

Indocement Tunggal Prakarsa Tbk (INTP IJ)

1H21 Performance in Line with Estimates

Company Update | Aug 05, 2021

INTP successfully booked stellar performance. Throughout 1H21, revenue increased 8% YoY, followed by profit which went up 24.8% YoY. Usage of alternative fuel and LCV (Low Calorie Value) for cost efficiency has proven to be effective to withstand the decline of GPM. Meanwhile in 2Q21, sales volume both domestic and export also increased.

Optimizes Alternative Fuel, Strengthen Performance

- In 2Q21, INTP recorded revenue of IDR3.22 trillion (+14.8% YoY vs IDR2.81 trillion 2Q20). Revenue in 1H21 also increased to IDR6.6 trillion (+8% YoY), in line with our estimates.
- Income from the cement and ready mix each recorded IDR2.98 trillion (+11% YoY) and IDR229 billion (+37% YoY).
- Cost of revenue increased 11.9% YoY as sales volume and fuel prices went up. However, GPM still climbed to 30.8% (vs 29.0% 2Q20). We see that usage of alternative fuel and LCV has effectively prevented a margin decline.
- 2Q21 profit was recorded at IDR235 billion (+7.3% YoY vs IDR70 billion 2Q20). This figure is 13% below our estimates.

Export Sales Still Growing

- Domestic sales volume jumped 14.7% YoY throughout 2Q21. Meanwhile, export sales volume increased significantly by 746% YoY, with some export destination countries such as Brunei Darussalam, Malaysia, dan the Philippines.
- Domestic sales ASP declined 1.4% YoY. There has been a decrease in prices of product (Semen Rajawali) which is aimed for second tier, while price for first tier product (Semen Tiga Roda) is quite stable.
- Nationally, cement sales volume in June grew 13.8% YoY, with Bulk cement at +20.9% vs Bag cement +12.0%.
- This is in line with our projection that bulk cement sales will start to recover in 2H21, as there are numerous industrial area development, and vigorous infrastructure development.

Maintain BUY Recommendation with TP at IDR14,225

- We revised up FY22E profit to IDR2.23 trillion (+2.62%), as cement industry recovery will be more significant next year.
- Thus, we maintain BUY rating with TP at IDR14,225 or potential upside of 42.25% from the last price, with forward P/E method of 23.5x (-1 SD 3-year average). Currently, INTP is traded at P/E 19.4x.
- Risks to our target price change: 1) high Covid-19 cases, 2) declining purchasing power, 3) coal price volatility.

Indocement Tunggal Prakarsa Tbk | Summary

	2020A	2021F	2022F	2023F
Revenue	14,184	15,022	15,767	16,556
Growth (%)	-11.0%	5.9%	5.0%	5.0%
Net Profit	1,806	1,915	2,231	2,586
Growth (%)	-1.6%	60%	16.5%	15.9%
EPS (IDR)	491	520	606	702
P/E	37.6x	27.3x	23.5x	20.2x
P/BV	3.1x	2.4x	2.4x	2.5x
EV/EBITDA	18.5x	13.1x	11.8x	10.6x
ROE (%)	8.0%	8.8%	10.2%	11.9%
DER (%)	0.02x	0.02x	0.03x	0.03x
Net Debt	-7,197	-6,814	-6,928	-7,145

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

BUY

Target Price (IDR)	14,225
Consensus Price (IDR)	14,802
TP to Consensus Price	-3.9%
Potential Upside	+42.2%

Shares data

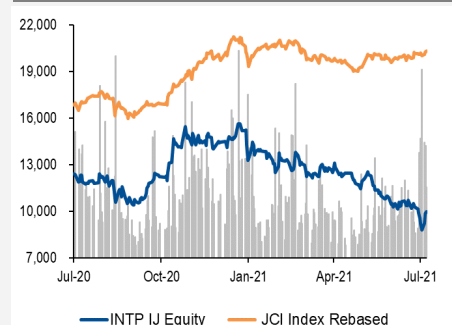
Last Price (IDR)	10,000
Price Date as of	August 04, 2021
52 wk Range (Hi/Lo)	15,975/ 8,800
Free Float (%)	49.0
Outstanding sh.(mn)	3,681
Market Cap (IDR bn)	36,812
Market Cap (USD mn)	2,572
Avg. Trd Vol - 3M (mn)	2.99
Avg. Trd Val - 3M (bn)	32.17
Foreign Ownership	98.0%

