

November 1, 2004

COMPANY REPORT

PT Semen Cibinong

Report Origin: 9M04 Result

Not Rated

Volatility Risk : HIGH

Forex Trigger in 3Q2004

- Forex loss higher than expected
- Getting more expensive to repay debt
- Domestic consumption still promising
- Rather Expensive based on industrial PER

Forex loss higher than expected

Semen Cibinong 3Q '04 booked a net loss approx. Rp379 bn or down 257% compared to the same period last year Rp242 bn. Higher payment to Semen Cibinong's foreign currency debt contributed the highest outlay in company's loss. Sales revenue in 3Q '04 increased by 3% to Rp1.7 tn, however, it was offset by production cost to approximately 6% to Rp1.6 tn higher than in the previous period. (Table 1).

Though net loss higher than expected, Semen Cibinong consolidated net income still showed a sharp decline if forex losses was excluded. Assuming, forex loss was not counted into Semen Cibinong's financial performance, then negative territory resulted in net income is still opened. In our calculation in regards with exclusion of forex loss, the net income booked negative Rp8.12 bn or EPS of minus Rp1 per share.



TECHNICAL

Price (29 Oct 04)	Rp 415
Book Value/Share (FY2003A)	Rp 347
Price/Book Value	1.2x
6-Month Average Daily Volume (mn)	17.4
6-Month Average Daily Turnover (Rpbn)	5.7
Beta	1.0
20-Day Moving Average	Rp 409.7
30-Day Moving Average	Rp 396.3
14-Day Relative Strength Index	58.4

FUNDAMENTAL (Dec)	2003A	2004E	2005E
EPS* (Rp)	23	15	23
P/E (x)	18.0	27.6	18.0

Source: Consensus Estimate

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Table 1: Semen Cibinong Consolidated Income

Items (Rp Bn)	3Q'04	3Q'03	% chg
Sales	1,755	1,702	3%
COGS	(1,611)	(1,522)	6%
Gross Profit	144	180	-20%
<i>Gross Margin</i>	<i>8%</i>	<i>11%</i>	
Operational Income	(40)	(8)	425%
Income bfr Tax	(379)	242	-257%
Net Income	(379)	242	-257%

Source: SMCB

Based on profitability margin, the company reported a slightly decrease on its gross income. Semen Cibinong likely experienced of having difficulty in 3Q 2004 sales revenue adjustment. Pricing and sales volume should be better off for cement producers as higher demand still can be expected towards this year.

Getting more expensive to repay debt

As Sep 2004 Semen Cibinong's net debt to equity ratio stood at 1.85x, resulting higher in interest payment compared to the previous year. Rupiah currency fell 9.5% YTD, it would make more expensive for the company to repay its foreign debt. The impact on company's net income based on our sensitivity analysis shows that for every 1% Rupiah depreciation, interest expense would increase by approx. Rp175.4 mn.

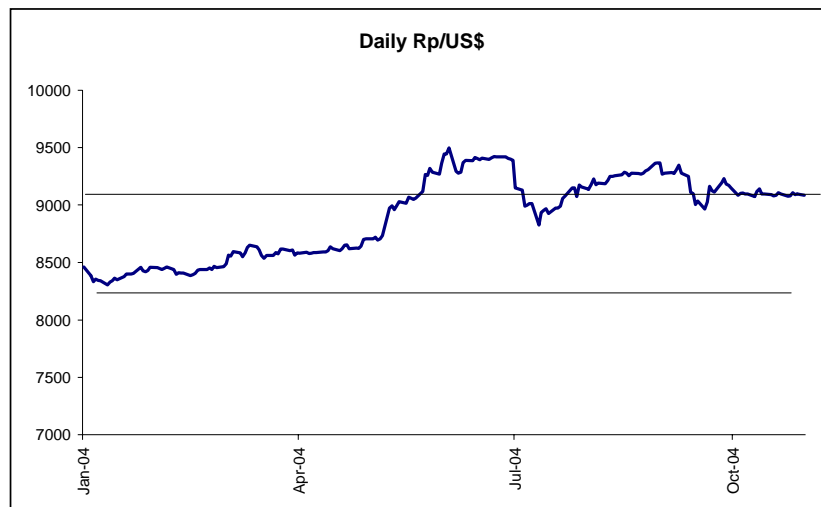
Assuming exchange rate is below Rp9000 / USD and demand is still higher, then it might help Semen Cibinong's turn into profit this year.

