

BUY

18 April 2019
Tins mining, Equity

Price IDR. 1345
Target Price IDR. 2155
JKSE Index 6481.52

Investment Consideration

Higher production

As we said previously TINS' plans to expand and grow production through adding two new processing technologies, Fuming and Ausmelt are on progress. Fuming is expected to start production in the 2H19 delayed from our previous report while Ausmelt is targeted to start in 2021. In terms of production for 2019F, we estimate a continued increase to 60000 tonnes compared to 44513 tonnes in 2018A. We expect favorable tin prices as supply is still limited while demand is still high. We believe regulatory support has helped drive TINS' operational and earning performances higher last year, The new Indonesian Government regulation is that every tin mining business must report their mineral reserves and set out a budget work plan (RKAB). This will control illegal mining and help TINS production to grow this year. In addition, in late 2018, a new regulation means all tin exports must be approved by a surveyor of PT Sucofindo. TINS is the only producer of tin which can fulfill the requirements so the company is 100% of tin exports in the first 3 months of 2019 compared to 98% in 2018FY. We estimate TINS bottom line growth during 2019-2020F to improve significantly compared to historically and to average 76% yoy from better production and sales volume.

Capex for exploration on progress

TINS set aside capex for 2019 of IDR, 2,6 trillion with most of capex plans for maintenance and to enlarge capacity including Ausmelt. In addition, Capex will be used to explore for tin outside Indonesia, in Africa and Myanmar. TINS will also start to develop mineral products associated with tin (mineral ikutan/Logam tanah jarang) in the future.

Valuation: 60% upside

Based on PER. we have a target price for TINS within one year of IDR. 2,155/ share or trading at 9.8PER, which gives 60% upside from the current price (IDR.1345/share). We recommend to BUY.

Stock Code
Bloomberg code TINS IJ
Market cap (IDR.bn) 10017.2
52-Week High (IDR) 1645
52-Week Low (IDR) 605
6-m Avg Daily. Val (IDR) 1015
Free Float (%) 35

