PEFINDO
CREDIT RATING AGENCY

Press Release
March 9, 2018

PT Semen Indonesia (Persero) Tbk

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CREDIT PROFILE

Corporate Rating — *idAA+/Stable*

Rated Issues
Shelf-Registered Bond I/2017 — *idAA+*

Rating Period
March 8, 2018 – March 1, 2019

Rating History
MAR 2017 — *idAA+*

FINANCIAL HIGHLIGHTS

As of/for the year ended	**Sep-2017** (Unaudited)	**Dec-2016** (Audited)	**Dec-2015** (Audited)	**Dec-2014** (Audited)
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 mansory (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.