

BUY

19 July 2019
Textile, Garment

Price IDR 350

Target Price IDR 500

JKSE Index 6,403.294



Stock Information

Bloomberg Code SRIL IJ
Market Cap (IDR bn) 7,158.3
52-week high (IDR) 380
52-week low (IDR) 312
Shares issued (mn) 20,452
6-m avg. daily Val (IDR) 338
Free float (%) 39.90%

Major share holders (%)
PT. Huddleston Indonesia 60.06%
Founder Shares 0.04%
Public (below 5% each) 39.90%

USD/ IDR – YE (IDR)
2018 14,390
2019F (6m-avg) 14,178

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Investment Consideration

Higher US sales

- While the trade war has weighed on market conditions, SRIL has increased export sales to the United States (US).
- As of 1H2019, SRIL net sales increased 16.2% to USD 631.6 million from USD 543.8 million in 1H2018.
- The Spinning segment dominated with a sales contribution of 40.1%. The Finishing segment and Garment segment contributed 26.73% and 26.74% respectively, while Weaving contributed 6.4%.
- Export sales contributed 59.8% in 1H2019 net sales, or USD 377.7 million and grew by 29.4% YoY compared to 1H2018 USD 291.7 million.
- Higher 1H2019 export sales came from higher US's sales which jumped 3.2x or contributed 13.6% to export sales and were worth USD 51.35 million from USD 15.98 million in 1H2018.

Better Margin

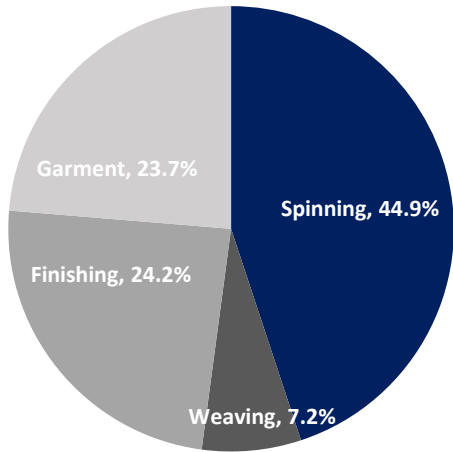
- As of 1H2019, SRIL recorded net profit of USD 63.25 million up 12.3% YoY compared to 1H2018 USD 56.33 million. The 2Q2019 net profit was USD 35.2 million up significantly by 25.5% compared to 1Q2019 net profit of USD 28.05 million. The net profit margin in 2Q2019 is getting better at 11.2% compared to 1Q2019 8.9%.
- Gross profit grew 34% YoY to USD 131.1 million and give a positive impact to the 2Q2019 Gross profit margin of 21.1% higher compared to 2Q2018 17.9% and slightly up from 1Q2019 20.5%.
- As SRIL is focusing on increasing utilization to 90% for all business segments and targeting higher margins in their Finishing and Garment segments in 2019, we expect SRIL's net profit to grow 14% YoY to USD 96.15 million in 2019F.

Valuation: Maintain Buy TP 500, 43% Upside

- We are targeting SRIL to trade at 7x 2020F PE, which is around IDR 500 per share or 43% potential upside within one year. Maintain BUY

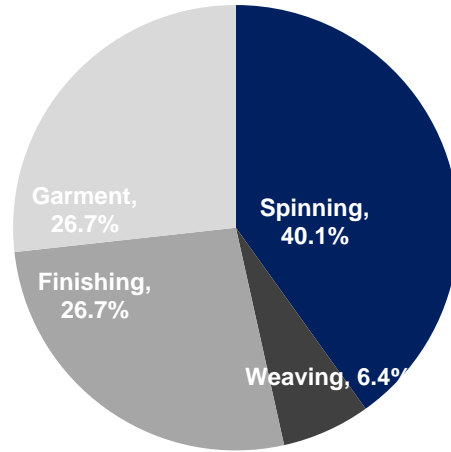
Financial Highlights	2015 A	2016 A	2017 A	2018 A	2019 F	2020 F
Sales (In USD Mn)	622.0	679.9	759.3	1033.9	1187.0	1305.7
Net Profit (In USD Mn)	55.7	59.4	68.0	84.6	96.1	105.8
EPS (In USD)	0.0030	0.0032	0.0037	0.0041	0.0047	0.0052
GPM (%)	21.4%	21.4%	22.6%	17.8%	19.0%	19.0%
NPM (%)	8.9%	8.7%	9.0%	8.2%	8.1%	8.1%
EBITDA Margin (%)	19.3%	20.1%	21.5%	20.8%	19.2%	18.4%
Debt / Equity (x)	0.55	0.31	0.28	0.32	0.76	0.81
Interest Coverage (x)	1.6	1.2	1.1	1.3	1.1	1.2
ROA (%)	7.1%	6.3%	5.7%	6.2%	6.6%	7.0%

