

17 Nov 2020

Tins mining, Equity

Price IDR. 1055
 Target Price IDR. 1255
 JKSE Index 5494.87



Investment Consideration Production target on track

As of 9M20, TINS recorded tin ore production of 34,592 tons, down 47.44% yoy. About, 74.56% came from in land mining, while the remaining 25.44% came from offshore mining. Tin metal production was 37,588 tons, minus 35.37% yoy. Sales of tin metal were 45,548 tons down 9.49% yoy. The average selling price of tin metal was USD16,832 down by 11.8% yoy. As we previously mentioned, In 2020F, TINS is targeting lower tin ore production volume of 55k tons or -33% yoy and expects lower tin prices as demand is still weak, affected by the spread of the corona virus. But the vaccine trials in several countries have brought hope for the recovery of metal markets. TINS recorded exports of 98%, while the rest was for the domestic market. Tins export destinations up to 9M 2020 are Asia 68%, Europe 15% and America 15%. We maintain our estimated production and sales volume targets as in our prior report.

Ausmelt Furnace progress

The ausmelt furnace smelter project located in Muntok Bangka Barat, has reached 30.5% overall completion with a capacity target of 40000 MT / year crude tin. Construction of this project has been going on for 8 months with a target of completion in another 16 months, which is January 2022. In addition to Ausmelt, TINS is also working on rare earth projects. Currently, the company is looking for strategic partners to work on the project.

Continued higher efficiencies

TINS is on track to improve cash flow to maintain the health of finances and reduce interest expenses. During 9M20, TINS de - leveraged to reduce interest payments, and re - profiled bank loan payment schedules for both currencies. As a result, In 9M2020, operating cashflow amounted to Rp 4.84 trillion, up from Rp 3.17 trillion in 1H20. TINS has been able to pay down some of its short-term liabilities and bond debt. The short-term bank debt position of Rp 4.74 trillion has decreased by 46% compared to 8.79 trillion last year. Going forward, TINS will continue to reduce bank loans, continue to explore for resources and focus on technology development.

Valuation: 18% upside

We have a target price for TINS within one year of IDR. 1255 / share or trading at 52xPER, or 18% upside. Our recommendation is HOLD.

Stock Code
 Bloomberg code TINS IJ
 Market cap (IDR.bn) 7857,4
 52-Week High (IDR) 1120
 52-Week Low (IDR) 328
 6-m Avg Daily. Val (IDR) 1055
 Free Float (%) 35