Major Shareholders (%)
INALUM 65%
Public 35%

USD/IDR-YE
2018A 14390
2019F (Avg) 14065

Key Indicators 2019F
DER (x) 0.98
Debt ratio (x) 0.50
EBITDA Margin (%) 20.76

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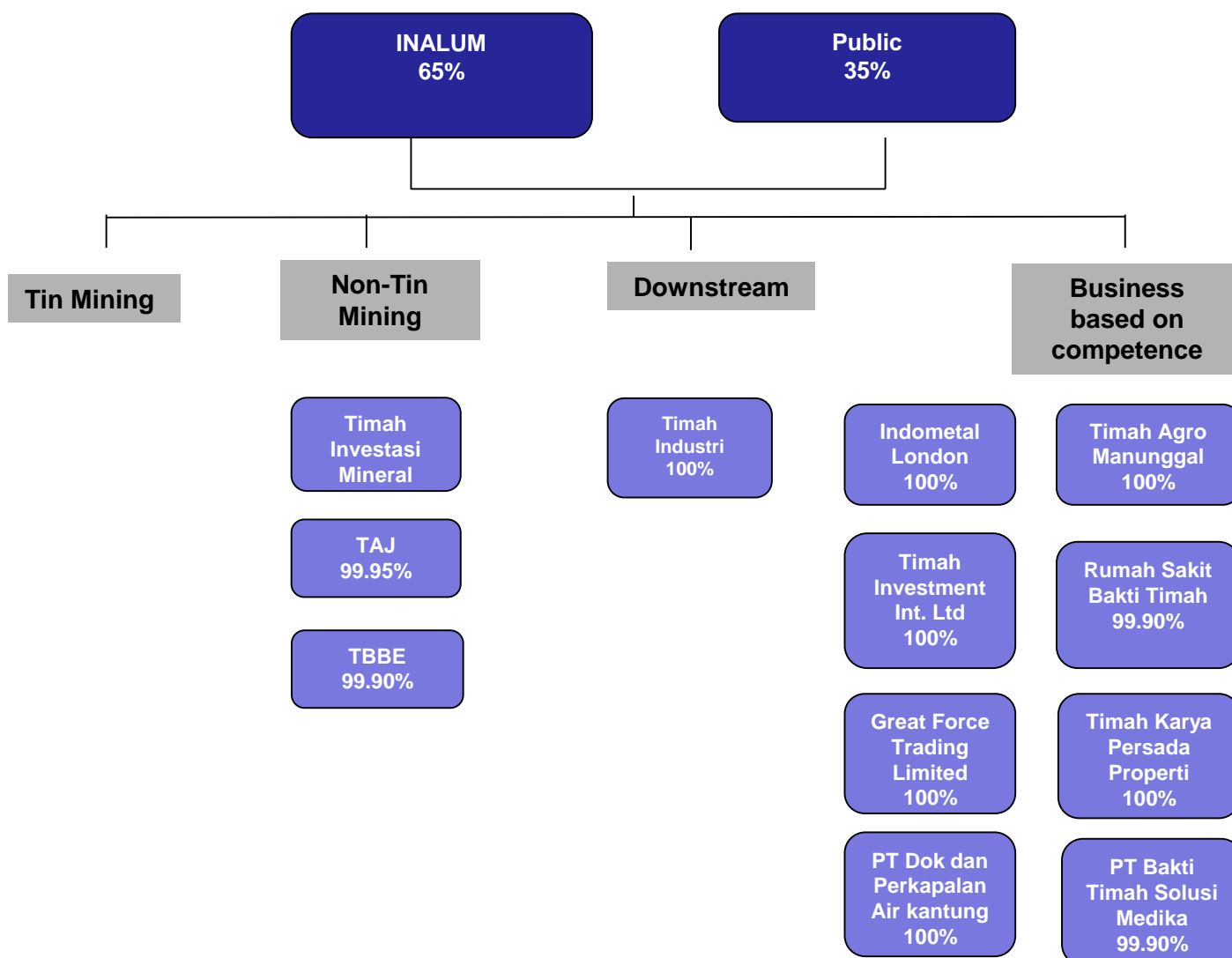


Profit and Loss (IDR. in bn)	2015A	2016A	2017A	2018A	2019F	2020F
Revenues	6,874	6,968	9,217	11,050	13,400	15,146
Cost of Revenues	(6,188)	(5,873)	(7,692)	(9,372)	(10,452)	(11,587)
Gross Profit	686	1,095	1,526	1,678	2,948	3,559
Operating Expenses	(605)	(597)	(795)	(931)	(898)	(1,015)
Operating Income	81	498	731	747	2,050	2,544
Other Income	87	(83)	(15)	20	(268)	(303)
Profit Before Tax	168	415	716	766	1,782	2,241
Tax Expense	(67)	(132)	(207)	(192)	(446)	(560)
NIAT	102	283	509	575	1,337	1,681
Loss after tax from discontinued operations	0	(31)	(6)	(43)	(41)	(39)
Minority Interest	0.022	(0.137)	0.013	0.010	0.011	0.011
Net Income	102	252	502	531	1,296	1,642
EPS	14	34	67	71	174	220
EBITDA	757	1,057	1,432	1,643	2,618	3,144

