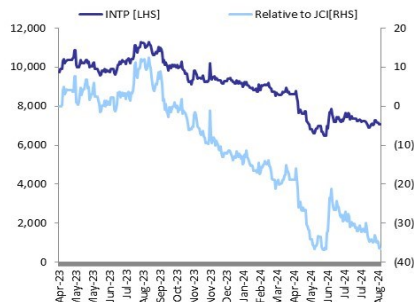


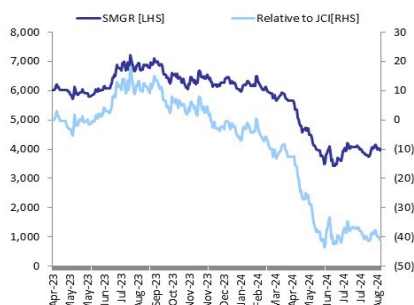
Neutral

(Maintained)

INTP relative to JCI Index



SMGR relative to JCI Index



Source: Bloomberg

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Cement

Jul24 Sales: Strong 14% mom vol growth, but risk from fighting brand pricing of Merdeka

- Industry sales vol grew robustly by 14.1% mom in Jul-24, with SMGR domestic vol grew 8% mom and INTP vol expanded by 23% mom.
- Pricing was relatively stable in Jul-24, yet we observe slight pressure in Aug-24 by SMGR, driven by lower Semen Merdeka pricing.
- We think 1%-2% vol growth is achievable, but fighting brand ASP might become a risk. Maintain Neutral call on sector with INTP as top pick.

Jul24: a strong momentum with 14.1% mom vol growth

Industry sales volume grew robustly by 14.1% mom in Jul24, driven mainly by sales in West Java, Sumatra, and Central Java. Similar strong mom performance was also shared by SMGR (+11% mom, +8% mom for domestic-only volume) and INTP (+23% mom). On yoy basis, industry sales vol in Jul-24/7M24 expanded by 3.8%/2.5% yoy (0.8%/0.1% yoy for ex-Grobogan). Bulk segment remained as the key driver of vol growth in Jul24 (+15% yoy), while bag vol declined by -0.9% yoy. SMGR Jul24/7M24 sales vol. were -2%/-6% yoy (+0.7%/-1.1% yoy for domestic-only), as there was disruption in export market due to Bangladesh conflict in July albeit it has reportedly recovered in Aug. Meanwhile, INTP Jul24/7M24 sales vol rose by 11%/10% yoy (0.3%/1.3% yoy for ex-Grobogan). SMGR/INTP sales vol in Jul24 reached 52%/52% of our estimate, slightly below seasonality for SMGR, yet inline for INTP. We still expect sales vol to continue its growth momentum in 2H24, but continue to see a slower recovery in bag segment. We see downside risk on FY25 volume growth, given -5% yoy lower infrastructure budget from government.

Pricing: flattish Jul24, slightly weaker Aug24, but plans for more hikes

We observed flattish bag pricing in Jul24, inline with strong volume growth trend. However, in Aug24, we notice slight decline in ASP for SMGR (~2% mom), while INTP's bag pricing remain stable. While we observe stable pricing for majority of fighting brands in Aug24, we think the biggest risk now is posed by the Merdeka cement (SMGR's tier 2 brand), as its price per kg is currently 8-10% lower than Rajawali (INTP's tier 2 brand), and similar to Jempolan (INTP tier 3 brand). Previously, SMGR's management state that Merdeka should function as replacement for all its tier 2 brands, but given the latest pricing, we fear it could become lower tier fighting brand. While this implies a slight risk of price war to re-emerge, we think this can be avoided as long as FY24 volume growth remains inline (within 1-2% yoy). Some price adjustments which were announced in May/Jun24 are expected to take full impact in 3Q24, while both SMGR and INTP affirmed their aim to increase price further in Aug/Sep24.

