

Saraswanti Anugerah Makmur (SAMF)

A preferable proxy to palm oil

- **SAMF is one of the leading local NPK fertilizer manufacturers with the 3rd largest production capacity (excluding SOE) at 600k MT per year** (behind who Wilmar & Agrifert) from its 3 factories located in Java, Sumatra, and Kalimantan. SAMF's R&D background and brand presence allows them to **serve Indonesia's major palm oil players such as DSNG, TBLA, STAA, Hartono Plantation, etc.**
- CPO upstream players have been through a roller coaster in 2022 but overall prices has went up significantly with YTD average at IDR12,750/kg (FY20: IDR8,640/kg; FY21:IDR11,719/kg) due to Russia's invasion to Ukraine. Aside from vegetable oil supply shock, fertilizer is also one of the important commodities affected by the invasion. This encourages CPO players to ensure fertilizer supply for the next half/year and keep up the fertilizer application to maintain ample production. **SAMF benefited from this and managed to increase its ASP by 53% in 9M22 (from FY21) after a relatively stagnant 4 years.**
- Major raw materials include Urea (N), Phosphate (P), and Potassium (K), which were affected by Russian's invasion to Ukraine back in early 2022. Nevertheless, SAMF already secured all of its raw materials from local producers (i.e. Pupuk Indonesia) and imports (Russia and Middle East) which will last them until end of FY23. Although not fully, **SAMF is able to partially passed-on raw materials increase and maintain its GPM at 24.6% in 9M22 (27.9%/25.6% in FY20/FY21)**
- **The national NPK fertilizer industry still has major room for growth** as the annual demand reached ~10mn tonnes while the estimated total capacity is only at ~4.4mn tonnes. To fill that gap, Indonesia imported ~60% NPK fertilizer from various countries. According to BPS, Belarus and Russia accounts for 23% of total fertilizer imports, which further caused imbalance on the supply and demand.
- Therefore, **SAMF is focusing on capacity expansion with optimum utilization rate.** Currently, the plant is operating at a ~70% rate, capable of producing ~420k MT per year. **SAMF had allocated roughly IDR160bn this year (80% realized as of 9M22) for an additional line in Mojokerto plant, which is targeted to come online in late 1Q23, to bring its total capacity to 700,000 MT.**
- Going forward, SAMF plans to expand its capacity to near 1mn MT with a similar low capex per tonne by assembling new production lines.
- **SAMF expects to generate IDR2.9tn revenue in FY22, a 2x YoY growth (85% realized as of 9M22)** driven by ASP growth. We think that this number is reasonable given the sustaining high price of NPK fertilizer at approximately IDR10,500/kg as of Dec2022 (+30% YTD). Entering 2023, **we can expect revenue growth to be driven by volume instead**, capitalizing on the national supply shortage of NPK fertilizer.
- **SAMF's balance sheet is highly geared with ~90% DER** considering its business nature with high cashflow from operations financed by short-term loans. **However, its EBIT/int expense is quite stable and healthy around**

Company Notes

Basic materials

December 13, 2022

12M rating **N-R**

12M TP

Upside

Stock Data

JCI (December 12)	6,734
Stock price (December 12, IDR)	492
Market cap (IDR bn)	2,521.5
Shares outstanding (mn)	5,125
52-week high/low (IDR)	1,205 / 388
6M avg. daily turnover (IDR bn)	1.2
Free float (%)	15.1

Major shareholders (%)

PT Saraswanti Utama	74.3
Agnes Martaulina Dwi Saraswanti Haloho	1.6
Noegroho Harihardono	4.9
Yahya Taufik	2.7
Andreas Adhi Harsanto	1.3

Performance

	1M	6M	12M
Absolute (%)	9.6	5.6	-54.8
Relative to JCI (%)	13.6	6.5	-54.3

SAMF price trend



Source: Bloomberg

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6x. SAMF also consistently distributes dividends with a payout ratio of ~60% since its listing on 1Q20.

