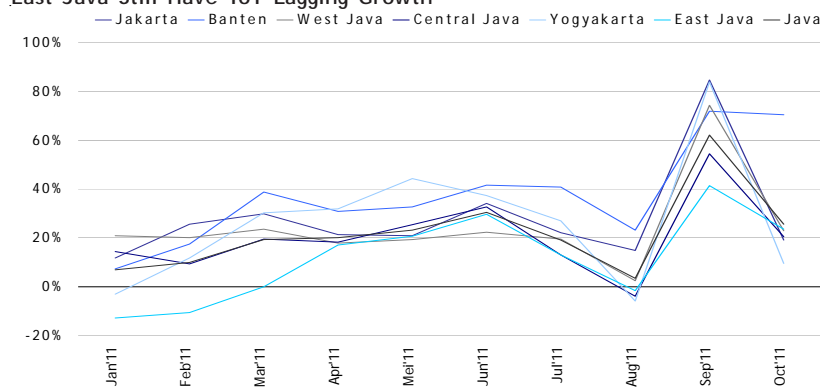


Feeding Java

50% of SMGR plant located in Java, accounted for 11mn tons capacity. Further, SMGR strong market share in East Java current growth is still lagging compared to the other Java areas.

East Java Still Have YoY Lagging Growth



Source: Indonesia Cement Association, TRIM Research

...Through Additional Capacity

SMGR additional capacity for 3.5mn tons will provide growth further in FY12. Its new Java plant delivery in mid-Jan'12 for 2.5 mn tons could grab back its losing market share during 2010-2011. SMGR planned to add its capacity to reach 28.7mn tons in FY15, land execution in Java, however, remains a concern.

For further information on SMGR Tuban Factory Visit, please read the SMGR Company Visit (Trip Notes).

Most Benefits on Government Infra Action

Infrastructure projects provide an opportunity to supply 2.3mn tons cement for Java toll roads. SMGR, as government-owned company, will be most benefits on infrastructure projects due its government-related company.

Valuation

SMGR as market leader for cement companies, accounted for 42% market share, unjustified to get a discount PE. SMGR currently traded at 15.6 x forward PE vs its peers at 16.1 x forward PE.

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