

October 16, 2013

Sidomulyo Selaras, Tbk

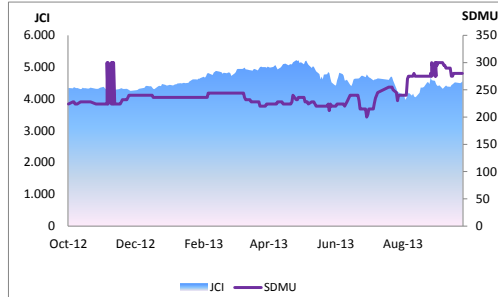
Secondary Report

Target Price

Low	High
370	420

Transportation

Historical Chart



Source: Bloomberg



Entering Robust Growth Phase



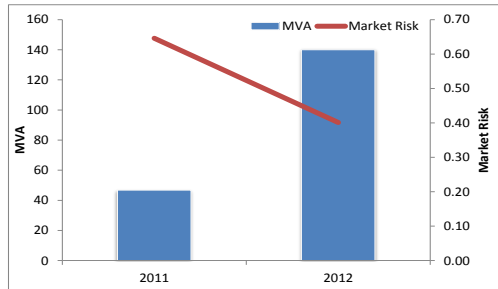
Stock Information

	IDR
Ticker code	SDMU
Market price as of October 11, 2013	280
Market price – 52 week high	300
Market price – 52 week low	200
Market cap – 52 week high (bn)	287
Market cap – 52 week low (bn)	225

Stock Valuation

	Last	Current
High	420	420
Low	380	370

Market Value Added & Market Risk



Source: Bloomberg, Pefindo Equity & Index Valuation Division

Shareholders

	(%)
Tjoe Mien Sasminto	55.68
Sugiharto	14.99
PT Reliance Securities	11.10
Amelia Ritoni Tjhin	3.00
Jonathan Walawengko	0.02
Public (each below 5% ownership)	15.21

*Note: as of June 30, 2013

Contact:
Equity & Index Valuation Division
Phone: (6221) 7278 2380
info-equityindexvaluation@pefindo.co.id

"Disclaimer statement in the last page is an integral part of this report"
www.pefindo.com

In 1993, PT Sidomulyo Selaras Tbk (SDMU) began offering transportation services, specifically for hazardous and toxic materials including liquid chemicals such as acetone, alcohol, buthyl acetate, buthyl acrylate, phenol and more. SDMU is now expanding to the oil transportation service business with a new contract from Pertamina EP – BWP Meruap and Tately NV. The Company has three subsidiaries – PT Sidomulyo Logistik (custom service for exporting hazardous and toxic materials), PT Anugerah Roda Kencana (tire sales) and PT Central Resik Banten (isotank washing) – in line with its goal to be an integrated logistics company for hazardous and toxic materials by 2015. With a 20-year experience, SDMU has gained the trust of more than 120 companies from various industries in Indonesia, including those in the chemical, oil & gas and consumer goods sectors.

INVESTMENT PARAMETERS

Target Price Adjustment

We have made several adjustments to our previous forecast and adjust our Target Price upward to the range of **IDR370 – IDR420** per share, based on the following considerations:

- Upbeat outlook for the logistics sector. The logistics industry in the country is expected to grow by 14.5% year-on-year (YoY) to IDR1,634 trillion this year, driven primarily by rising manufacturing activity as a result of strong relocation and capital flow. As of June 2013, Foreign Direct Investment (FDI) in the transportation and storage sector had significantly jumped by 1,367% to USD760 million from USD52 million in March 2013.
- Sound financial performance. In 2012, SDMU managed to post a 27.7% YoY revenue growth to IDR128 billion, above our projection in the previous report of IDR115 billion. This good achievement continued in 1H13 with a 34.6% YoY revenue growth, largely due to new oil transportation contracts obtained in 2012. One of these is a three-year contract with Pertamina BWP-Meruap to transport oil to Bajubang and Tempino in Jambi province on Sumatra Island. Accordingly, we project the Company's revenue to grow by 37.1% YoY to IDR175 billion this year.
- Aggressive expansion. Going beyond the transportation business, SDMU is now on track to be an integrated logistics company by entering the warehouse and isotank washing businesses. It is expected to have a 30,000 sqm warehouse space, an isotank coverage of 400 units and a washing facility for 300 units. These new business lines are expected to begin operating in 2015.
- Assumption of risk free rate, equity premium and beta reach 7.9%, 3.0% and 0.4x, respectively.