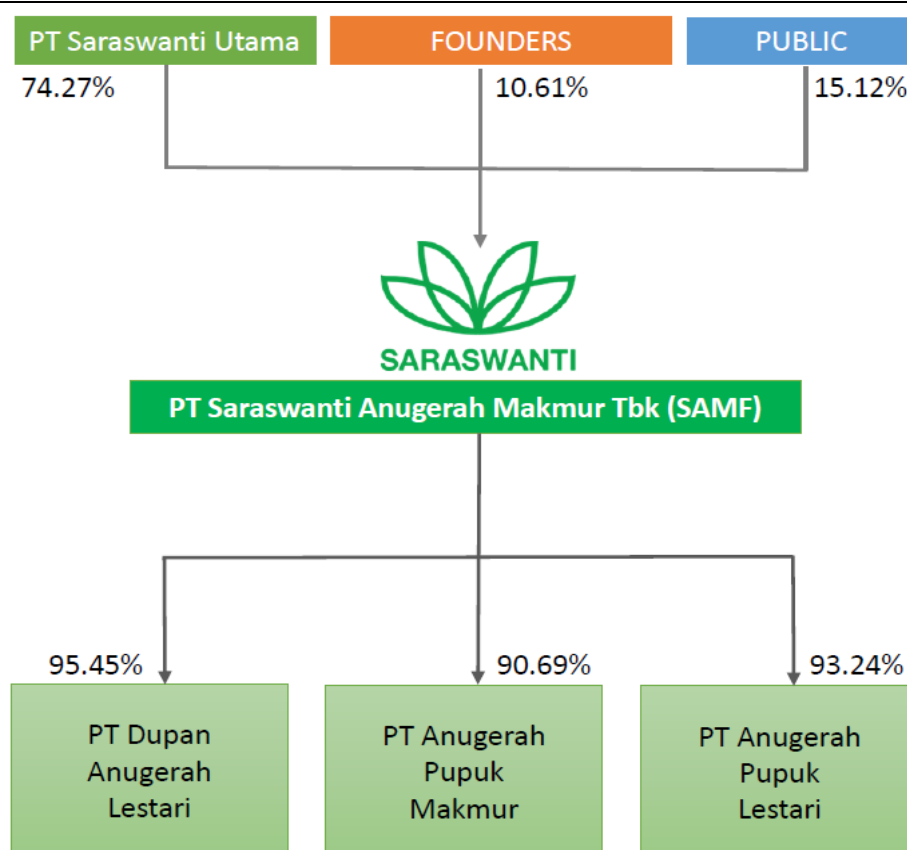
- Given the expected top-line and margins, **SAMF is set to earn FY22 net profit of IDR322bn, a 2.34x jump YoY**. This implies a **cheap 7.8x FY22 PE valuation** (vs regional peers at ~11x) **with huge ROE of 35.5%** (vs regional peers at 27.9%).
- For FY23, we should see additional volume of approximately ~52,500 MT assuming 70% utilization rate after the new production line fully kicks in after 1Q23. Even if FY23 ASP falls by 13%, we can still expect SAMF to record a YoY revenue growth.

Table 1. SAMF financial summary

	2018A	2019A	2020A	2021A	9M22
Sales (IDR bn)	1,204	1,283	1,409	1,852	2,450
GP (IDR bn)	355	361	392	475	589
OP (IDR bn)	185	194	207	248	365
NP (IDR bn)	82	92	114	165	220
EBITDA (IDR bn)	185	211	224	271	383
Net debt (IDR bn)	569	444	262	380	896
GP margin (%)	29.5	28.1	27.9	25.6	24.0
ROE (%)	14.2	15.5	16.6	20.7	35.6
Dividend yield (%)	-	-	3%	6%	8%
EPS (IDR)	22.6	21.0	22.2	32.3	42.9
BPS (IDR)	165.0	145.1	152.9	168.3	195.7
DPS (IDR)	11.4	10.6	10.3	17.4	16.7
PE (x)	21.7	23.4	22.2	15.2	
PB (x)	3.0	3.4	3.2	2.9	
EV/EBITDA (x)	12.7	12.2	12.4	10.7	

