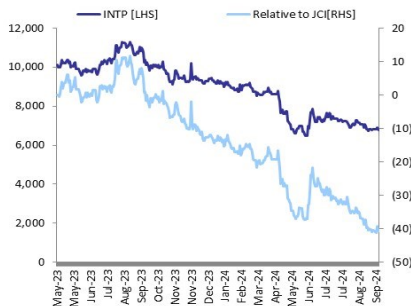


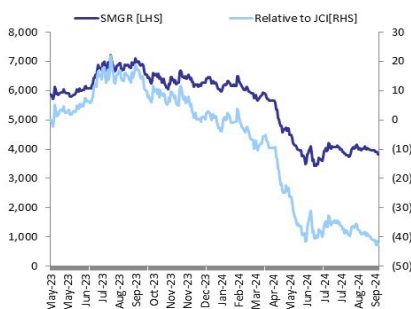
Neutral

(Maintained)

INTP relative to JCI Index



SMGR relative to JCI Index



Source: Bloomberg

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Cement

Divergence between SMGR and INTP sales volumes in Aug24; prices are improving in Sep24

- INTP's sales vol continued to outperform with a 3.5% yoy growth (ex-Grobogan) in Aug24, vs. industry's -1% yoy and SMGR's -5% yoy.
- Bag ASP showed improvement across SMGR's and INTP's products; yet, as Merdeka is still priced relatively low, risk of price war lingers.
- Maintain Neutral rating on the sector, with INTP as our top pick; the availability and pricing of Semen Merdeka is the key factor to watch.

Aug24 volumes: INTP's strong growth, flattish industry, yet weak SMGR

INTP recorded a 12.9% yoy (3.5% yoy ex-Grobogan) sales vol growth in Aug24, driven by demand from Kaltara and the Trans-Sumatra toll road, reflecting a stronger performance compared to the industry growth of 1.1% yoy (-1% yoy ex-Grobogan). Meanwhile, SMGR recorded another weak month with a -5% yoy growth for domestic and a -12% yoy for total volume, including exports. The export market was still relatively affected by the recent conflict in Bangladesh. Bulk cement (driven by ongoing infrastructure projects) remains the predominant driver with a 6% yoy growth in Aug24, vs. bag's -1% yoy, as the overall consumer market remains weak, and recent pricing adjustments are also affecting bag sales. Overall, INTP sales vol remains on track with our target (8M24 vol at 62% of FY24F), while SMGR recorded another month of miss (at 60% of FY24F).

Sep-24 pricing: a mom improvement, but Merdeka's low price remains a risk

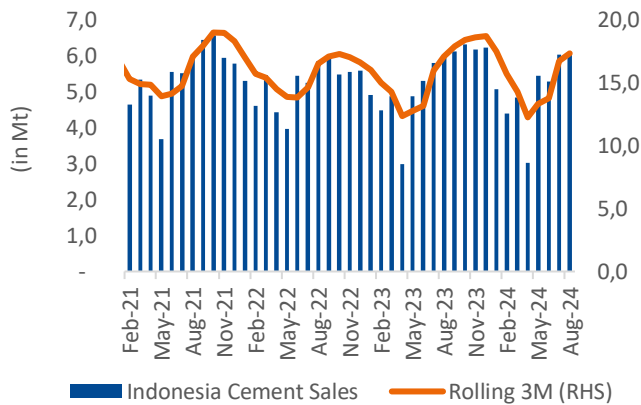
Bag pricing showed an improvement in Sep24 for both SMGR and INTP. Based on our survey, SMGR and INTP recorded a 1%-1.3% mom increase in blended bag ASP in Sep24, possibly as 2Q24 price increases start to be reflected at the retail level. We observed that prices of the main brands (Semen Gresik and Semen Tiga Roda) increased by ~1% mom in Sep24, while Semen Padang continued to show improvement over the past 4 months with ~2% mom increases in Sep24. Additionally, Semen Rajawali (INTP's tier-2 brand) price improved by ~1.5% mom, marking the second month of recovery. Overall, by region, we also see improvement in mom pricing. SMGR increased its bag pricing by 1-2% in Jul/Aug24 in Java, West Sumatra, and South Sulawesi, while INTP increased its bag price by 1-2% in Java in Aug24. The remaining concern is still on Semen Merdeka (supposed to be SMGR's tier-2 brand), which despite showing ~2% mom increase in Sep24, is still priced similarly to Semen Jempolan (INTP's tier-3 product), both priced at ~27% discount to their main brands.

Maintain Neutral rating on the sector with INTP as our top pick

We maintain our Neutral rating for the sector. INTP remains our top pick (Buy, TP of Rp 8,800), while we maintain a Hold rating for SMGR (TP of Rp 4,100). We expect INTP to meet our FY24 vol expectation, but see downside risk to our SMGR's number. Additionally, we are also closely watching Semen Merdeka's availability and pricing, since it risks becoming a tier-3 brand with wider availability vs. Jempolan (INTP's tier-3 brand). If this condition continues, we see a risk of price war at the fighting brand level. Upside risk to our call: 1) Bag sales recovery, as lower- and middle-income segments recover. Downside risks: 1) Intensifying price war at the fighting brand level; 2) Massive shift from main brand to fighting brand.