Maintain Neutral rating for sector with INTP as top pick

We maintain our **Neutral** rating on the sector, and reiterate our top pick on INTP (**Buy, TP Rp 8,800**), and maintain our **Hold** rating for SMGR (**TP Rp 4,100**). Judging from current volume growth traction, we still see 1%-2% sales vol growth in FY24E to be achievable. Upside risks to our call: 1) Recovery in mid/low segment that may lead to better bag sales; 2) Higher purchasing price to drive lower fighting brand ratio to total sales. Downside risks: 1) Intensifying price war in fighting brand; 2) Entry of new players.

Company	Ticker	Rec	Target Price	Market Cap.	P/E (x)		P/BV (x)		ROE (%)
			(Rp)	(RpBn)	2024F	2025F	2024F	2025F	2025F
Indocement	INTP IJ	BUY	8,800	26,044.7	16.2	14.3	1.2	1.1	8.1
Semen Indonesia	SMGR IJ	HOLD	4,100	23,844.7	14.6	11.6	0.6	0.5	4.7

Jul24 Sales: Strong 14% mom vol growth, but risk from fighting brand pricing of Merdeka

Jul24: strong momentum with 14.1% mom vol growth

Industry sales volume grew robustly by 14.1% mom in Jul24, driven mainly by sales in West Java (+17% mom), Sumatra (+18% mom), and Central Java (+13% mom). Similar strong mom performance was also shared by SMGR (+11% mom, +8% mom for domestic-only volume), INTP (+23% mom), and CMNT (double digit mom growth).

On yoy basis, industry sales vol in Jul24/7M24 expanded by 3.8%/2.5% yoy (0.8%/0.1% yoy for ex-Grobogan). Bulk remained as the key driver of vol growth in Jul-24 (+15.5% yoy), with bag vol declined by 0.9% yoy.

SMGR Jul24/7M24 sales vol were -2%/-6% yoy (+0.7%/-1.1% yoy for domestic-only), as there was disruption in export market due to Bangladesh conflict in July albeit it has reportedly recovered in Aug. Meanwhile, INTP Jul24/7M24 sales vol rose by 11%/10% yoy (0.3%/1.3% yoy for ex-Grobogan). SMGR/INTP sales vol in Jul24 reached 52%/52% of our estimate, slightly below seasonality for SMGR yet inline for INTP.

Overall, Jul24 sales vol showed strong momentum, driven by bulk segment from infrastructure projects (toll road in Central Java area, Kaltara industrial area, smelters in Nusa Tenggara), albeit accumulated 7M24 sales ex-Grobogan was still relatively flattish. Nevertheless, we still expect sales vol to continue its growth momentum in 2H24, but continue to see a slower recovery in bag segment. We see downside risk on FY25 volume growth, given -5% yoy lower infrastructure budget from government.

Pricing: flattish Jul24, slightly weaker Aug24, but plans for more hikes

We observed flattish bag pricing in Jul24, inline with strong volume growth trend. However, in Aug24, we notice slight decline in ASP for SMGR (~2% mom), while INTP's bag pricing remain stable. Additionally, we also notice that several fighting brands (Baturaja, Padang, Rajawali) pricing were relatively stable in Aug24 after slight decline in Jun-Jul 24, as previously we have noticed the fight shift from main to fighting brand during those months, and our channel check suggests buyers are becoming more price sensitive.

However, we think the biggest risk now is posed by Merdeka cement (SMGR tier 2 brand) cement, as its price per kg is currently 8-10% lower than Rajawali (INTP tier 2 brand), and similar to Jempolan (INTP tier 3 brand). Previously, SMGR's management state that Merdeka should function as replacement for all tier 2 brands of SMGR, but given the last pricing, we fear it could become lower tier fighting brand and drive blended fighting brand ASP lower (and create larger gap between main brand and fighting brand, which currently stood at 15%-18%). We think there is slight downside risk of price war to re-emerge, yet we expect this could be avoided as long as volume growth remain inline within 1-2% growth for FY24. Some of price adjustment that announced in May/Jun24 is expected to take full impact in 3Q24, and both SMGR and INTP management still aim to increase price further in Aug/Sep24.

