

PT Semen Indonesia (Persero) Tbk

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Sep-2018	Dec-2017	Dec-2016	Dec-2015	
		(Unaudited)	(Audited)	(Audited)	(Audited)	
Corporate Rating	<i>idAA+/C.W.Negative</i>	Total Adjusted Assets [IDR Bn]	49,279.7	47,577.9	42,754.16	36,884.12
Rated Issues		Total Adjusted Debt [IDR Bn]	10,288.0	10,019.3	6,260.38	4,001.30
<i>Shelf-Registered Bond I/2017</i>	<i>idAA+</i>	Total Adjusted Equity [IDR Bn]	30,191.8	29,053.5	29,101.66	26,171.80
Rating Period		Total Sales [IDR Bn]	21,455.3	27,813.7	26,134.31	26,948.00
<i>November 23, 2018 – March 1, 2019</i>		EBITDA [IDR Bn]	4,502.6	5,093.6	6,625.80	7,341.92
Rating History		Net Income after MI [IDR Bn]	2,087.4	2,014.0	4,521.60	4,521.49
<i>MAR 2018</i>	<i>idAA+</i>	EBITDA Margin [%]	21.0	18.3	25.3	27.2
<i>MAR 2017</i>	<i>idAA+</i>	Adjusted Debt/EBITDA [X]	*1.7	2.0	0.9	0.5
		Adjusted Debt/Adjusted Equity [X]	0.3	0.3	0.2	0.2
		FFO/Adjusted Debt [%]	*43.9	38.8	83.5	147.5
		EBITDA/IFCCI [X]	6.3	5.8	15.1	19.3
		USD Exchange Rate [IDR/USD]	14,929	13,548	13,436	13,795

*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
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 puts PT Semen Indonesia (Persero) Tbk's rating on "Credit Watch with Negative Implications"

PEFINDO has placed PT Semen Indonesia (Persero) Tbk (SMGR)'s "idAA+" corporate rating on "Credit Watch with Negative Implications". PEFINDO has maintained the ratings of SMGR and its Shelf-Registered Bond I/2017 at "idAA+". The rating action reflects our expectation that SMGR's financial leverage will significantly become more aggressive due to its plan to acquire PT Holcim Indonesia Tbk (SMCB, unrated), the third largest cement producer in Indonesia. SMGR will acquire the majority shares of SMCB from Holderfin B.V's (owned by LafargeHolcim) with a transaction value estimated at USD917 million, or around IDR13 trillion-IDR14 trillion, of which will be fully financed by syndicated loan from banks. The consolidation of a highly leveraged SMCB is expected to increase SMGR's financial leverage risk. As of September 30, 2018, SMCB's debt to EBITDA ratio was at 8.6x, while the post-acquisition pro-forma figure for SMGR's debt to EBITDA ratio is estimated at more than 5.0x.

PEFINDO will closely monitor the progress of such transaction and its impact to both SMGR's operation and financial, after we receive sufficient information. The rating could be lowered if, in PEFINDO's view, the potential synergies and/or benefits from the acquisition is unable to offset the higher financial leverage arising from the acquisition. We may revoke the credit watch status and affirm the rating if the we view that the potential synergies and benefits from the acquisition are able to offset SMGR's higher financial leverage, or if acquisition fails to materialize.

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 current rating reflects the Company's strong market position and good sales network, conservative capital structure, and strong cash flow protection measures and liquidity. However, pressure on its profitability margins and its exposure to the volatility of the property and construction end markets constrain its ratings.

Established in 1953, SMGR is the largest cement producer in Indonesia, with 35.5 million tons of installed capacity and a domestic market share of more than 40% in the first nine months of 2018 (9M2018). SMGR currently has three integrated cement plants in Indonesia via principal subsidiaries, located in Java, West Sumatra, and South Sulawesi. 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. SMGR is currently in progress of acquiring SMCB, the third largest cement producer in Indonesia. Assuming the acquisition of SMCB falls through, its annual capacity is expected to increase to more than 50 million tons, with an estimated domestic market share of more than 50%. As of September 30, 2018, the government of Indonesia held a 51% stake in SMGR, while the public held the rest.

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