Basic Industry

Cement

Bloomberg	INTP IJ
Reuters	INTP.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-31.0%	-1.7%	-19.2%	-16.3%
Rel. Ret.	-31.9%	-4.3%	-22.5%	-37.7%

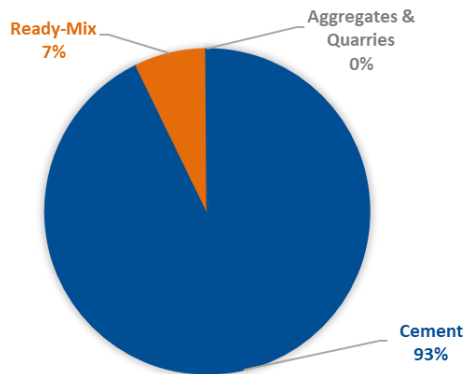
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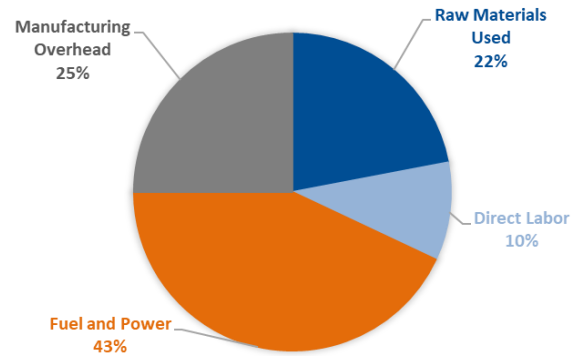
Performance Highlights in Charts

