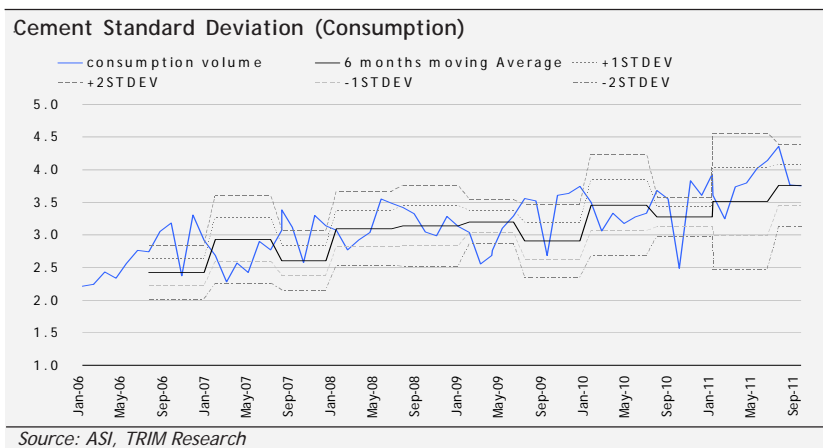
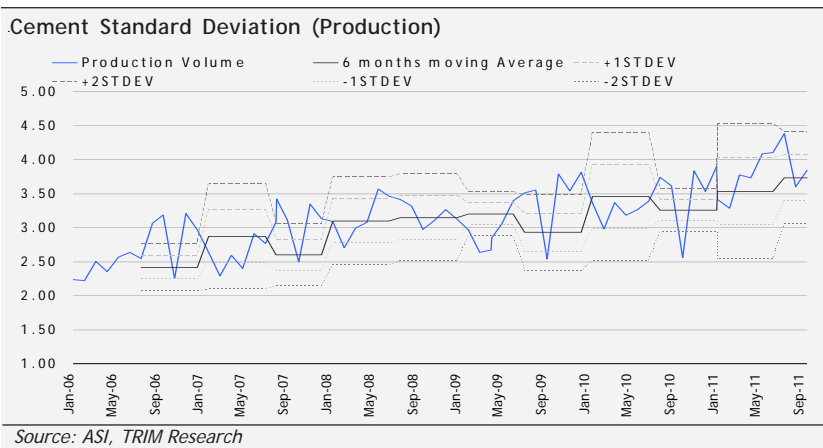


Cement: Back to Normal

Ytd cement realization already reached 34mn tons or 76% realization of Indonesia Cement Association target at 45mn tons in FY11 or increase 10% YoY.

Slower Demand...

After its rally, the cement consumption goes down to the lowest level since Apr'11. We see Sept'11 sales already back to normal after moving to its +2 standard deviation in Jul'11. The supply has dropped in Aug'11 where the led holiday moment took place. It then booked an increase of 6.6% MoM in Sept'11 to 3.8mn tons, goes back to normal growth level. However in the consumption path, it slightly decrease 0.3% MoM (remember, Aug'11 is low seasonality but it goes slower in Sept'11). The exported cement increase 68% MoM, means the slower domestic demand. Bagged cement increase 11% MoM to 3.2mn tons mostly supported by SMGR bagged cement that grow 16% MoM and INTP for 13% MoM while SMCB post 3.8% MoM. Bulk cement decreases further to 12% MoM to 0.6mn tons.



...and YoY Bias

Sept'11 cement have booked highest YoY growth during 2011, booked 50% YoY. This is mainly due to the led holiday in FY10 that took place in between Aug'10-Sept'10, led to lower demand and supply. In other word, the Sept'10 cement demand is low base.

Sumatra on September

Sumatra post 9.7% MoM increase in cement consumption to 0.9mn tons whilst the other region decrease. Bengkulu is the supporter, grow 45% MoM but its contribution to the overall Indonesia is still small, stands at 0.05mn tons. The Sumatra market account for 24% market share of total Indonesia, increase 2.2% MoM. The North Sumatra post 0.22mn tons cement consumption or increase 16% MoM, contributes 0.22mn tons or 5.9% market share of total Indonesia, increase 0.9% MoM.

Java, that was grow the furthest during this year, is -2.3% MoM to 2mn tons thus reduce the market share to 53% or decrease 1.1% MoM with Banten suffers most at 24% MoM.

Kalimantan post the highest decrease in Indonesia for Sept'11 period, 7.3% MoM to 0.3mn tons with West Kalimantan contribute most at -19% MoM.

Price Increase in Lucrative Spot

Cement price in Java already increase 6.9% MoM, might be the source of slower demand. Java cement price seen haven't decrease yet since Apr'11. Kalimantan also post increase for 2.7% MoM and Sumatra for 1.3% while Eastern Indonesia decrease 0.6% MoM.

Market Share: Slightly Increase

After hampered by capacity concern that reducing market share, SMGR finally reached its highest achievement to share during 9M11 at 42% or increases 1.8% MoM. INTP that was slightly has decreased during Aug'11, increased its position to 31% or 0.4% MoM. SMCB decrease its market share to 15%, -1% MoM.

Valuation

Although there is slower domestic demand, we believe cement industry is still having long way to go and if we track back, the 10% YoY growth is still resilience. It is also good to be back to normal condition after peaked to the +2 standard deviation. We like SMGR for its cheapest valuation with highest capacity and already begin to take back its market share place along with 3.5mn tons additional capacity in FY12 to come or 17% capacity increase. We also like INTP for the Java exposed demand. Currently SMGR traded at 13 x forward PE, INTP at 15 x forward PE, and SMCB at 15 x forward PE. The industry traded at 14 x forward PE.

PT Trimegah Securities Tbk
18thFl, Artha Graha Building
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, INDONESIA
Tel : (6221) 2924-9088 Fax : (6221) 2924-9163

DISCLAIMER

This report has been prepared by PT Trimegah Securities Tbk on behalf of itself and its affiliated companies and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy. This report has been produced independently and the forecasts, opinions and expectations contained herein are entirely those of Trimegah Securities.

While all reasonable care has been taken to ensure that information contained herein is not untrue or misleading at the time of publication, Trimegah Securities makes no representation as to its accuracy or completeness and it should not be relied upon as such. This report is provided solely for the information of clients of Trimegah Securities who are expected to make their own investment decisions without reliance on this report. Neither Trimegah Securities nor any officer or employee of Trimegah Securities accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. Trimegah Securities and/or persons connected with it may have acted upon or used the information herein contained, or the research or analysis on which it is based, before publication. Trimegah Securities may in future participate in an offering of the company's equity securities.