Business Prospects

We are of the view that logistics industry has a bright outlook in the coming years, with an expected growth rate of 14.5% YoY from 2013–2017. This is supported by the fact that strong consumption remains to be the country's engine of growth, boosting capital flow and in turn increasing business activities related to forwarding, shipping as well as transportation. Besides that, the Company's plan to enter the warehouse and isotank washing businesses will secure its performance in the future. Given all these opportunities plus its new contract in oil transportation as well as operation of warehouse and washing isotank facility, we believe SDMU will be able to post a compound annual growth rate (CAGR) of 37% in 2012–2015.

Table 1: Performance Summary

	2010	2011	2012	2013P	2014P
Revenue (IDR bn)	102	100	128	176	265
Pre-tax Profit (IDR bn)	12	8	7	9	14
Net Profit (IDR bn)	9	6	5	7	10
EPS (IDR)	10	7	6	7	11
EPS Growth (%)	115	(34)	(0.1)	28	56
P/E (x)	n.a	36.2	42.0	38.1*	24.5*
PBV (x)	n.a	1.2	1.2	1.4*	1.3*

Source: PT Sidomulyo Selaras Tbk., Pefindo Equity & Index Valuation Division Estimates
Notes: * Based on Share Price as of October 11, 2013 – IDR280/share

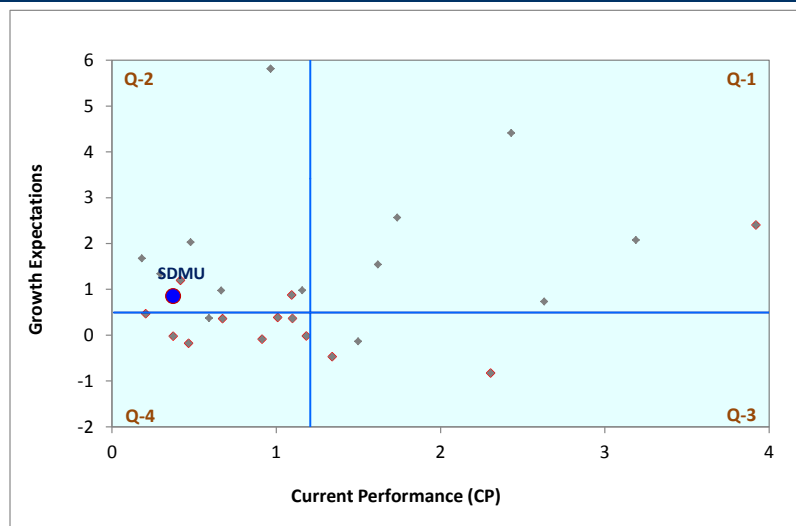
GROWTH VALUE MAP

The Growth-Value Map below provides an overview of the market expectations for the companies listed on the IDX. The Current Performance (CP) metric, running along the horizontal axis, is a portion of current stock market value that can be linked to the perpetuity of a company’s current performance in profitability. The Growth Expectations (GE) metric, plotted on the vertical axis, is the difference between the current stock market value and the value of current performance. Both metrics are normalized by the company’s book value.

Growth-Value Map divides companies into four clusters:

- **Excellent Value Managers (“Q-1”)**
Market expects companies in Q-1 to surpass their benchmark in profitability and growth.
- **Expectation Builders (“Q-2”)**
Market has relatively low expectations of profitability from companies in Q-2 in the short term, but has growth expectations exceed the benchmark.
- **Traditionalists (“Q-3”)**
Market has low growth expectations of companies in the Q-3, although they showed a good profitability in the short term.
- **Asset-loaded Value Managers (“Q-4”)**
Market has low expectations in terms of profitability and growth for companies in Q-4.