Major Shareholders (%)
 INALUM 65%
 Public 35%

USD/IDR-YE
 2019A 13866
 2020F (Avg) 14126

Key Indicators 2021F
 DER (x) 0,97
 Debt ratio (x) 0.68

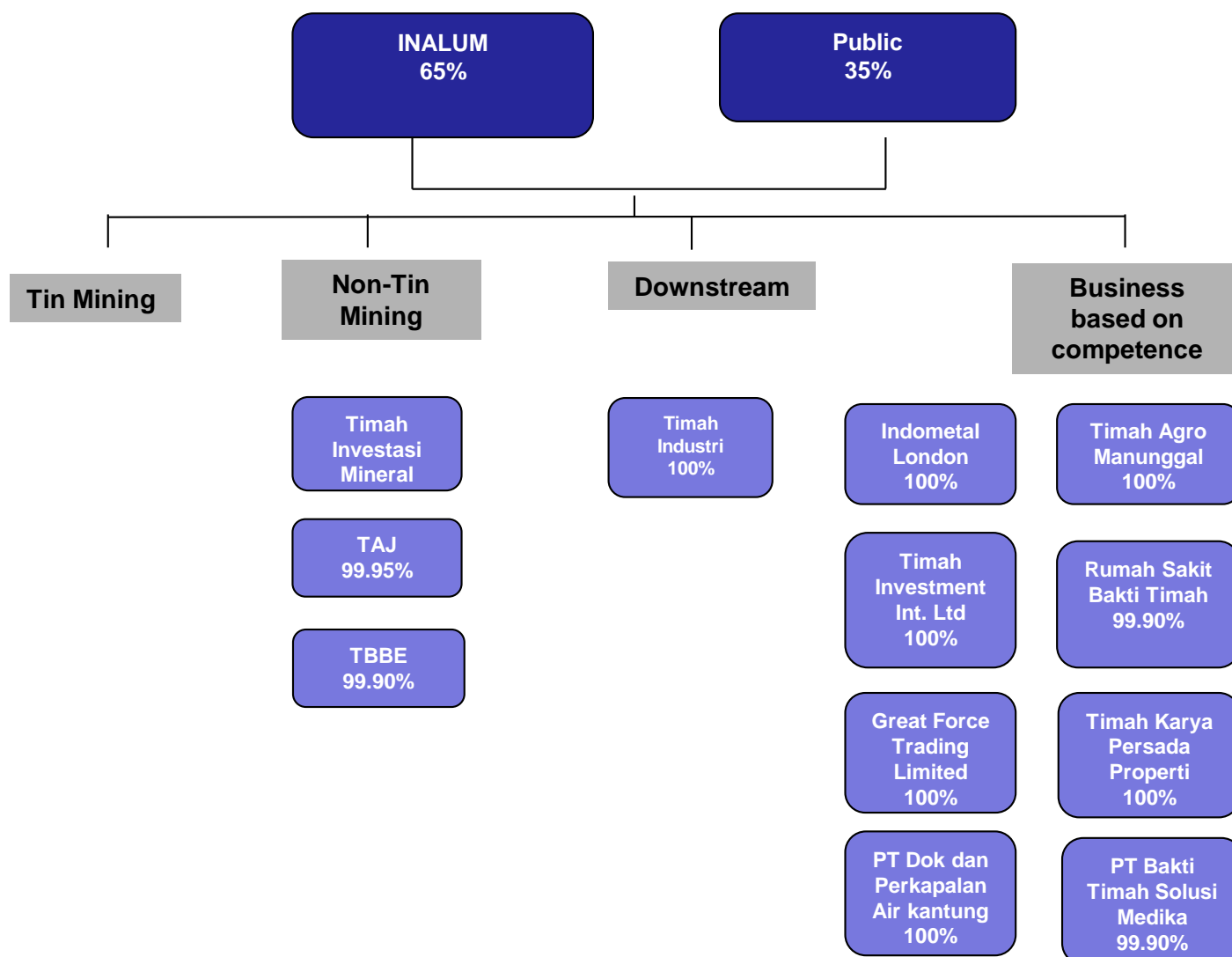
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Profit and Loss (IDR. in bn)	2017A	2018A	2019A	2020F	2021F
Revenues	9.217	11.017	19.303	15.706	19.032
Cost of Revenues	(7.692)	(9.943)	(18.167)	(14.921)	(17.129)
Gross Profit	1.526	1.074	1.136	785	1.903
Operating Expenses	(795)	(939)	(1.212)	(942)	(1.275)
Operating Income	731	135	(76)	(157)	628
Other Income	(15)	64	(646)	(157)	(381)
Profit Before Tax	716	199	(722)	(314)	247
Tax Expense	(207)	(15)	114	(50)	(74)
Net Income	502	132	(611)	(360)	178
EPS	67	18	(82)	(48)	24
EBITDA	1.432	1.148	907	951	1.569