Maintain Neutral rating for sector with INTP as top pick

We maintain our Neutral rating on the sector, and reiterate our top pick on INTP (Buy, TP Rp 8,800), and maintain our Hold rating for SMGR (TP Rp 4,100). Judging from current volume growth traction, we still see 1%-2% sales vol growth in FY24E to be achievable. INTP is currently at EV/t of USD 93 (-1 std dev of its 5-years mean), while SMGR is currently traded at EV/t of USD 59 (-2 std dev of its 5-years mean).

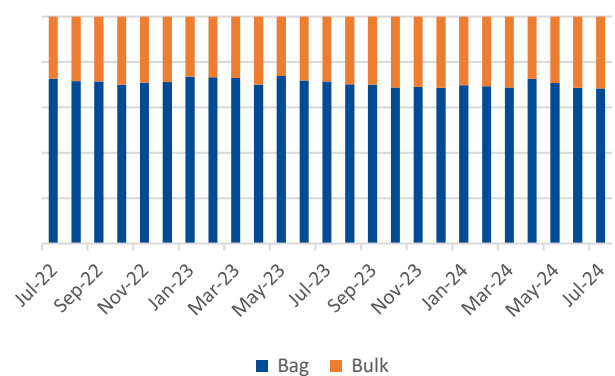
Upside risks to our call: 1) Recovery in mid/low segment that may lead to better bag sales; 2) Higher purchasing price to drive lower fighting brand ratio to total sales. Downside risks: 1) Intensifying price war in fighting brand; 2) Entry of new players.