Figure 1: Growth-Value Map of SDMU (Transportation)



Source: Bloomberg, Pefindo Equity & Index Valuation Division

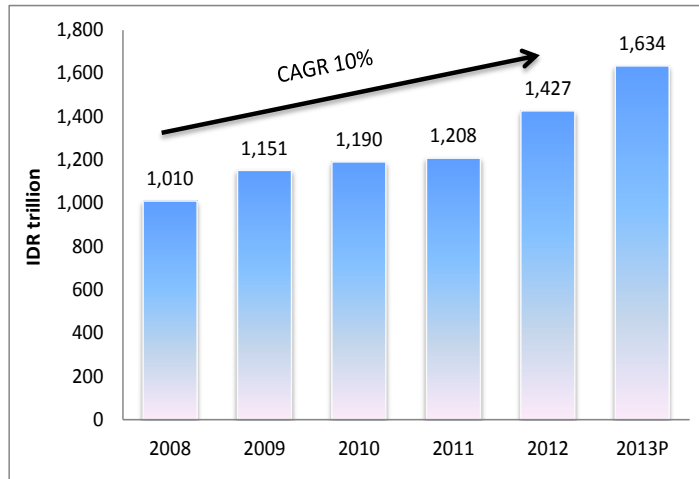
We classified SDMU in the **Expectation Builders (Q-2)** cluster; this means the Company surpassed the benchmark on growth expectation in the long term, but there is low expectation of profitability in the short term. By taking advantage of the prospects available in the transportation and logistics industry, we believe SDMU can move to the **Excellent Value Managers (Q-1)** cluster.

BUSINESS INFORMATION

Supported by Growing Logistic Industry

The logistics industry in the country is expected to grow by 14.5% YoY to IDR1,634 trillion this year, driven primarily by rising manufacturing activity as a result of strong relocation and capital flow. As of June 2013, FDI in the transportation and storage sector had significantly jumped by 1,367% to USD760 million from USD52 million in March 2013. Despite tight competition in the industry, we believe SDMU is capable of maintaining its consistency, as seen by the Company's revenue which grew by 34.6% YoY to IDR76 billion in 1H13. On the other hand, we are of the view that inadequate infrastructure could hamper the industry's growth.

Figure 2: Logistic Market in Indonesia



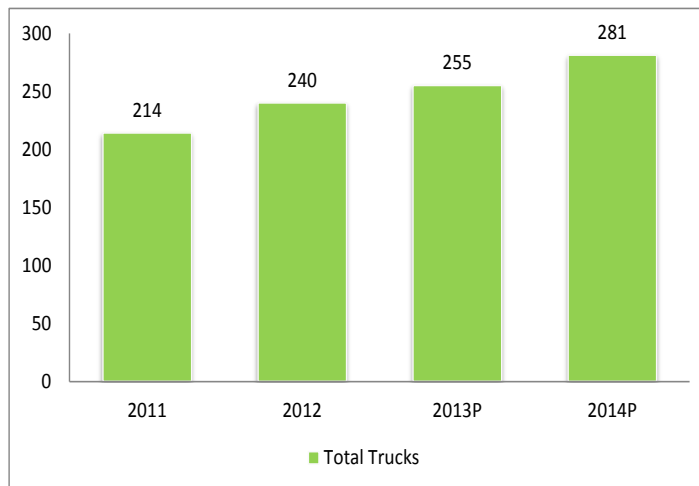
Source: Frost & Sullivan, Pefindo Equity & Index Valuation Division

Several New Contracts

Aside from the 3-year contract with Pertamina EP – BWP Meruap, SDMU also obtained a new contract from Tately NV for crude oil transportation in Jambi, with the rate of USD250 per day. It also signed another contract with Mon'tdor Oil Company with total value of USD2 million. To deliver these services, the Company will add 72 new trucks over the next three years.

Further, SDMU, through subsidiary (PT Sidomulyo Logistik), will open a depot and isotank washing facility in Cilegon and Marunda, which are expected to begin operating in 2015. We estimate these will reduce operational expenses by 5% since the Company has to wash its own isotanks after being used and before carrying another type of liquid chemical.