6M21 Revenue Breakdown



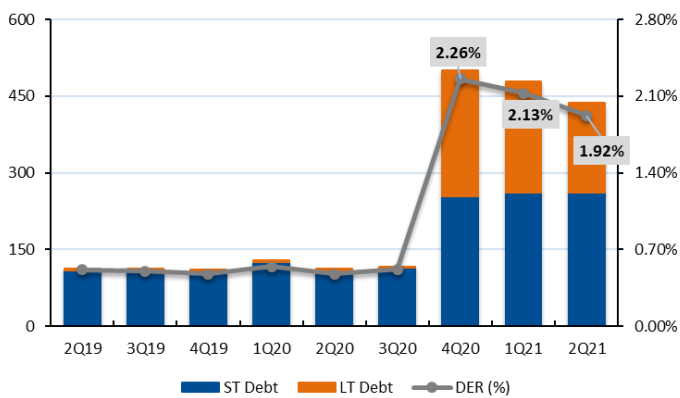
Source: Company Data, NHKSI Research

6M21 Manufacturing Cost Breakdown



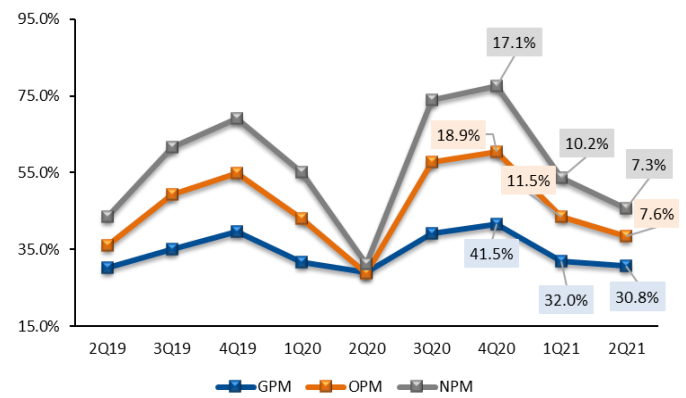
Source: Company Data, NHKSI Research

Debt Portion



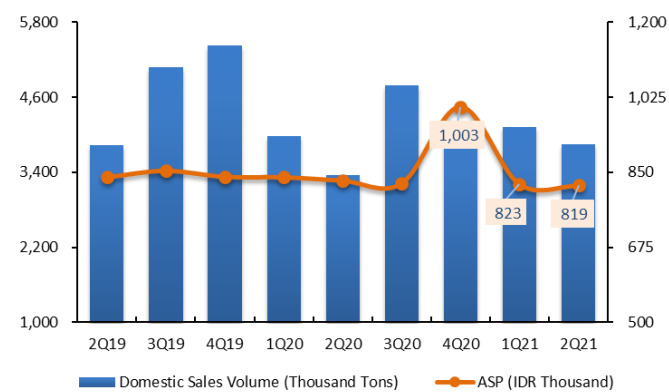
Source: Company Data, NHKSI Research

Margin Ratios



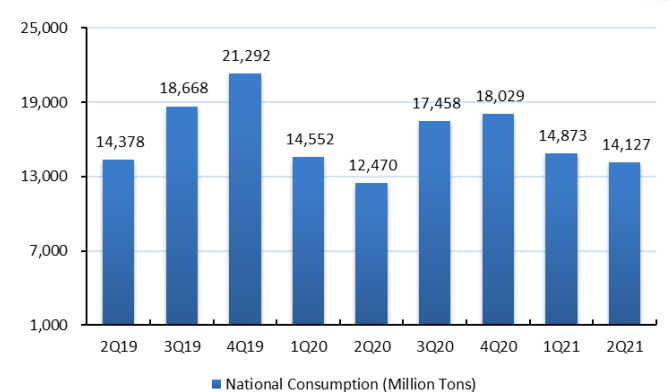
Source: Company Data, NHKSI Research

Domestic Sales Volume & Market Shares



Source: Company Data, NHKSI Research

National Consumption



Source: Company Data, NHKSI Research

Company Overview



INDOCEMENT
HEIDELBERG CEMENT Group

PT Indocement Tunggal Prakarsa Tbk was founded in 1985 by merging six companies and eight factories in one integrated management, and in 1989 it performed an initial public offering, with INTP as its stock code. To date, INTP has 13 cement plants, with the total annual production capacities of 24.9 million tons. Ten plants are located in Citeureup factory complex, Bogor, West Java; two plants are located in the Palimanan Factory Complex, Cirebon, West Java; and another plant is located in the Tarjun factory complex, Kotabaru, South Kalimantan.

INTP has a cement brand that is already well known to consumers, namely Tiga Roda cement. In 2017, INTP launched a new brand: Rajawali cement. In the same year, INTP through Tiga Roda brand launched a new product, namely, Tiga Roda Supeslag Cement—a type of environmental friendly portland cement producing lower carbon dioxide emissions.

Asia Pacific Companies Peers Analysis

	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
INDOCEMENT TUNGGAL PRAKARSA TBK	2,572	1,964	1,018	133	15.5%	13.1%	8.3%	19.1x	1.6x
SEMEN INDONESIA TBK	3,501	5,602	2,453	206	18.0%	8.4%	8.9%	16.9x	1.5x
SOLUSI BANGUN INDONESIA TBK	1,118	1,489	739	57	-4.8%	7.7%	11.1%	16.7x	1.8x
SEMEN BATURAJA TBK	437	412	126	10	-	8.3%	4.5%	40.9x	1.8x
Malaysia									
CAHYA MATA SARAWAK BHD	277	1,109	250	61	87.7%	24.4%	9.2%	12.6x	0.4x
Thailand									
SIAM CITY CEMEN PUB CO LTD	1,462	2,589	1,336	141	32.9%	10.5%	12.1%	11.2x	1.5x
Philippines									
HOLCIM PHILLIPINES INC	867	862	584	68	27.1%	11.6%	11.6%	13.2x	1.5x
China									
ANHUI CONCH CEMENT CO LTD-H	31,406	30,790	27,694	5,322	11.1%	19.2%	23.3%	5.1x	1.1x
CHINA NATIONAL BUILDING MA-H	10,597	69,919	36,961	1,965	11.5%	5.3%	14.7%	5.5x	0.7x
HUAXIN CEMENT CO LTD-B	4,805	6,730	4,682	888	5.7%	19.0%	26.2%	3.7x	0.9x
India									
ULTRATECH CEMENT LTD	30,169	11,780	5,960	736	-5.1%	12.3%	13.1%	42.0x	5.1x
SHREE CEMENT LTD	14,175	2,941	1,816	308	48.8%	17.0%	16.0%	46.0x	6.8x
AMBUJA CEMENTS LTD	11,221	5,437	3,252	319	12.9%	9.8%	10.1%	35.2x	3.7x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