Exhibit 1. Industry Monthly Sales Vol



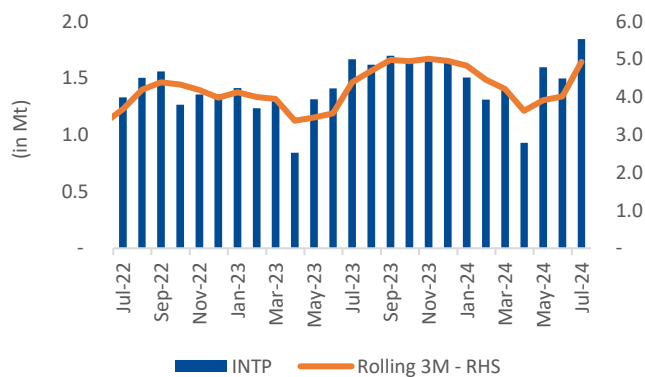
Source: ASI, BRIDS

Exhibit 2. Industry Bag & Bulk Sales Mix



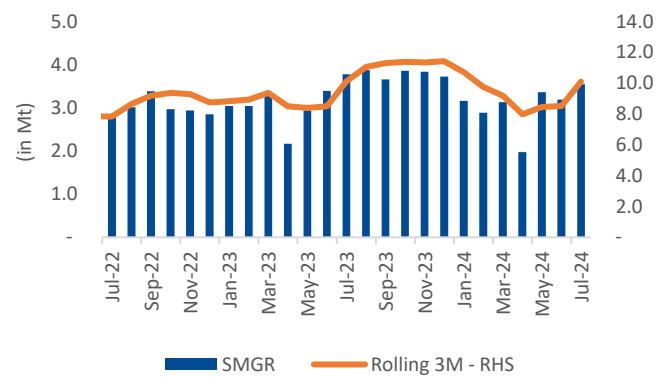
Source: ASI, BRIDS

Exhibit 3. INTP Monthly Sales Vol



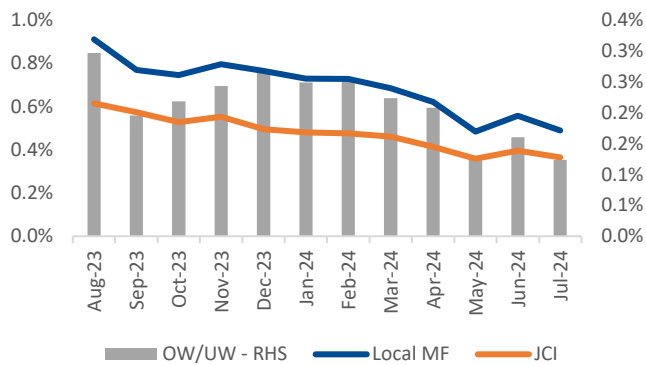
Source: Company, BRIDS

Exhibit 4. SMGR Monthly Sales Vol



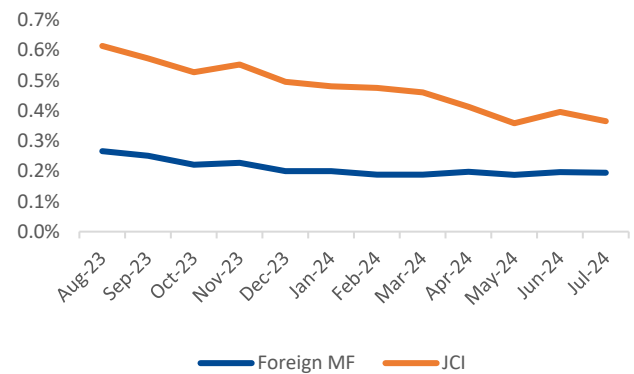
Source: Company, BRIDS

Exhibit 5. INTP Local Fund Ownership



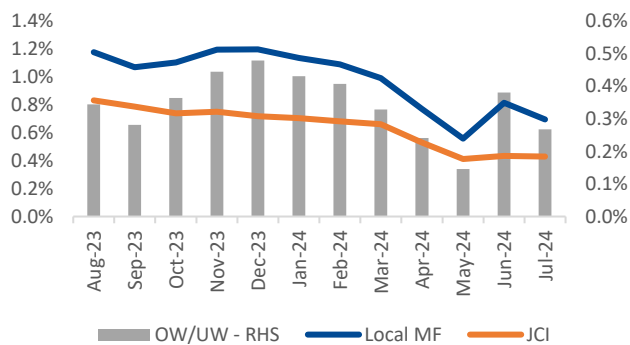
Source: KSEI, BRIDS

Exhibit 6. INTP Foreign Fund Ownership



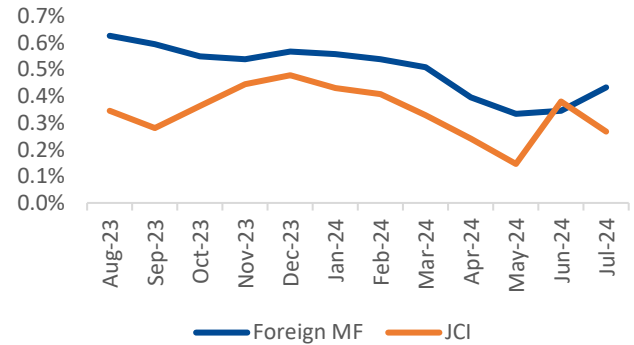
Source: KSEI, BRIDS

Exhibit 7. SMGR Local Fund Ownership



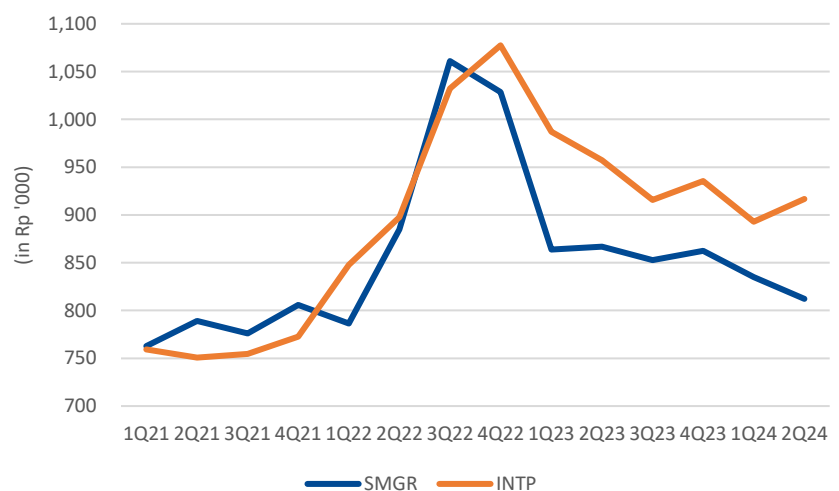
