

PLEASE CLICK ON THE PAGE NUMBER TO MOVE TO THE RELEVANT PAGE.

KEY HIGHLIGHTS

Sector

Cement

Expecting bullish momentum as sales volume growth turns positive.

Page 2

TRADERS' CORNER

Astra Agro Lestari (AALI IJ): Technical BUY

Japfa Comfeed Indonesia (JPFA IJ): Technical BUY

Page 4

REGIONAL MARKET

Market	Close	+ / -	Chg (%)
MSCI Indonesia	7,547.8	(45.5)	(0.6)
MSCI Asia-Ex Japan	607.2	(4.4)	(0.7)
KLCI	1,443.5	(6.8)	(0.5)
FSSTI	3,215.4	10.6	0.3
SET	1,507.4	(15.2)	(1.0)
Hang Seng	17,729.3	(328.2)	(1.9)
Nikkei	32,678.6	276.2	0.8
Shanghai Comp	3,115.6	(16.8)	(0.5)
Dow Jones	34,006.9	43.0	0.1

Source: Bloomberg

INDONESIA STOCK EXCHANGE

	Level	+ / -	Chg (%)
Index	6,998.4	(18.5)	(0.3)
LQ-45	962.6	(5.5)	(0.6)
Value (US\$m)	777.0	156.8	25.3

FOREIGN TRADE IN IDX

Net (US\$m)	Buy	Sell	Total (%)
(76.7)	214.1	290.8	32.5

TOP VOLUME

Company	Price (Rp)	Chg (%)	Volume ('000)
GoTo Gojek Tokopedia	87	0.0	1,625,153
Smartfren Telecom	56	(1.8)	559,925
Bumi Resources	140	1.4	407,605
Bukalapak.com	214	(6.1)	225,058
Metro Healthcare	520	(1.0)	218,531

TOP GAINERS

Company	Price (Rp)	Chg (%)	Volume ('000)
Pantai Indah Kapuk Dua	4,600	10.0	19,632
Prima Andalan	5,350	8.1	902
MD Pictures	3,080	7.3	28,970
Petrindo Jaya Kreasi	3,180	5.3	45,688
Amman Mineral	5,675	4.1	52,943

TOP LOSERS

Company	Price (Rp)	Chg (%)	Volume ('000)
Bukalapak.com	214	(6.1)	225,058
Merdeka Copper	3,110	(4.0)	33,076
MAP Aktif Adiperkasa	740	(3.9)	22,135
Mitra Adiperkasa	1,815	(3.2)	15,906
Adaro Minerals	1,435	(3.0)	35,174

COMMODITY TREND

	25 Sep 23 Closing	Chg (%)	
		1-day	1-mth
Forex (Rp/US\$)	15,403	0.2	0.7
Crude Oil NYMEX (US\$/bbl)	89.68	(0.4)	12.3
Coal Fut Newc (US\$/tonne)	160.00	0.0	n.a.
Nickel 3M LME	19,120	(1.5)	(8.1)
Tin 3M LME	25,888	(1.4)	1.5
Gold SPOT (US\$/oz)	1,925	(0.0)	0.5
CPO Fut Msia (MYR/tonne)	3,675	0.8	(4.8)

Source: Bloomberg, UOB Kay Hian

SECTOR UPDATE

Cement – Indonesia

Expecting Bullish Momentum As Sales Volume Growth Turns Positive

The growth in national cement demand has continued to show positive improvement up till Aug 23. In 8M23, SMGR's and INTP's sales volumes grew 6.5% yoy and 8.5% yoy respectively. The outlook remains positive with expected sales volume growth of 2% yoy in 2023. For 2023 and 2024, we expect SMGR to record NPAT growth of 30.9% yoy and 11.6% yoy respectively and INTP to post 18.9% yoy and 12.6% yoy NPAT growth respectively. Maintain OVERWEIGHT on the cement sector with SMGR as our top pick.