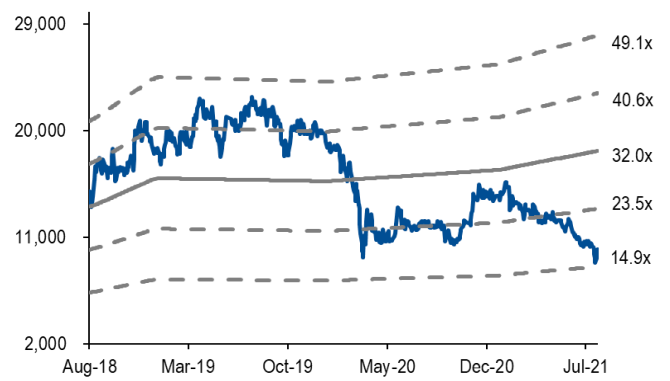
Valuation Highlights in Charts

3-Years Forward P/E Band



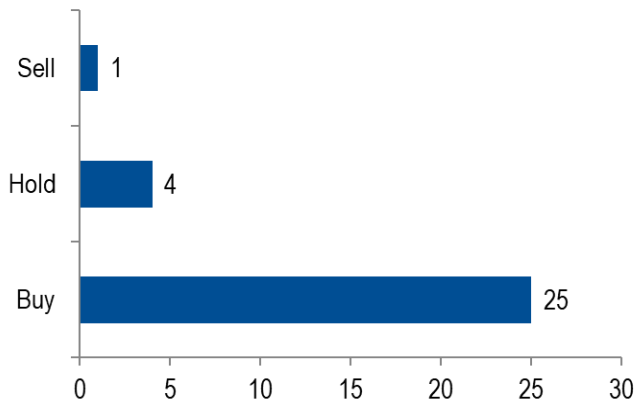
Source: Bloomberg, NHKSI Research

3-Years Dynamic Forward P/E band



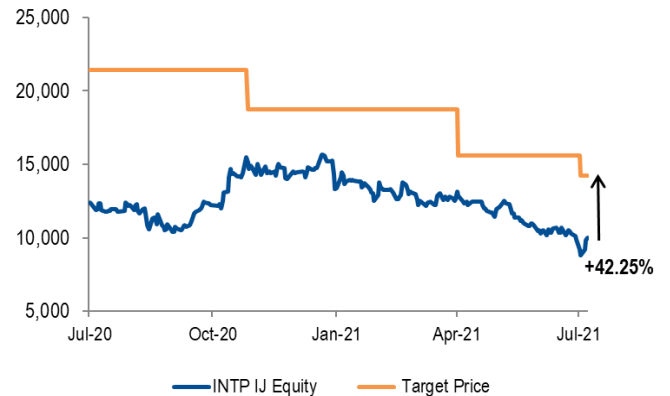
Source: Bloomberg, NHKSI Research

Analysts' Recommendation



Source: Bloomberg, NHKSI Research

Closing and Target Price Update



Source: Bloomberg, NHKSI Research

Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	Potential Upside	vs Consensus
22/09/2019	Hold	22,075	20,575	19,589	+7.29%	+12.69%
18/11/2019	Hold	21,000	19,950	20,040	+5.26%	+4.79%
27/11/2020	Buy	18,775	14,700	15,502	+27.72%	+21.11%
24/05/2021	Buy	15,600	11,825	16,446	+31.92%	-5.14%
05/08/2021	Buy	14,225	10,000	14,802	+42.25%	-3.90%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F		2020/12A	2021/12F	2022/12F	2023/12F
Sales	14,184	15,022	15,767	16,556	ROE	8.0%	8.8%	10.2%	11.9%
<i>Growth</i>	-11.0%	5.9%	5.0%	5.0%	ROA	6.6%	7.0%	8.2%	9.4%
COGS	(9,071)	(9,675)	(9,797)	(10,010)	Inventory Turnover	4.9x	5.1x	4.4x	4.2x
Gross Profit	5,114	5,347	5,970	6,546	Receivables Turnover	5.1x	5.7x	5.7x	5.7x
<i>Gross Margin</i>	36.1%	35.6%	37.9%	39.5%	Payables Turnover	5.4x	6.3x	6.3x	6.3x
Operating Expenses	(3,238)	(3,270)	(3,569)	(3,761)	Dividend Yield	0.0%	0.0%	0.0%	0.0%
EBIT	1,876	2,077	2,401	2,785	Payout Ratio	147.8%	139.3%	77.5%	126.5%
<i>EBIT Margin</i>	13.2%	13.8%	15.2%	16.8%	DER	0.02x	0.02x	0.03x	0.03x
Depreciation	(1,402)	(1,403)	(1,438)	(1,475)	Net Gearing	0.03x	0.03x	0.03x	0.03x
EBITDA	3,278	3,480	3,839	4,260	Equity Ratio	81.1%	79.2%	80.0%	78.4%
<i>EBITDA Margin</i>	23.1%	23.2%	24.3%	25.7%	Debt Ratio	1.8%	2.0%	2.0%	2.2%
Interest Expenses	(51)	(43)	(52)	(45)	Financial Leverage	121.6%	124.8%	125.6%	126.2%
EBT	2,148	2,295	2,708	3,118	Current Ratio	291.7%	272.9%	292.1%	274.7%
Income Tax	(342)	(379)	(477)	(531)	Quick Ratio	248%	229%	237%	228%
Minority Interest	-	-	-	-	Par Value (IDR)	500	500	500	500
Net Profit	1,806	1,915	2,231	2,586	Total Shares (mn)	3,681	3,681	3,681	3,681