Figure 3: SDMU's Total Trucks



Source: PT Sidomulyo Selaras Tbk, Pefindo Equity & Index Valuation Division Estimates

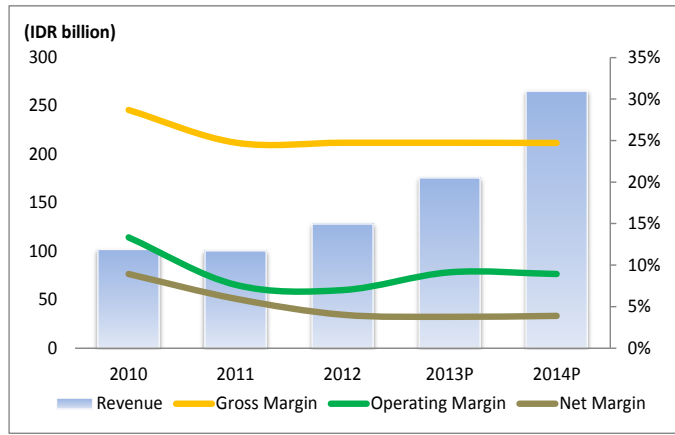
"Disclaimer statement in the last page is an integral part of this report"
www.pefindo.com

Sound Performance in 1H13

SDMU posted a revenue of IDR128 billion in 2012, a 27.7% increase from IDR100 billion in 2011, primarily due to an increase in volume of chemicals transported. The 3-year contract with Pertamina EP – BWP Meruap totaled IDR130 billion was reflected in the 1H13 result, where SDMU’s revenue jumped by 34.6% YoY to IDR76 billion. We project that SDMU could enjoy revenue growths of 37.1% YoY and 51.1% YoY in 2013 and 2014, given the signing of other new contracts this year.

In addition, despite wage and fuel price hikes, we believe the Company is able to maintain its profitability margins by adjusting tariffs. However, we predict net margin to be narrower because of rising interest expense as a result of increasing debt.

Figure 4: SDMU’s Revenue and Its Profitability Margin

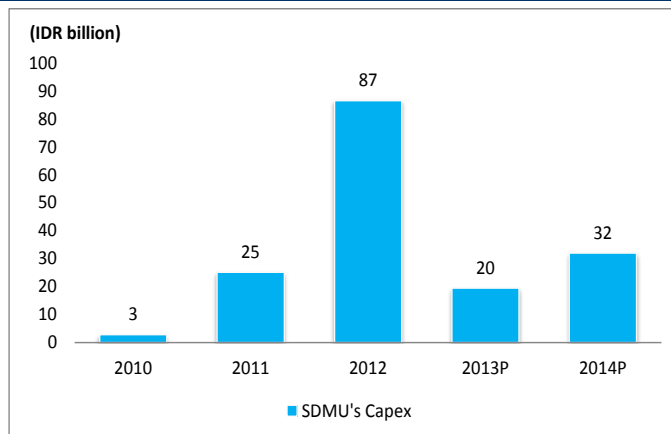


Source: PT Sidomulyo Selaras Tbk, Pefindo Equity & Index Valuation Division

Allocating Higher Capex for Stronger Growth

SDMU plans to increase its trucks, including isotanks, to meet the needs created by its new contracts. Such that, we estimate the Company will allocate around IDR60billion in recent years, to add fleets and isotank, and the remaining will be used for building infrastructure of isotank depot and washing service. In addition to chemicals, SDMU will focus on oil transportation, which is estimated to contribute 21% to total revenue this year.

Figure 5: SDMU’s Capex



Source: PT Sidomulyo Selaras Tbk, Pefindo Equity & Index Valuation Division

“Disclaimer statement in the last page is an integral part of this report”
www.pefindo.com

TARGET PRICE

VALUATION

• **Methodology**

We applied the *Discounted Cash Flow* (DCF) method as the main valuation approach, considering that income growth is a value driver in SDMU instead of asset growth.

We did not combine the DCF method with the Guideline Company Method (GCM) as there are no similar companies eligible to be compared with SDMU in the IDX.

This valuation is based 100% on SDMU's share price as of October 11, 2013, using SDMU's financial report as of June 30, 2013, for our fundamental analysis.

• **Value Estimation**

We use Cost of Capital of 8.5% and Cost of Equity of 9.0% based on the following assumption:

Table 2: Assumption

Risk free rate [%]*	7.9
Risk premium [%]*	3.0
Beta [x]*	0.4
Cost of Equity [%]	9.0
Marginal tax rate [%]	25.0
Interest Bearing Debt to Equity Ratio [x]	0.5
WACC [%]	8.5

Source: Bloomberg, Pefindo Equity & Index Valuation Division Estimates
Notes: *As of October 11, 2013

The target price for 12 months based on the valuation as of October 11, 2013 using the DCF method with a 8.5% discount rate assumption ranges between **IDR370 – IDR420** per share.