Tabel 2: Semen Cibinong Debt Ratio

Ratio	3Q'04	3Q'03
Total Debt to Equity	2.02	1.59
Net Debt to Equity	1.85	1.47

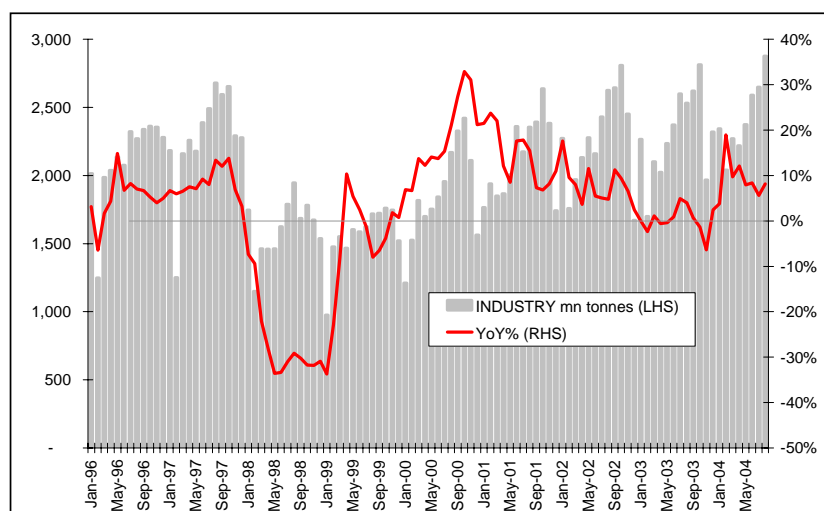
Source: SMCB, BNI SEC

Chart 1: Rp/USD Movement



Source: BNI Sec, Bloomberg

Chart 2: Domestic Cement Consumption



Source: BNI Sec

Domestic consumption still promising

In period of Jan - Aug 2004, domestic cement sales increased nearly 8% compared to the same period last year. The industry is expected to raise more volume production and price level as demand likely continues to climb towards end of this year. However the story of nice and smooth cement industry outlook for the next following year would not stand for long as higher cost of cement production would offset company's revenue. Fuel cost contributed approx. 40% from the total cost of production normally. In regards with higher global oil price, cement producers would likely to adjust their production and price up otherwise the impact would rather be positive to company's net income

Assuming, fuel cost increases by 10% on the average, then production cost will increase by approximately Rp26,700 per tones in industrial average. For those company that principally plays margin oriented, new pricing should likely be maintained to sustain profitability growth.

Table 3: Industry Comparative

JSX Ticker	Name	Last Price	Market Cap (Rp Bn)	BVPS	PBV	EPS	PER	% YTD Price
INTP	Indocement	1925	7,086	1,232	1.56	182.08	10.57	(9.41)
SMGR	Semen Gresik	11350	6,732	5,923	1.92	672.69	16.87	44.59
SMCB	Semen Cibinong	415	31,801	347	1.20	23.00	18.04	2.47
Industrial Avg				2,500	1.56	292.59	15.60	12.55

Source: BNI SEC

Rather expensive based on industrial PER

Based on the industrial outlook and cement producers in particular, preference is still being given onto Indocement Tunggal Prakarsa (INTP) and Semen Gresik (SMGR) as our current stock picking. Semen Cibinong in our belief is still rather expensive than its rival based on higher price earning ratio to the industrial level.

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