Chart: Sales Contribution 1Q2019



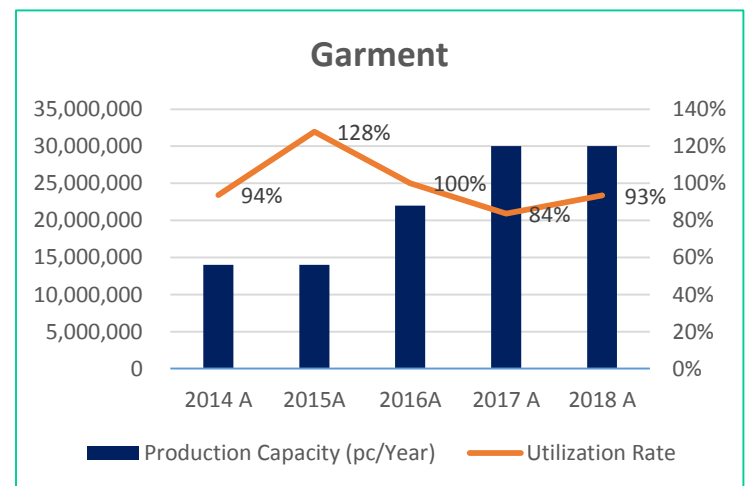
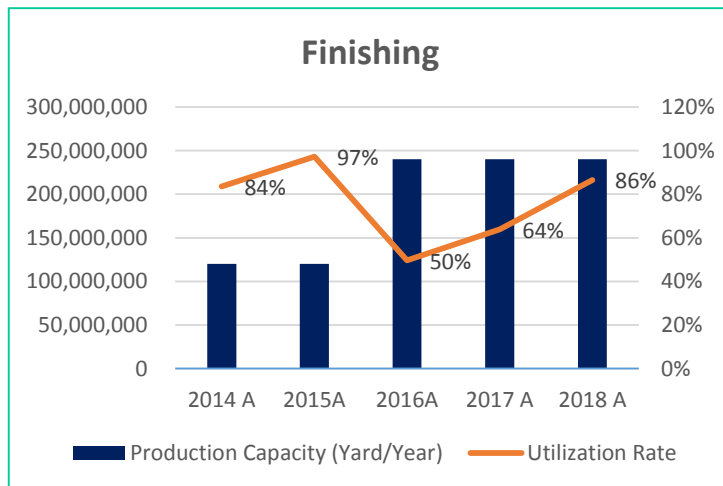
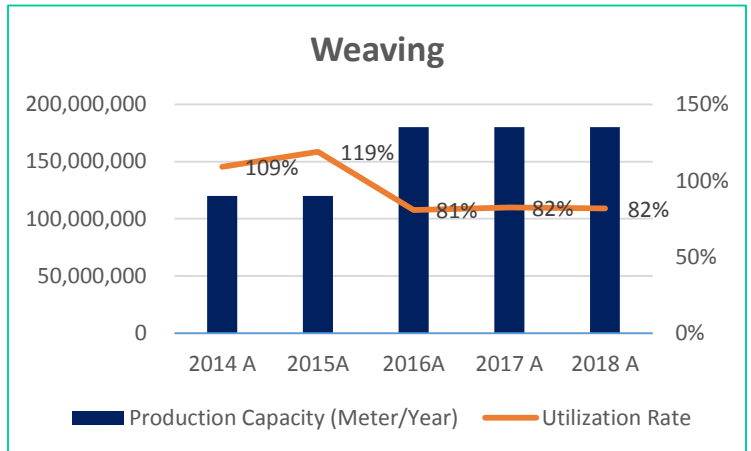
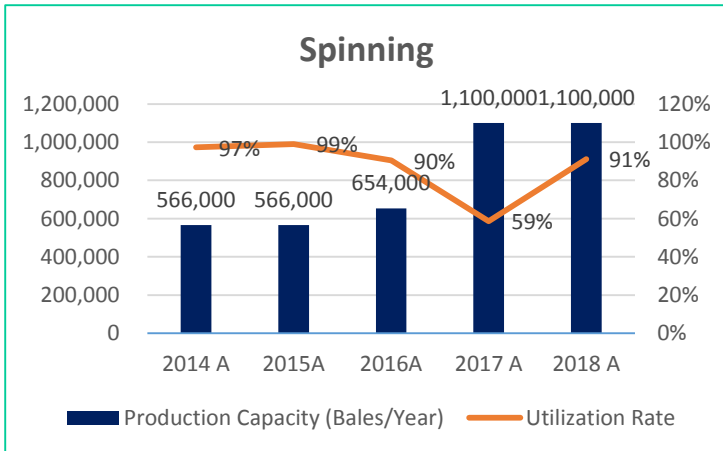
Source: company