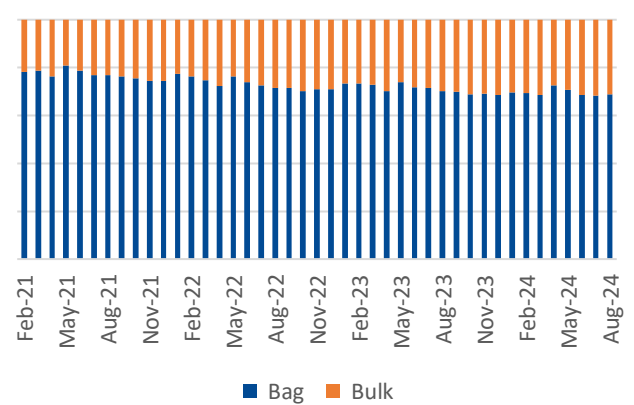
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2025F
					2024F	2025F	2024F	2025F	
Indocement	INTP IJ	BUY	8,800	24,940.3	15.5	13.7	1.1	1.1	8.1
Semen Indonesia	SMGR IJ	HOLD	4,100	25,790.8	13.9	11.0	0.5	0.5	4.7

Exhibit 1. Industry Monthly Sales Volume



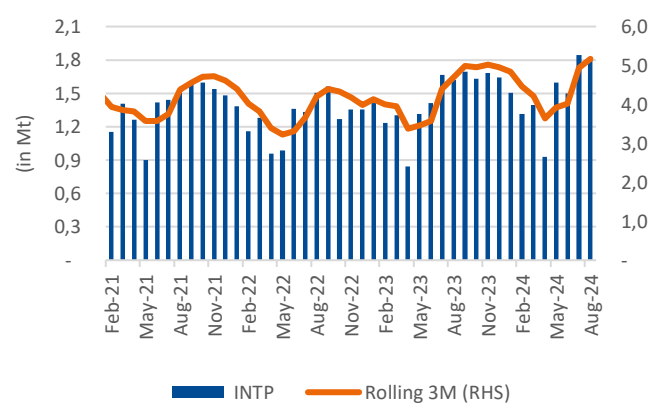
Source: ASI, BRIDS

Exhibit 2. Bag & Bulk Sales Portion



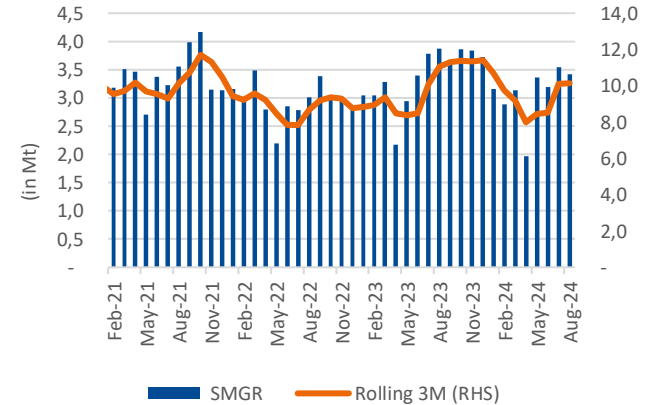
Source: ASI, BRIDS

Exhibit 3. INTP Monthly Sales Volume



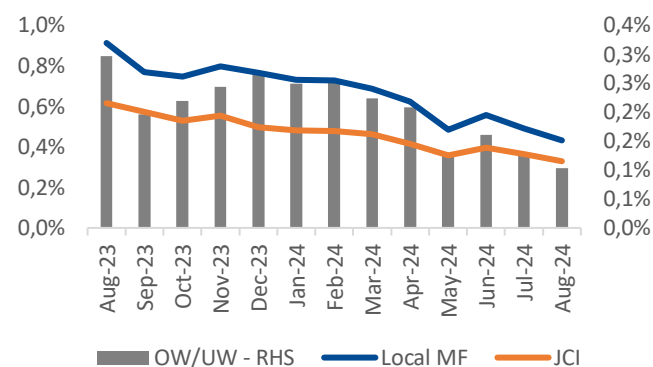
Source: Company, BRIDS

Exhibit 4. SMGR Monthly Sales Volume



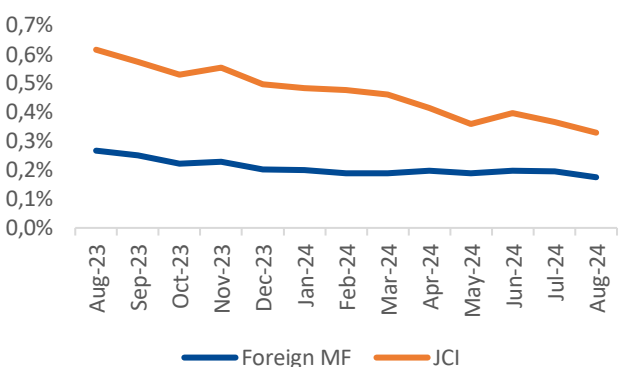