Table 3: Summary of DCF Method Valuation

	Conservative	Moderate	Aggressive
PV of Free Cash Flows [IDR bn]	9	10	11
PV Terminal Value [IDR bn]	415	437	457
Non-Operating Assets- [IDR bn]	6	6	6
Net Debt [IDR bn]	(95)	(95)	(95)
Total Equity Value [IDR bn]	335	358	379
Number of Share [mn shares]	900	900	900
Fair Value per Share [IDR]	370	400	420

Source: Pefindo Equity & Index Valuation Division Estimates

Table 4: Consolidated Statements of Comprehensive Income

(IDR bn)	2010	2011	2012	2013P	2014P
Sales	102	100	128	176	265
COGS	(73)	(74)	(96)	(132)	(200)
Gross Profit	29	27	32	43	66
Operating Expense	(16)	(19)	(23)	(27)	(42)
Operating Profit	14	8	9	16	24
Other Income (Charges)	(2)	0	(2)	(7)	(9)
Pre-tax Profit	12	8	7	9	14
Tax	(3)	(2)	(2)	(2)	(4)
Net Profit	9	6	5	7	10

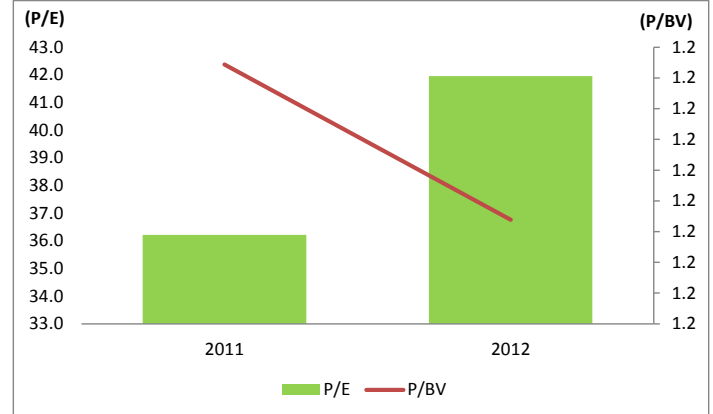
Source: PT Sidomulyo Selaras Tbk., Pefindo Equity & Index Valuation Division Estimates

Table 5: Consolidated Statements of Financial Position

(IDR bn)	2010	2011	2012	2013P	2014P
Assets					
Current Assets					
Cash & cash equivalents	3	42	4	52	47
Receivables	19	30	42	57	87
Inventory	2	2	2	3	5
Other Assets	3	7	35	48	73
Total Current Asset	26	81	84	161	211
Fixed Asset	101	116	190	195	211
Other Asset	16	1	4	6	7
Total Fixed Asset	118	117	194	201	218
Total Asset	143	198	278	362	429
Liabilities					
Trade payables	2	2	3	5	7
Short-term liabilities	9	14	68	115	145
Other liabilities	7	3	3	4	6
Total short-term liabilities	18	19	74	124	158
Long-term liabilities	4	1	22	48	66
Other long-term liabilities	3	3	5	7	10
Total Liabilities	25	24	100	178	235
Total Equity	118	174	178	184	194

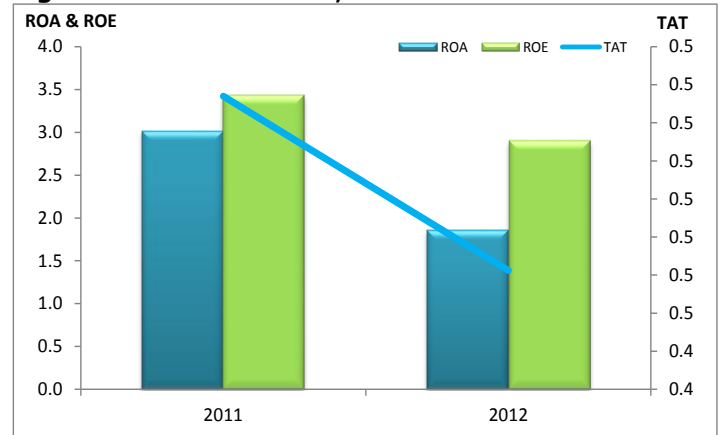
Source: PT Sidomulyo Selaras Tbk., Pefindo Equity & Index Valuation Division Estimates.