Chart: Sales Contribution 1H2019



Source: company

Chart: Production Capacity vs Utilization Rate YoY



Source: company

Table: Income Statement In USD. Million YoY

Income Statement (in USD.Mn)	2014 A	2015 A	2016 A	2017 A	2018 A	2019 F	2020 F
Net Sales	554.6	622.0	679.9	759.3	1,033.9	1,187.0	1,305.7
Cost of Sales	(432.2)	(488.6)	(534.6)	(588.1)	(850.2)	(961.5)	(1,057.6)
Gross Profit	122.4	133.4	145.4	171.3	183.8	225.5	248.1
Operating Expense	(28.1)	(35.3)	(29.9)	(36.6)	(21.9)	(47.5)	(52.2)
Operating Income	94.4	98.1	115.5	134.7	161.9	178.1	195.9
Other Income	(28.4)	(33.5)	(49.4)	(62.5)	(62.5)	(71.2)	(78.3)
PBT	66.0	64.6	66.0	72.1	99.4	106.8	117.5
Taxes	(15.4)	(8.9)	(6.7)	(4.1)	(14.9)	(10.7)	(11.8)
NIAT	50.5	55.7	59.4	68.0	84.6	96.1	105.8
Minority Interest	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0
Net Profit	50.5	55.7	59.4	68.0	84.6	96.1	105.8
EPS (in USD)	0.003	0.003	0.003	0.004	0.004	0.005	0.005
EBITDA	109.2	119.8	136.5	163.3	214.8	228.4	240.6

Table: Cash Flow In USD. Million YoY

Cash Flow (in 'mn USD)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Net Income	50.52	55.66	59.37	68.04	84.56	96.15	105.76
Depreciation	14.01	19.74	19.93	28.25	51.96	33.69	35.43
Change in WC	(177.25)	1.31	(15.15)	(148.63)	(6.59)	(135.77)	(70.65)
Cash From Operating Activities	(112.73)	76.71	64.14	(52.35)	129.93	(5.94)	70.54
Capex	(86.57)	(138.02)	(98.35)	(55.66)	(158.84)	(67.38)	(70.86)
Other non current asset	(33.55)	30.67	(30.48)	48.69	(3.30)	1.00	(1.25)
Cash from investing activities	(120.12)	(107.35)	(128.83)	(6.96)	(162.13)	(66.39)	(72.11)
Long term loans	10.18	31.79	(84.38)	(12.69)	11.48	344.88	44.23
MTN	30.00	0.00	(30.00)	40.00	25.00	0.00	0.00
Notes Payable	0.00	268.47	166.26	56.54	1.83	(174.00)	0.00
other long term liabilities	276.83	(263.76)	1.20	(0.83)	5.21	3.82	0.95
Equity	(8.66)	(10.35)	(5.01)	43.02	(10.47)	(78.73)	(84.61)
cash from financing activities	308.35	26.15	48.08	126.05	33.05	95.97	(39.43)
Net Changes in Cash	75.50	(4.50)	(16.61)	66.74	0.84	23.65	(40.99)
Beginning Balance	6.11	81.60	77.11	60.49	127.23	128.07	151.72
Ending balance	81.60	77.11	60.49	127.23	128.07	151.72	110.73