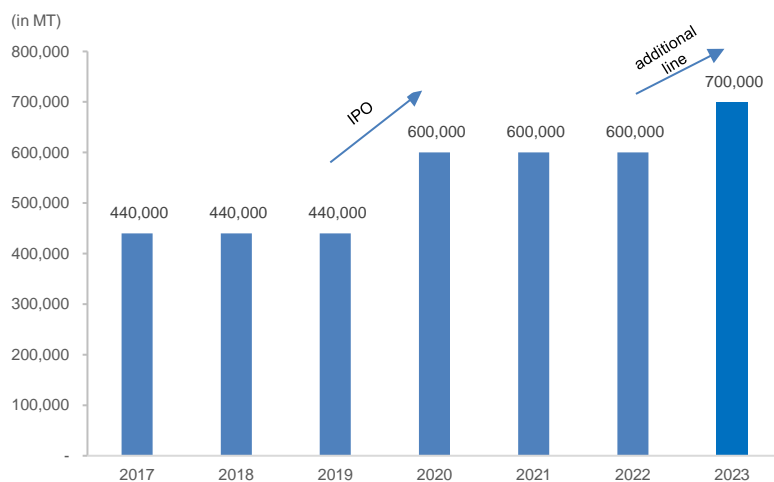
Source: Bloomberg, KISI

Fig 1. SAMF corporate structure



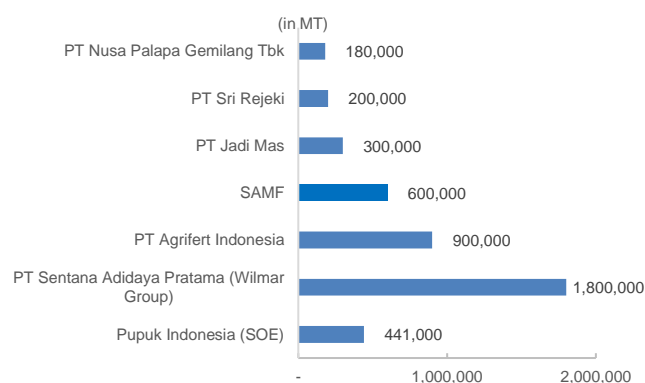
Source: Company, KISI

Fig 2. SAMF's capacity expansion



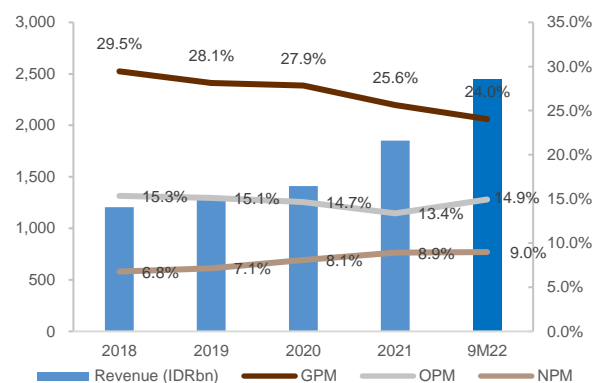
Source: Company, KISI

Fig 3. Regional non-subsidized NPK capacity



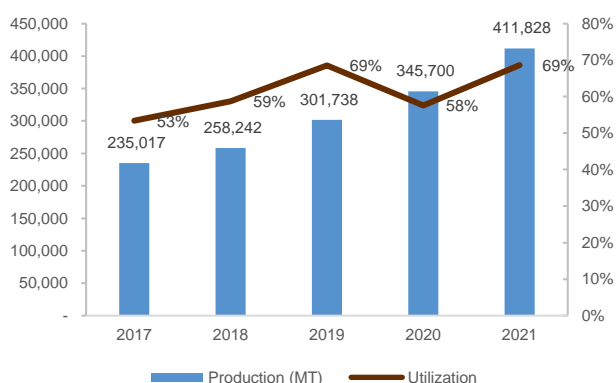
Source: Company, KISI

Fig 4. SAMF's revenue & margin trend



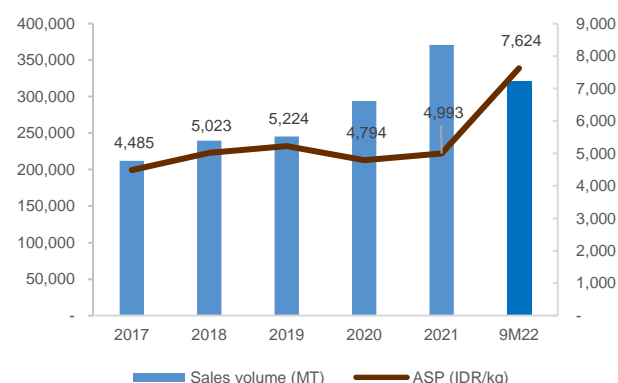
