that is not available to other units. PEFINDO has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. PEFINDO may receive compensation for its ratings and other analytical work, normally from issuers of securities. PEFINDO reserves the right to disseminate its opinions and analyses. PEFINDO's public ratings and analyses are made available on its website, <http://www.pefindo.com> (free of charge) and through other subscription-based services, and may be distributed through other means, including via PEFINDO publications and third party redistributors. Information in PEFINDO's website and its use fall under the restrictions and disclaimer stated above. Reproduction of the content of this report, in full or in part, is subject to written approval from PEFINDO.