Source: Company and Binaartha

Table: Statement of Financial Position In USD. Million YoY

Statement of Financial Position (USD.mn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Cash and cash equivalent	81.60	77.14	60.49	127.23	128.07	151.72	110.73
Trade Account Receivable	129.24	102.18	149.56	188.96	196.09	244.15	282.08
Inventory	109.57	135.79	147.62	314.13	331.84	324.67	352.54
Other current asset	5.83	8.03	20.35	14.73	50.24	38.74	39.17
Current Asset	326.24	323.14	378.02	645.05	706.25	759.28	784.52
Net Fixed Asset	322.60	440.88	519.30	546.71	653.58	687.27	722.70
Other long term asset	7.01	0.03	23.13	1.14	4.44	3.44	4.69
LT investment	43.02	19.33	26.71	0.00	0.00	0.00	0.00
Total non current Asset	372.62	460.24	569.14	547.85	658.02	690.71	727.40
Total Asset	698.87	783.37	947.16	1,192.90	1,364.27	1,450.00	1,511.91
Trade Account Payable	18.62	11.11	5.53	54.94	58.87	44.83	45.70
Short Term bank loans	31.67	38.27	73.14	105.19	133.62	30.25	33.28
Other Short term liabilities	14.19	17.77	14.87	15.06	36.46	47.48	39.17
MTN	0.00	0.00	30.00	0.00	0.00	0.00	0.00
Total current liabilities	64.48	67.16	123.53	175.19	228.96	122.56	118.15
Long term loans bank	82.97	114.77	30.39	17.70	29.18	374.06	418.29
MTN	30.00	30.00	0.00	40.00	65.00	65.00	65.00
Notes Payable	0.00	268.47	434.73	491.27	493.10	319.10	319.10
Other Long term liabilities	289.97	26.21	27.41	26.58	31.79	35.61	36.56
Total non current liabilities	402.95	439.45	492.53	575.55	619.07	793.77	838.95
Total Liabilities	467.43	506.61	616.07	750.74	848.02	916.34	957.10
Minority interest	0.02	0.01	0.00	0.00	0.00	0.00	0.00
Total Equities	231.41	276.73	331.10	442.16	516.25	533.66	554.81
Total Liabilities and equity	698.87	783.35	947.17	1,192.90	1,364.27	1,450.00	1,511.91

Table: Ratio Highlights YoY

Ratio	2014 A	2015 A	2016 A	2017 A	2018 A	2019 F	2020 F
Growth (%YoY)							
Sales	23.1%	12.1%	9.3%	11.7%	36.2%	14.8%	10.0%
OP	47.8%	4.0%	17.7%	16.7%	20.2%	10.0%	10.0%
EBITDA	41.5%	9.7%	14.0%	19.7%	31.5%	6.3%	5.3%
Net Profit	70.7%	10.2%	6.7%	14.6%	24.3%	13.7%	10.0%
EPS	70.7%	10.2%	6.7%	14.6%	13.0%	13.7%	10.0%
Profitability (%)							
Operating Margin (%)	17.0%	15.8%	17.0%	17.7%	15.7%	15.0%	15.0%
Ebitda Margin(%)	19.7%	19.3%	20.1%	21.5%	20.8%	19.2%	18.4%
Net Profit Margin(%)	9.1%	8.9%	8.7%	9.0%	8.2%	8.1%	8.1%
ROA (%)	7.2%	7.1%	6.3%	5.7%	6.2%	6.6%	7.0%
ROE (%)	21.8%	20.1%	17.9%	15.4%	16.4%	18.0%	19.1%
Solvability (x)							
Debt / equity	0.50	0.55	0.31	0.28	0.32	0.76	0.81
Debt / Tot. Asset	0.16	0.20	0.11	0.10	0.12	0.28	0.30
Debt / EBITDA	1.05	1.28	0.76	0.75	0.76	1.77	1.88
Liquidity (x)							
Interest Coverage	1.7	1.6	1.2	1.1	1.3	1.1	1.2
Current Ratio	5.1	4.8	3.1	3.7	3.1	6.2	6.6
Per Share data (USD)							
EPS	0.003	0.003	0.003	0.004	0.004	0.005	0.005
BV	0.012	0.015	0.018	0.024	0.025	0.026	0.027
EBITDA/ Share	0.006	0.006	0.007	0.009	0.011	0.011	0.012

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 **0-19%**.
Sell : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

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