WHAT'S NEW

- National cement demand improved in 8M23 with 1.3% yoy contraction.** The growth in national cement demand continued to show positive improvement up till Aug 23. In 8M23, the contraction in cement demand improved to -1.3% yoy vs -4.9% yoy in 6M23. In 8M23, positive demand growth came from Kalimantan with 15.3% yoy growth, followed by Nusa Tenggara with 11.7% yoy growth. Demand for bag cement continued to contract 4.4% yoy while demand for bulk cement expanded 7.5%, with demand mostly coming from Kalimantan (the Ibu Kota Nusantara (IKN) project).
- Positive growth in 8M23 sales volumes, above industry's average growth.** In 8M23, both Semen Indonesia's (SMGR) and Indocement Tunggul Prakarsa's (INTP) cement sales volumes showed positive growth of 6.5% yoy and 8.5% yoy respectively. SMGR and INTP are still experiencing pressure in Java's bag market due to tight competition, while bulk market maintained its growth with Western Java as the biggest contributor in 8M23. For the outside Java region, INTP's sales volume growth was supported by the bag segment, particularly in Sulawesi and East Indonesia, and the bulk segment, particularly in Kalimantan where the IKN project is. Meanwhile, SMGR's sales volume growth was supported by the bulk segment, particularly in Kalimantan (the IKN project).
- Export sales grew significantly in 8M23.** SMGR reported an 8M23 clinker export sales volume of 4.3m tonnes, surging 74.6% yoy from 8M22 volume of 2.5m tonnes as it has allocated more quota for the export market in 2023. Securing coal supply at DMO prices has given SMGR the flexibility to increase its export sales to 7.8m-7.9m tonnes in 2023. INTP recorded an export sales volume of 393,000 tonnes in 8M23, up significantly by 96.5% yoy from 200,000 tonnes in 8M22. It expects 2023 export sales volumes of 900,000-1m tonnes.
- Outlook remains positive with expected sales volume growth of 2% yoy in 2023.** We maintain our 2023 national cement sales volume growth at 2% yoy. Cement companies believe the market outlook for the rest of 2023 remains positive with Kalimantan as the main growth driver for the bulk segment. The IKN project construction in Kalimantan is being pushed as the government plans to move to IKN in 2024. Cement companies also expect the bag market to recover progressively in both Java and outside Java regions.

ACTION

- Maintain OVERWEIGHT** as sales volume has grown positively with SMGR (BUY/Target: Rp9,200) as our top pick as it: a) has a more undemanding valuation of below -1SD 2023F EV/EBITDA, b) has secured 100% of its 2023 coal supply at DMO prices, and c) could potentially see stronger export sales volume in 2023. Currently, SMGR is trading at below -1SD to its five-year EV/tonne and -1SD to its five-year EV/EBITDA, which is attractive.

PEER COMPARISON

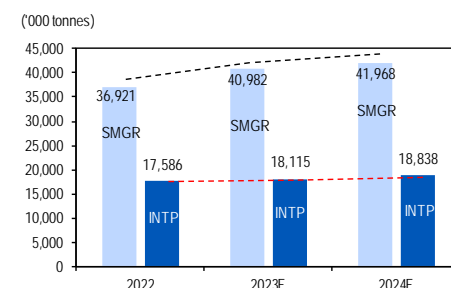
Ticker	Rec	Price	Target	Potential	Market	3M Avg	EV/EBITDA		P/E		ROE		Net
		25-Sep-23 (Rp)	Price (Rp)	Upside (%)	Cap (US\$m)	Turnover (US\$m)	2023F (x)	2024F (x)	2023F (x)	2024F (x)	2023F (%)	2024F (%)	Gearing (%)
INTP	BUY	10,025	13,500	34.7%	2,396	2.2	9.2	8.2	16.8	15.0	11.1	12.4	(12.4)
SMGR	BUY	6,650	9,200	38.3%	2,926	4.4	6.3	6.1	14.5	13.0	7.0	7.4	14.0

Source: Bloomberg, UOB Kay Hian

OVERWEIGHT

(Maintained)