Company Profile

PT Timah (Persero) Tbk was established on August 2nd, 1976. It is a state – owned enterprise engaged in tin mining and has been listed on the Indonesian Stock Exchange since 1995. TINS’ scope of activity includes mining, trading, transportations and services. The company’s main activity is as a holding company that performs tin mining, operations, and marketing services for the group. Based on Business pillars, TINS has four business pillars including Tin mining, non tin mining, downstream Tin products and other businesses. The company has several subsidiaries either directly or indirectly engaged in the mining, industry, trading, transportation and services related to the mining business, as well as businesses in the construction sector, property, hospital services and agro-industrial enterprises. The company has diversified its business into non tin mining to maintain the performances of the company during tin business fluctuations. The company is domiciled in Pangkalpinang, Bangka Belitung Province. As of 2016, the company owned 128 IUP mining licenses with a total areas of 473,303 Ha. Tin exploration activity has been conducted for more than 50 years and is now being expanded to increase resources. Around 95% of the company’s sales come from export sales while the rest are from domestic sales. For smelting, the Company operates 6 furnaces located in Kundur, Kepri and Mentok, Bangka. To Support Production, As of 31 December 2016, the Company owned 6 dredgers, 18 cutter suction dredgers and 3 stripping dredgers.

Company Structure As of 2017

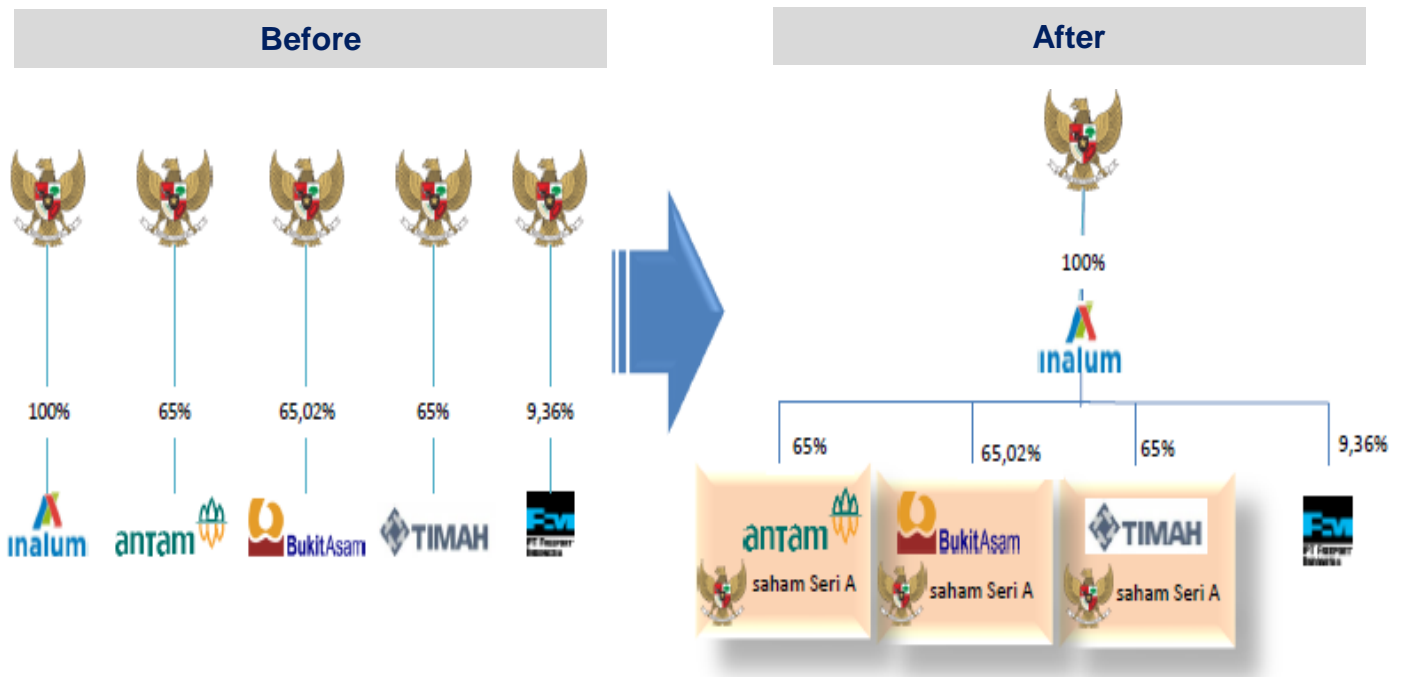


Source: company

SoE Holding:

The government's 65% ownership of shares in mining companies TINS (PT Timah Tbk), ANTM (PT Aneka Tambang Tbk), and PTBA (PT Tambang batubara Bukit Asam Tbk) are being transferred to Inalum, which is 100% owned by the Government. The government will still own the series A golden shares in these three companies., therefore there is no need for a tender offer. As they will no longer be majority owned by the government, the three issuers will not be called State Owned enterprise companies but subsidiaries of SOE, Inalum. The government still has control over the three issuers indirectly from previous directly. The purpose of establishment of this holding company are to increase the capacity of funding for expansion, cost efficiency, for greater control and to better manage the mining reserve and resources. In addition, this holding will improve the value of downstream products for each company through synergy. For PT Timah itself, the development of the smelter for processing Tin ore to Tin Ingot to Tin products targets to increase value added by 10 times. Inalum will be an investment holder and not operational so each company will run their own operations.

SoE Holding structure



Tin regulation in Indonesia

The Minister of Trade has issued an amendment No. 33/M-DAG/PER/5/2015 to regulation No.44/M-DAG/PER/7/2014 on Tin Exports. This new policy is evidence of the Government’s seriousness in handling illegal tin mining as well as protecting tin reserves in the country. Referring to the Minister of Trade regulation No. 33 Year 2015, several tin export rules are tightened including the requirement to have a Clear and Clean (CnC) Certificate in order to export and the requirement to sell through the Indonesian Commodity and Derivatives Exchange (ICDX). As for the non-bar tin export products, solder tin, and non solder tin, the company can export without passing through the futures exchange. In addition, in August 2017, the Bangka Belitung Governor announced a moratorium on tin mining licenses to ease the sector’s environmental impact. During the moratorium, the government will not issue new mining licenses or extend existing licenses. This regulation is expected to curb illegal mining and illegal exports of tin ore. The Bangka Belitung government is currently drafting a new mining regulation related to eco friendly tin mining methods.