Source: Company, KISI

Fig 5. SAMF's production vol. and utilization rate



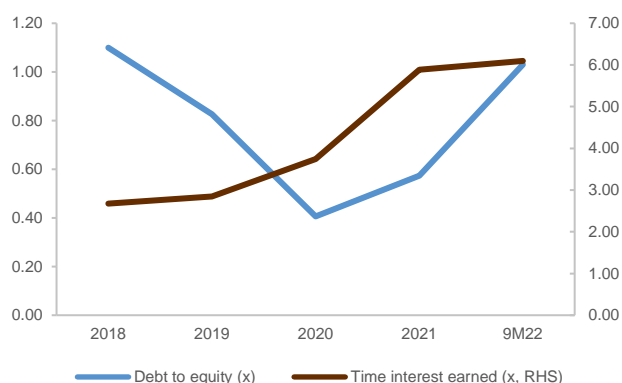
Source: Company, KISI

Fig 6. SAMF's sales vol. & ASP



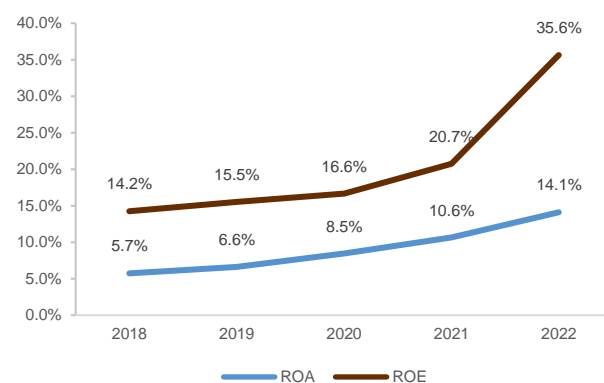
Source: Company, KISI

Fig 7. SAMF's debt level



Source: Company, KISI

Fig 8. SAMF's ROE and ROA



Source: Company, KISI

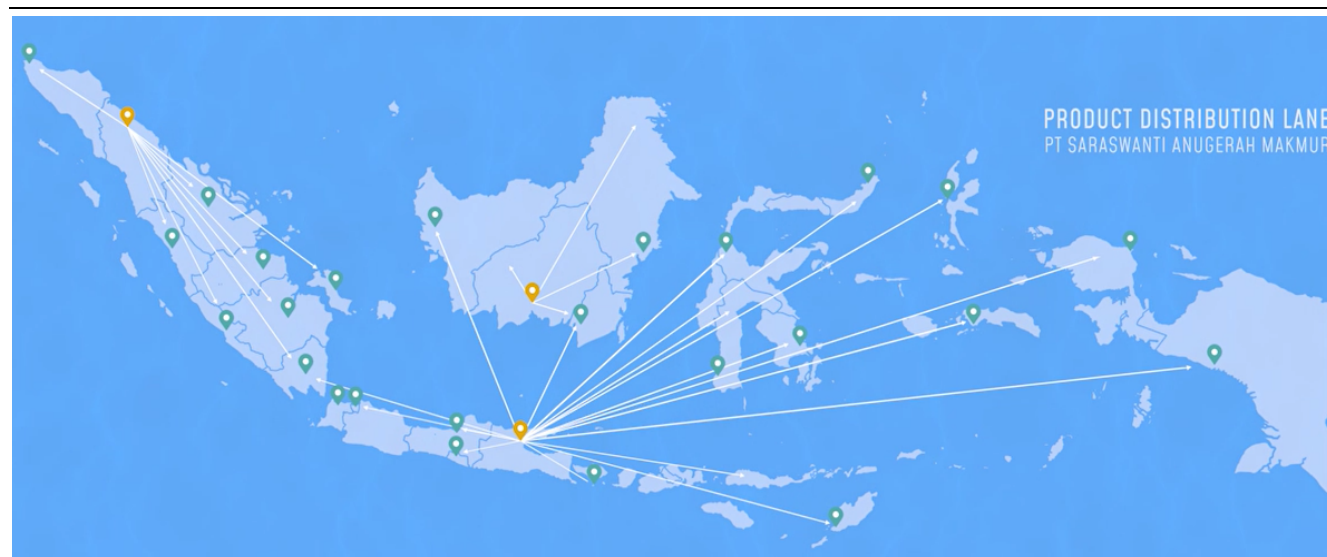
Note: 2022 earning is based on management guidance