Source: Company, BRIDS

Exhibit 5. INTP Local Fund Ownership



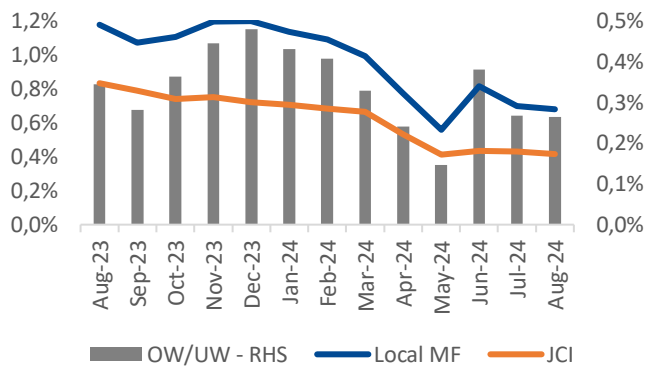
Source: KSEI, BRIDS

Exhibit 6. INTP Foreign Fund Ownership



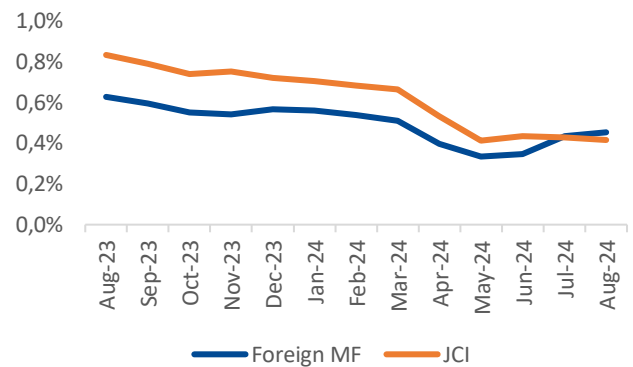
Source: KSEI, BRIDS

Exhibit 7. SMGR Local Fund Ownership



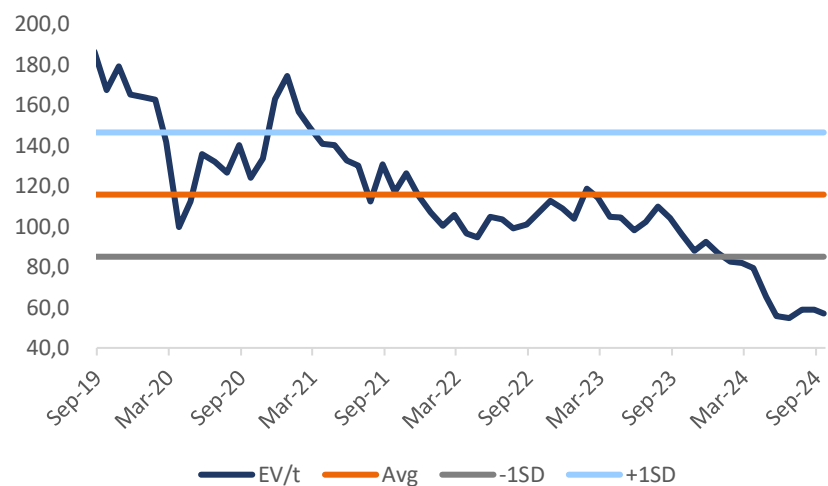
Source: KSEI, BRIDS

Exhibit 8. SMGR Foreign Fund Ownership



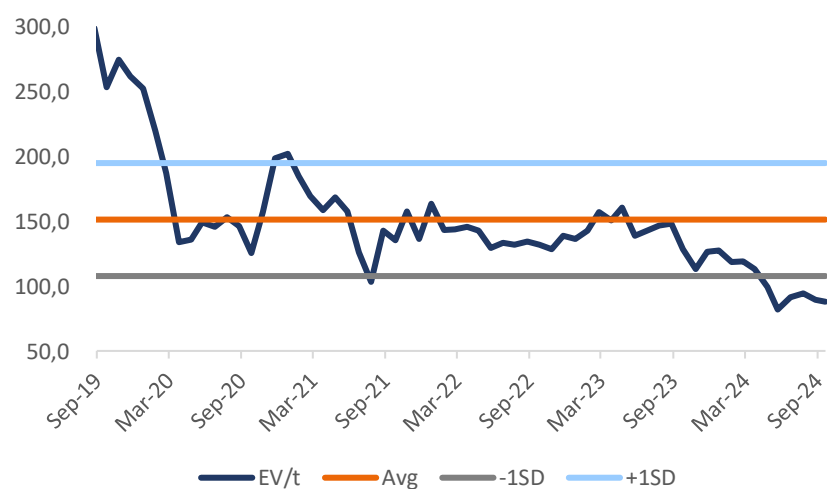
Source: KSEI, BRIDS

Exhibit 9. SMGR EV/t Band



Source: Company, BRIDS Estimates

Exhibit 10. INTP EV/t Band



Source: Company, 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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