Integrated Business of Company



Operational Area of company

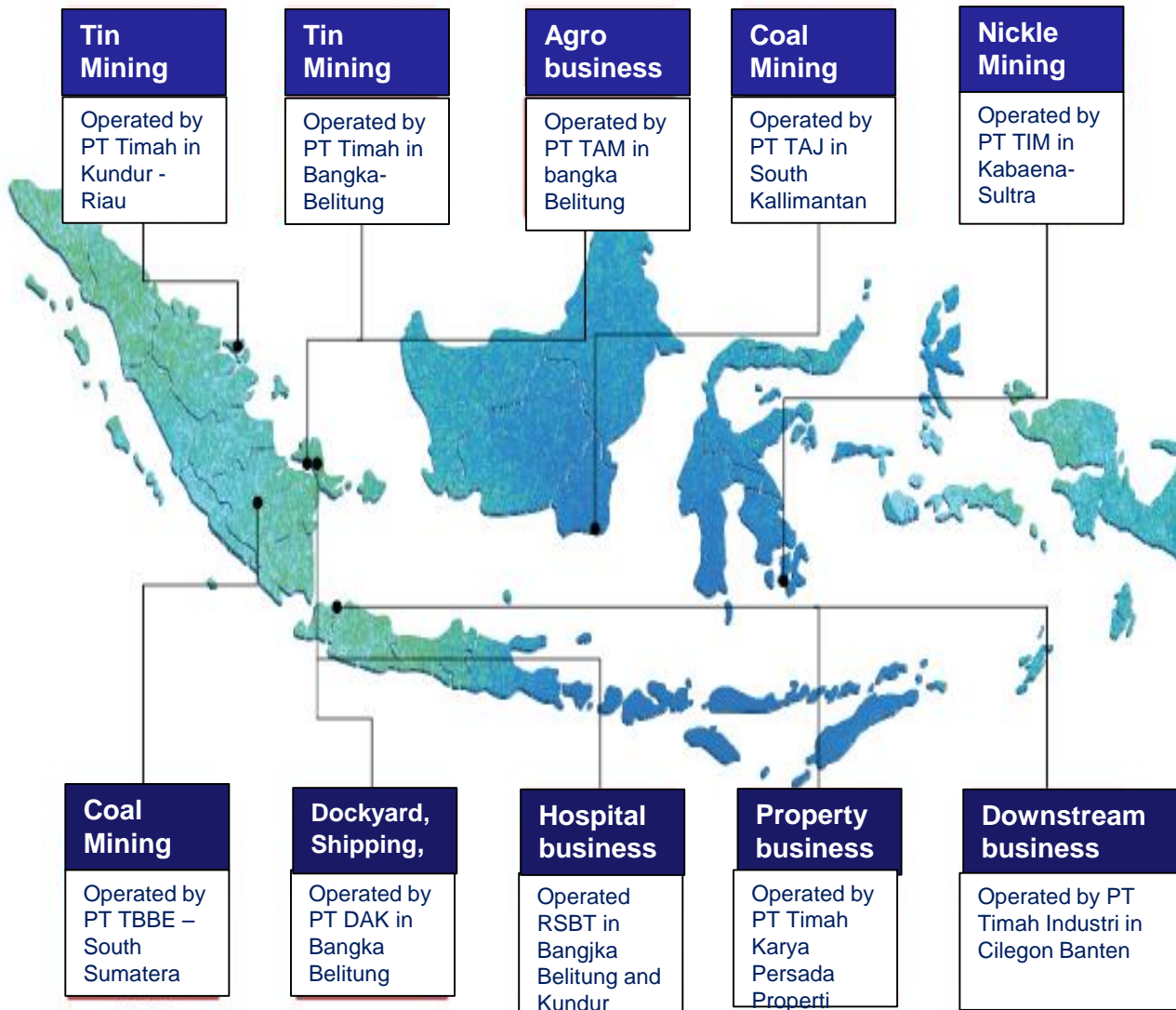


Chart: Global demand compared to supply yoy

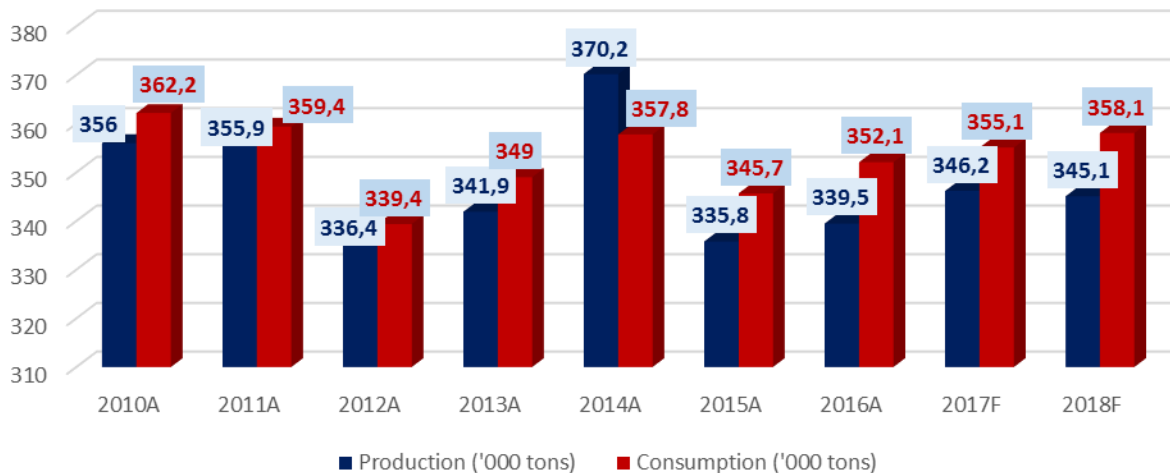


Chart: Tin metal production vs sales metal (tonnes) yoy

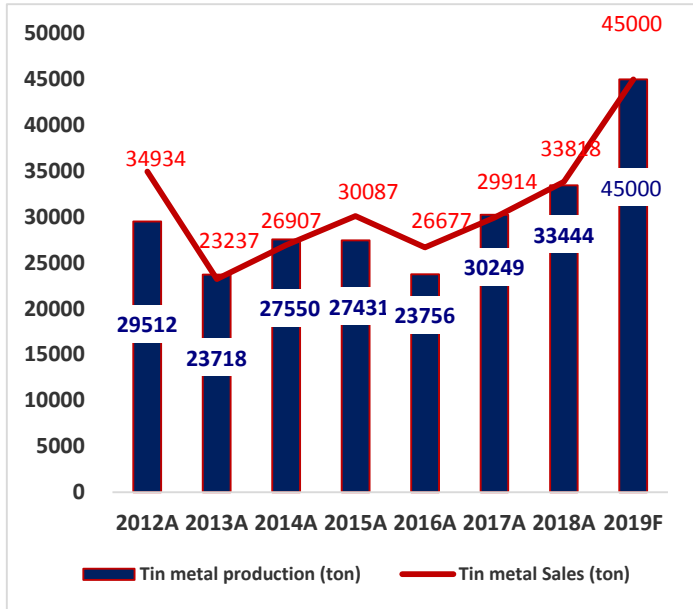


Chart: Tin offshorer and onshore production (tonnes) yoy

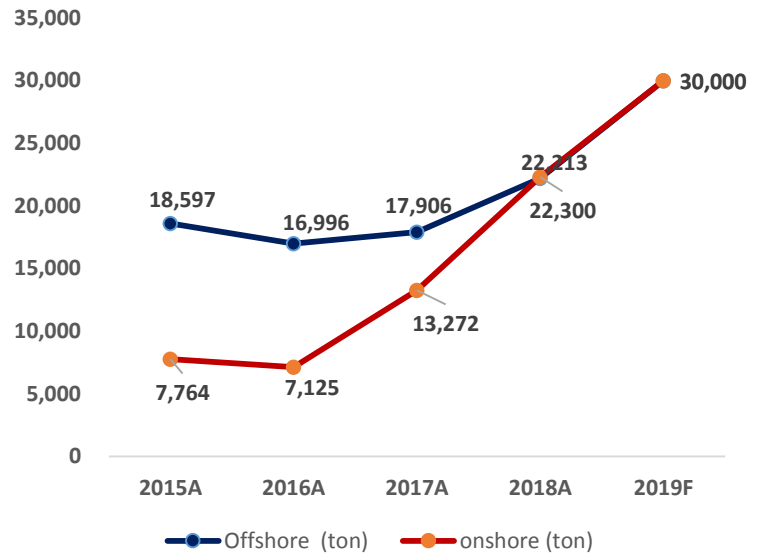


Chart: World tin consumption and production yoy

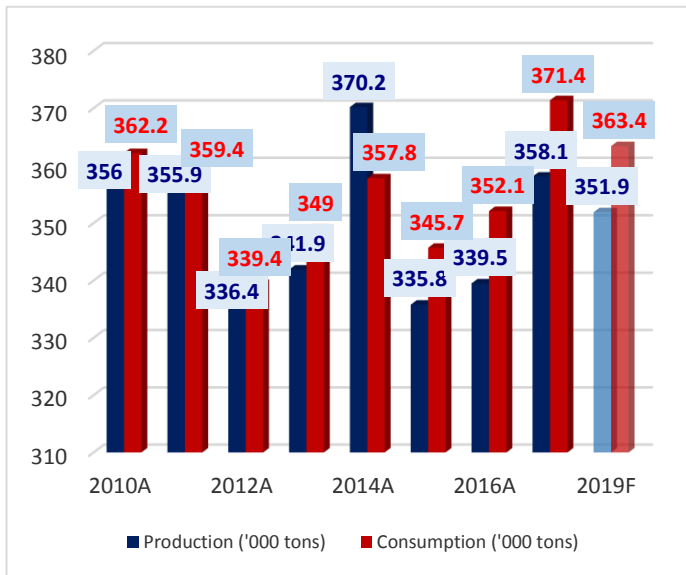