Table 2. SAMF product portfolio



Source: Company, KISI

Table 3. SAMF's factory location (yellow) and distribution line (green)



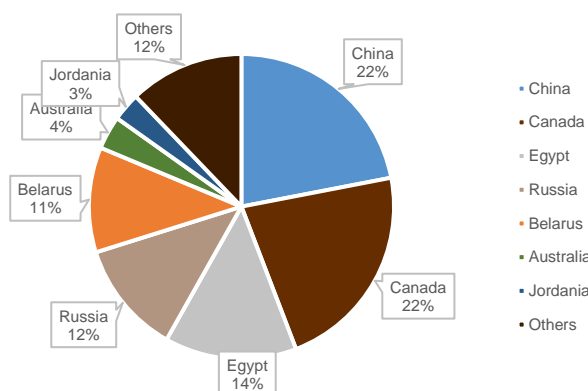
Source: Company, KISI

Table 4. SAMF's peers

Company	Bloomberg ticker	Mkt Cap (USD mn)	PE TTM(x)	EV/EBITDA TTM (x)	ROE TTM(%)
Saraswanti Anugerah Makmur	SAMF IJ Equity	161	8.7	6.9	35.6
NFC PCL	NFC TB Equity	186	15.3	NA	36.3
Oat Agrico Co Ltd	4979 JP Equity	131	7.5	5.9	22.2
CH Biotech R&D Co Ltd	6534 TT Equity	209	11.3	7.8	32.8
All Cosmos Biotech Holding	4148 TT Equity	124	9.5	5.9	18.9
Mangalore Chemicals & Fertilizer	MCF IN Equity	120	11.3	16.0	14.2
Khaitan Chemical & Fertilizer	KCF IN Equity	88	9.0	8.6	38.3
peers weighted average		858	11.1	6.7	27.9

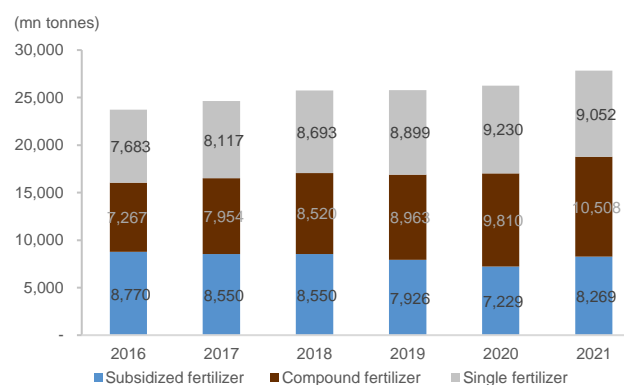
Source: Bloomberg, KISI

Fig 9. Indonesia fertilizer import by country



Source: BPS, KISI

Fig 10. Indonesia fertilizer market



Source: Company, KISI

Fig 11. SAMF production line



Source: Company, KISI

Fig 12. SAMF raw materials warehouse



Source: Company, KISI

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