<i>Growth</i>	-1.6%	6.0%	16.5%	15.9%	Share Price (IDR)	18,450	14,225	14,225	14,225
<i>Net Profit Margin</i>	12.7%	12.8%	14.2%	15.6%	Market Cap (IDR tn)	67.9	52.4	52.4	52.4

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F		2020/12A	2021/12F	2022/12F	2023/12F
Cash	7,698	7,350	7,491	7,736	Price/Earnings	37.6x	27.3x	23.5x	20.2x
Receivables	2,585	2,683	2,846	2,960	PE/EPS Growth	-2.4x	0.5x	0.1x	0.1x
Inventories	1,824	1,979	2,476	2,240	Price/Book Value	3.1x	2.4x	2.4x	2.5x
Total Current Assets	12,299	12,318	13,133	13,271	EV/EBITDA	18.5x	13.1x	11.8x	10.6x
Net Fixed Assets	14,397	14,055	13,606	13,207	EV (IDR bn)	60,722	45,551	45,437	45,220
Other Non Current Assets	642	689	703	682	Sales CAGR (3-Yr)	-0.6%	-0.4%	-0.4%	5.3%
Total Non Current Assets	15,045	14,835	14,400	13,980	Net Income CAGR (3-Yr)	-1.0%	18.7%	6.7%	12.7%
Total Assets	27,345	27,153	27,533	27,251	Basic EPS (IDR)	490.69	520.34	606.11	702.50
Payables	1,580	1,495	1,619	1,562	BVPS (IDR)	6,024	5,841	5,986	5,806
Other Liabilities	3,087	3,619	3,317	3,726	DPS (IDR)	1.4	1.5	1.5	1.5
Total Current Liabilities	4,216	4,513	4,496	4,831					
LT Debt	501	536	563	591					
Total Liabilities	5,168	5,650	5,499	5,879					
Capital Stock	1,841	1,841	1,841	1,841					
Retained Earnings	17,637	17,088	17,590	16,906					
Shareholders' Equity	22,176	21,503	22,034	21,372					

CASH FLOW STATEMENT					OWNERSHIP				
(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F					
Operating Cash Flow	3,538	3,232	2,964	4,489	Shareholders				%
Investing Cash Flow	(662)	(822)	(1,151)	(1,024)	Birchwood Omnia Ltd				51.0
Financing Cash Flow	(2,863)	(2,758)	(1,673)	(3,220)	Invesco Ltd				2.8
Net Changes in Cash	14	(347)	141	245	Vabguard Group Inc				1.3
					Others				44.9
					By Geography				%
					United Kingdom				84.2
					United States				10.4
					Luxembourg				2.1
					Ireland				1.3
					Others				2.0

Source: Company Data, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to +15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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