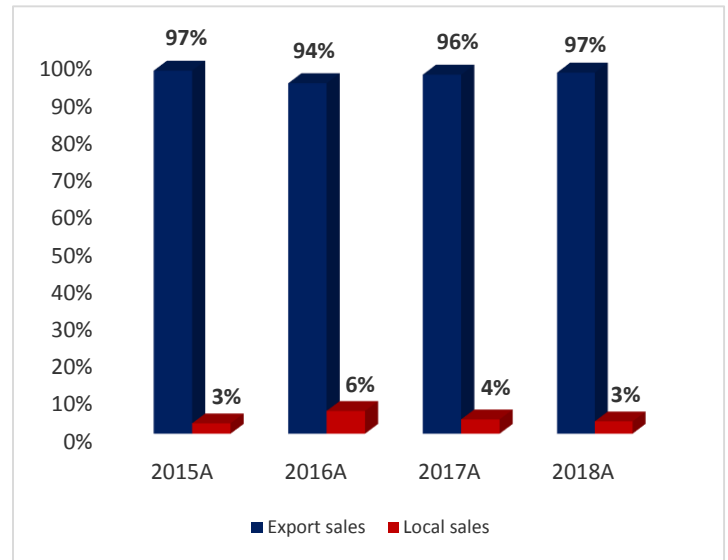


Chart: Tin export sales vs local sales



Profit and Loss (IDR. in bn) yoy

Profit and Loss (IDR. in bn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Revenues	7,518	6,874	6,968	9,217	11,050	13,400	15,146
Cost of Revenues	(5,903)	(6,188)	(5,873)	(7,692)	(9,372)	(10,452)	(11,587)
Gross Profit	1,615	686	1,095	1,526	1,678	2,948	3,559
Operating Expenses	(652)	(605)	(597)	(795)	(931)	(898)	(1,015)
Operating Income	963	81	498	731	747	2,050	2,544
Other Income	62	87	(83)	(15)	20	(268)	(303)
Profit Before Tax	1,025	168	415	716	766	1,782	2,241
Tax Expense	(352)	(67)	(132)	(207)	(192)	(446)	(560)
NIAT	673	102	283	509	575	1,337	1,681
Loss after tax from discontinued operations	0	0	(31)	(6)	(43)	(41)	(39)
Minority Interest	0.014	0.022	(0.137)	0.013	0.010	0.011	0.011
Net Income	673	102	252	502	531	1,296	1,642
EPS	90	14	34	67	71	174	220
EBITDA	1,541	757	1,057	1,432	1,643	2,618	3,144