Source: KSEI, BRIDS

Exhibit 8. SMGR Foreign Fund Ownership



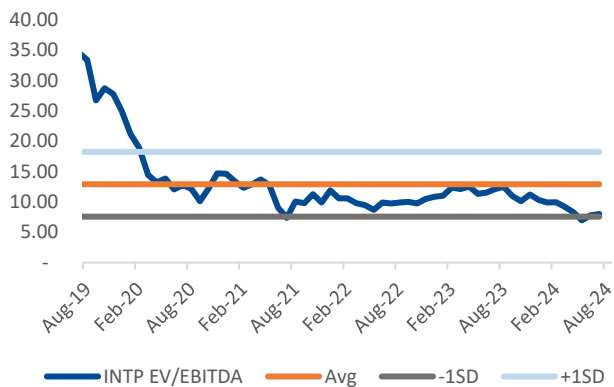
Source: KSEI, BRIDS

Exhibit 9. SMGR & INTP Quarterly ASP



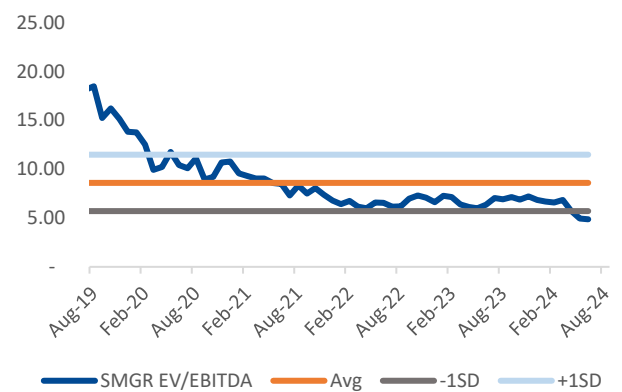
Source: Company, BRIDS

Exhibit 10. INTP EV/EBITDA Band



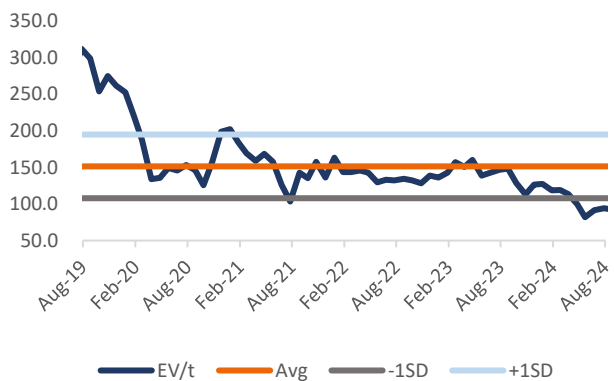
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 11. SMGR EV/EBITDA Band



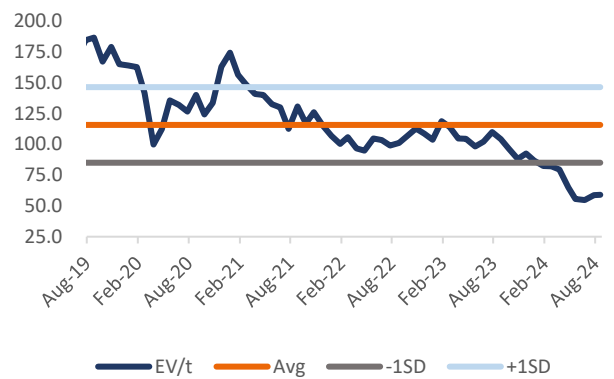
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 12. INTP EV/t Band



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 13. SMGR EV/t Band



Source: Company, Bloomberg, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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