VOLUME GROWTH



Source: UOB Kay Hian

EARNINGS FORECAST

	2021	2022	2023F	2024F
INTP	1,788	1,842	2,191	2,468
SMGR	2,021	2,365	3,095	3,453

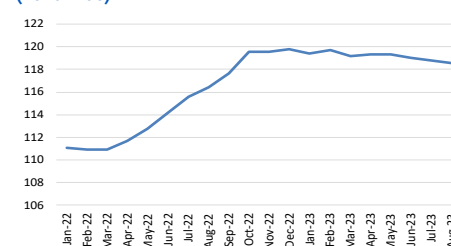
Source: Respective company, UOB Kay Hian

8M23 CEMENT SALES

('000 tonnes)	8M23	8M22	YoY
Western Java	9,810	10,028	-2.2%
Central Java	5,005	5,517	-9.3%
East Java	5,234	5,366	-2.5%
Sumatera	8,585	8,503	1.0%
Kalimantan	2,980	2,586	15.3%
Sulawesi	3,819	4,191	-8.9%
Nusa Tenggara	2,373	2,125	11.7%
East Indonesia	1,374	1,401	-1.9%
Indonesia	39,181	39,716	-1.3%

Source: ASI, UOB Kay Hian

NATIONAL CEMENT WHOLESALE PRICE INDEX (2018=100)



Source: BPS, UOB Kay Hian

ANALYST(S)

Limartha Adhiputra
+6221 2993 3914
limarthaadhiputra@uobkayhian.com

STOCK IMPACT

• **Maintain our 2023-24 net profit growth forecasts for both SMGR and INTP.** We expect SMGR to record 2023-24 NPAT growth of 30.9% yoy and 11.6% yoy respectively and INTP to record 18.9% yoy and 12.6% yoy growth respectively.

a) We project SMGR's 2023-24 sales volume to increase 2% yoy to 40.9m tonnes and 2.7% yoy to 42.0m tonnes respectively. SMGR's revenue could grow 10.5% yoy to Rp40.2t in 2023, and 2.6% yoy to Rp41.2t in 2024. EBITDA is expected to grow 14.5% yoy to Rp9.1t in 2023, and 2.6% yoy to Rp9.3t in 2024. All in all, NPAT is expected to grow 30.9% yoy to Rp3.1t in 2023 and 11.6% yoy to Rp3.4t in 2024.

b) Meanwhile, we forecast INTP's 2023 NPAT at Rp2.2t (+18.9% yoy) and 2024 NPAT at Rp2.5t (+12.6% yoy). INTP's cement sales are expected to grow 3% yoy in 2023 with sales volume of 18.1m tonnes, and grow 4% yoy in 2024 with sales volume of 18.8m tonnes. INTP's 2023-24 revenue could grow 7.2% yoy to Rp17.5t in 2023, and grow 5.6% yoy to Rp18.5t in 2024. EBITDA is expected to grow 29.5% yoy to Rp3.7t in 2023, and grow 11.9% yoy to Rp4.2t in 2024.

• **Minimal impact from the recent coal price hikes.** Recently, global coal prices edged up to US\$160/tonne due to increasing demand from China ahead of winter. However, domestically, the current coal price for low calorific value (LCV) coal is still much lower at US\$52/tonne than last year's US\$90/tonne. Coal DMO price regulation of US\$45/tonne is still in place, so we believe the impact of the recent coal price hike would be minimal to the domestic cement industry. The increased coal production from domestic producers also provides ample coal supply to the cement industry. The normalising coal prices and ample coal availability provide more options for cement companies to procure their coal requirements.

• **A sizeable capex to reduce carbon emissions.** As part of their initiatives to reduce carbon emissions, SMGR and INTP have invested a sizeable capex totalling Rp3.0t for their green facilities and alternative energy used in the cement production process. SMGR has allocated Rp2.0t to support decarbonisation initiatives by using alternative fuels such as industrial and agriculture waste to replace coal, while INTP has prepared funds of around Rp1t over the last five years to build facilities for various alternative fuels and materials. Both companies expect to reduce their carbon emission scope 1 to below 520kg of CO2/tonne cement equivalent (International Energy Agency standard) by 2030.

EARNINGS REVISION/RISK

• No earnings revisions for both SMGR and INTP.