Balance Sheet (IDR. in bn) yoy

Balance Sheet (IDR. in bn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Cash and cash equivalent	346	497	564	1,357	785	831	880
Trade Account Receivable	1,477	466	883	1,514	2,017	2,446	2,765
inventory	3,384	3,102	2,309	2,509	4,262	4,753	5,269
Other current asset	1,060	1,379	1,121	1,264	1,827	1,608	1,818
asset classified as held for sale	230	0	361	352	313	318	323
Current Asset	6,498	5,444	5,238	6,997	9,204	9,957	11,055
Fixed Asset	2,017	2,224	2,221	2,462	3,085	3,470	3,910
other long term asset	1,329	1,611	2,090	2,417	2,828	3,350	3,786
Total non current Asset	3,346	3,835	4,311	4,879	5,914	6,820	7,697
Total Asset	9,844	9,280	9,549	11,876	15,118	16,777	18,752
Trade Account Payable	851	583	661	733	975	1,072	1,212
Short Term bank loans	2,334	2,115	1,733	2,192	4,644	4,624	4,604
liabilities directly associated with assets classified for sale	54	0	100	95	137	137	139
Other short term liabilities	275	301	567	382	420	510	576
Total current liabilities	3,515	2,999	3,061	3,403	6,176	6,343	6,531
bond	0	0	0	1,200	1,200	1,200	1,200
sukuk ijarah	0	0	0	300	300	300	300
other long term liabilities	1,829	910	834	912	920	1,115	1,261
Total long term/ non current liabilities	1,829	910	834	2,412	2,420	2,615	2,761
Total Liabilities	5,344	3,909	3,895	5,815	8,596	8,959	9,292
non controlling interest	0	0	0	0	0	0	0
Total Equities	4,500	5,371	5,653	6,061	6,522	7,818	9,460
Total Liabilities & Equity	9,844	9,280	9,549	11,876	15,118	16,777	18,752

Cash Flow (IDR. In bn) yoy

Cash Flow (IDR. in bn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
+ Net Income	673	102	252	502	531	1296	1642
+Depreciation	381	442	508	497	562	608	696
- Change in WC	(441)	689	335	(624)	(6)	(539)	(862)
Cash From Operating Activities	613	1232	1095	375	1086	1365	1476
capex	(393)	(649)	(505)	(738)	(1184)	(992)	(1137)
other long term asset	(339)	(282)	(479)	(327)	(412)	(522)	(436)
cash from investing activities	(732)	(931)	(983)	(1066)	(1596)	(1514)	(1573)
bond	0	0	0	1200	0	0	0
sukuk ijarah	0	0	0	300	0	0	0
other long term liabilities	1278	(920)	(76)	79	8	196	145
Equity	(1426)	770	31	(95)	(71)	0	0
cash from financing activities	(148)	(150)	(45)	1484	(63)	196	145
Net Changes in Cash	(267)	151	66	794	(573)	47	48
Beginning Balance	614	346	497	564	1357	785	831
Ending balance	346	497	564	1357	785	831	880

Ratio Highlights

Growth (% YoY)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Revenues	28.46%	-8.56%	1.37%	32.27%	19.88%	21.27%	13.03%
OP	16.15%	-91.54%	510.80%	46.84%	2.17%	174.50%	24.09%
EBITDA	24.65%	-50.87%	39.59%	35.53%	14.70%	59.31%	20.13%
Net profit	15.93%	-84.91%	147.91%	99.51%	5.76%	143.88%	26.71%
EPS	-21.66%	-84.91%	147.91%	99.51%	5.76%	143.88%	26.71%

Profitability (%)

Operating Margin	12.81%	1.19%	7.14%	7.93%	6.76%	15.30%	16.80%
EBITDA margin	20.50%	11.01%	15.17%	15.54%	14.87%	19.53%	20.76%
NET Profit margin	8.95%	1.48%	3.61%	5.45%	4.81%	9.67%	10.84%
ROA	6.84%	1.09%	2.64%	4.23%	3.51%	7.72%	8.76%
ROE	14.96%	1.89%	4.45%	8.29%	8.15%	16.58%	17.36%

Liquidity

Current Ratio (X)	1.85	1.82	1.71	2.06	1.49	1.57	1.69
Cash Ratio	0.10	0.17	0.18	0.40	0.13	0.13	0.13

Solvability

Total debt/ Total equity (x)	1.19	0.73	0.69	0.96	1.32	1.15	0.98
Int. Coverage (x)	9.15	1.30	3.51	3.57	2.52	8.19	11.38
Debt Ratio	0.54	0.42	0.41	0.49	0.57	0.53	0.50

Per Share data (Rp)

EPS	90.36	13.64	33.81	67.46	71.34	174.00	220.48
BVPS	604.17	721.16	759.08	813.84	875.66	1049.66	1270.13

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-20%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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