Figure 6: Historical P/E and P/BV



Source: PT Sidomulyo Selaras Tbk., Pefindo Equity & Index Valuation Division

Figure 7: Historical ROA, ROE and TAT



Source: PT Sidomulyo Selaras Tbk., Pefindo Equity & Index Valuation Division

Table 6: Key Ratio

Ratio	2010	2011	2012	2013P	2014P
Growth (%)					
Sales	19.9	(1.6)	27.7	37.1	51.1
Operating Profit	61.0	(43.7)	17.0	79.1	47.7
Net Profit	115.2	(34.3)	(13.7)	28.5	55.7
Profitability (%)					
Gross Margin	28.7	26.4	24.7	24.7	24.7
Operating Margin	13.3	7.6	7.0	9.1	8.9
Net Margin	8.9	6.0	4.0	3.8	3.9
ROA	6.3	3.0	1.9	1.8	2.4
ROE	7.7	3.4	2.9	3.6	5.3
Solvability (X)					
Debt to Equity	0.2	0.1	0.6	1.0	1.2
Interest bearing debt to equity	0.1	0.1	0.3	0.7	0.8
Debt to Asset	0.2	0.1	0.4	0.5	0.5
Liquidity (X)					
Current Ratio	1.4	4.3	1.1	1.3	1.3
Quick Ratio	1.0	1.6	0.6	0.5	0.6

Source: PT Sidomulyo Selaras Tbk., Pefindo Equity & Index Valuation Division Estimates

"Disclaimer statement in the last page is an integral part of this report"

www.pefindo.com

DISCLAIMER

This report was prepared based on trusted and reliable sources. Nevertheless, we do not guarantee its completeness, accuracy and adequacy. Therefore, we are not responsible for any investment decisions made based on this report. All assumptions, opinions and predictions were solely our internal judgments as of the reporting date, and those judgments are subject to change without further notice.

We are not responsible for any mistakes or negligence that occurs by using this report. Recent performance cannot always be used as a reference for future outcome. This report does not offer a recommendation to purchase or hold particular shares. This report might not be suitable for some investors. All opinions in this report have been presented fairly as of the issuing date with good intentions; however, they could change at any time without further notice. The price, value or income of each share of the Company stated in this report might be lower than investor expectations, and investors may obtain returns lower than the invested amount. Investment is defined as the probable income that will be received in the future; nonetheless such returns may fluctuate. As for companies whose shares are denominated in a currency other than Rupiah, foreign exchange fluctuation may reduce their share value, price or the returns for investors. This report does not contain any information for tax considerations in investment decision-making.

The share price target in this report is a fundamental value, not a fair market value or a transaction price reference required by regulations.

The share price target issued by the Pefindo Equity & Index Valuation Division is not a recommendation to buy, sell or hold particular shares. It should not be considered as investment advice from the Pefindo Equity & Index Valuation Division and its scope of service to some parties, including listed companies, financial advisors, brokers, investment banks, financial institutions and intermediaries, does not correlate with receiving rewards or any other benefits from such parties.

This report is not intended for any particular investor and cannot be used as part of an objective investment analysis of particular shares, an investment recommendation, or an investment strategy. We strongly recommend investors to consider the suitability of the situation and conditions before making a decision in relation with the figures in this report. If necessary, consult with your financial advisor.

PEFINDO keeps the activities of the Equity Valuation Division separate from its Ratings Division to preserve the independence and objectivity of its analytical processes and products. PEFINDO has established policies and procedures to maintain the confidentiality of non-public information received in connection with each analytical process. The entire process, methodology and the database used in the preparation of the Reference Share Price Target Report as a whole are different from the processes, methodologies and databases used by PEFINDO in issuing ratings.

This report was prepared and composed by the Pefindo Equity & Index Valuation Division with the objective of enhancing the transparency of share prices of listed companies in the Indonesia Stock Exchange (IDX). This report is also free of influence from any other party, including pressure or force either from IDX or the listed company reviewed. Pefindo Equity & Index Valuation Division earns a reward amounting to IDR20 million from IDX and the reviewed company for issuing this report twice a year. For further information, please visit our website at <http://www.pefindo.com>

This report was prepared and composed by the Pefindo Equity & Index Valuation Division. In Indonesia, this report is published in our website and in the IDX website.