VALUATION/RECOMMENDATION

• **Semen Indonesia (SMGR/BUY/Target: Rp9,200)** is attractively priced, trading at slightly below -1SD to its five-year average EV/tonne and -1SD to its five-year average EV/EBITDA. We still expect SMGR to record higher sales volume, net profit and margin growth in 2023-24 as cement demand is improving and coal has been fully secured at DMO prices. We base our target price on the stock's -0.5SD to its 2023-24 blended forward EV/EBITDA of 7.7x and its 2023-24 blended forward EV/tonne of Rp1.9m/tonne.

• **Indocement Tunggal Prakarsa (INTP/BUY/Target: Rp13,500)** is attractively priced, trading at -0.75SD to its five-year average EV/tonne, or slightly above -1SD to its five-year average EV/EBITDA. We like INTP for its potential EBITDA and NPAT growth of 25.9% and 18.9% respectively in 2023, on the back of lower energy costs and potential sales growth from IKN projects, and the East Indonesia and export markets. We base our target price on -0.5SD to the stock's 2023-24 blended forward EV/EBITDA of 11.8x, and its 2023-24 blended forward mean EV/tonne of Rp2.4m/tonne.

SMGR FORWARD EV/TONNE



Source: Bloomberg, UOB Kay Hian

SMGR FORWARD EV/EBITDA



Source: Bloomberg, UOB Kay Hian

INTP FORWARD EV/TONNE



Source: Bloomberg, UOB Kay Hian

INTP FORWARD EV/EBITDA



Source: Bloomberg, UOB Kay Hian

TRADERS' CORNER



Astra Agro Lestari (AALI IJ)

Technical BUY with 6% potential return

Resistance: Rp8,000, Rp8,200

Support: Rp7,550, Rp7,350

Stop-loss: Rp7,550

Share price closed with strong gains and formed a long-body bullish candlestick. The price broke above its Rp7,600 resistance level with higher trading volume which gives a bullish signal. That said, we expect more bullish pressure to take place and challenge the resistance level at Rp8,000 and then Rp8,200. Technical indicator RSI is sloping upwards and is back above its centre line, while the MACD has just formed a bullish crossover signal. Buy at Rp7,725 and take profit at Rp8,200.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental BUY and target price of Rp9,785.



Japfa Comfeed Indonesia (JPFA IJ)

Technical BUY with 7% potential return

Resistance: Rp1,285, Rp1,330

Support: Rp1,200, Rp1,165

Stop-loss: Rp1,200

Share price closed higher and formed a bullish candlestick. Momentum is looking more positive; hence, we see potential for more bullish pressure to take place and challenge the resistance at Rp1,285 and then Rp1,330. Technical indicator RSI is sloping upwards and is back above its centre line, while the MACD has just formed a bullish crossover signal. Buy at Rp1,240 and take profit at Rp1,330.

Approximate timeframe: 2-4 weeks.

ANALYST(S)

Maskun Ramli, CFTE

+6221 2993 3915

maskunramli@uobkayhian.com

Disclosures/Disclaimers

This report is prepared by PT UOB Kay Hian Sekuritas ("PT UOBKH"), a licensed broker dealer registered in the Republic of Indonesia and a member of the Indonesia Stock Exchange ("IDX")

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of PT UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as PT UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject PT UOBKH and its associates and its officers, employees and representatives to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by PT UOBKH to be reliable. However, PT UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and PT UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information PT UOBKH and its associate may have issued other reports expressing views different from the Information and all views expressed in all reports of PT UOBKH and its connected persons are subject to change without notice. PT UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) PT UOBKH, its associates and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) PT UOBKH, its associate and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of PT UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) PT UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report is prepared by PT UOBKH, a company authorized, as noted above, to engage in securities activities in Indonesia. PT UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by PT UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from PT UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through PT UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of PT UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of PT UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including PT UOBKH total revenues, a portion of which are generated from PT UOBKH business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2023, PT UOB Kay Hian Sekuritas. All rights reserved.

<http://research.uobkayhian.com>