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

Operational Area of company

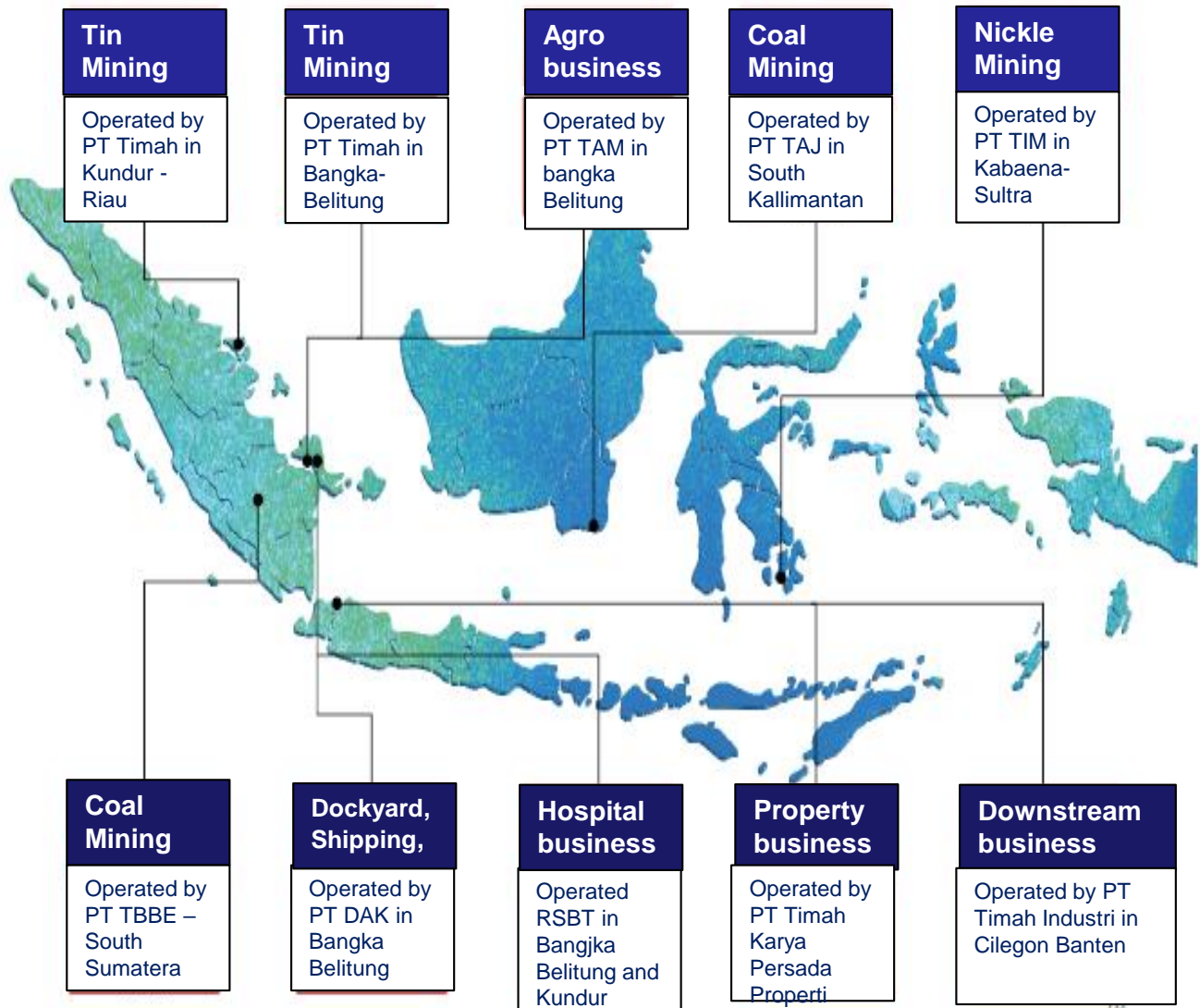
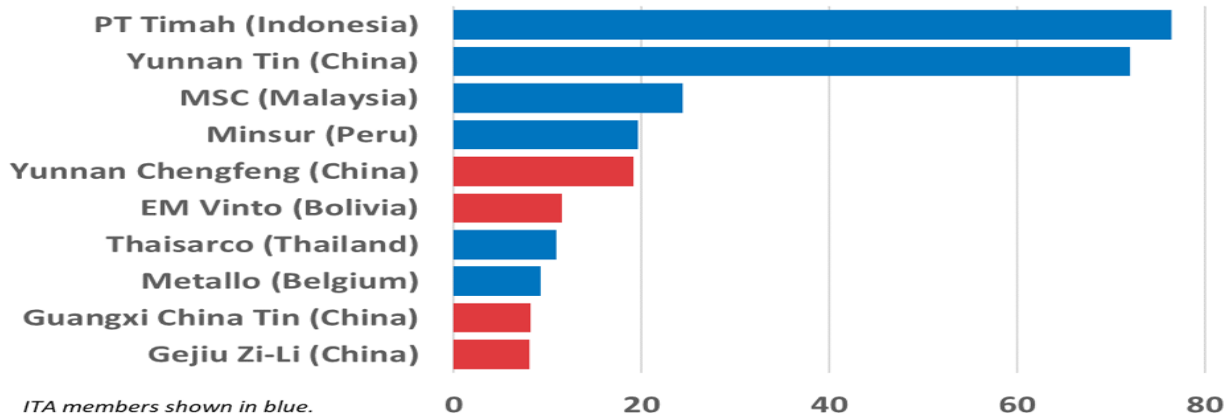


Chart: Top 10 of global tin producers of 2019

Top 10 global tin producers of 2019
Refined tin, '000 tonnes



ITA members shown in blue.

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

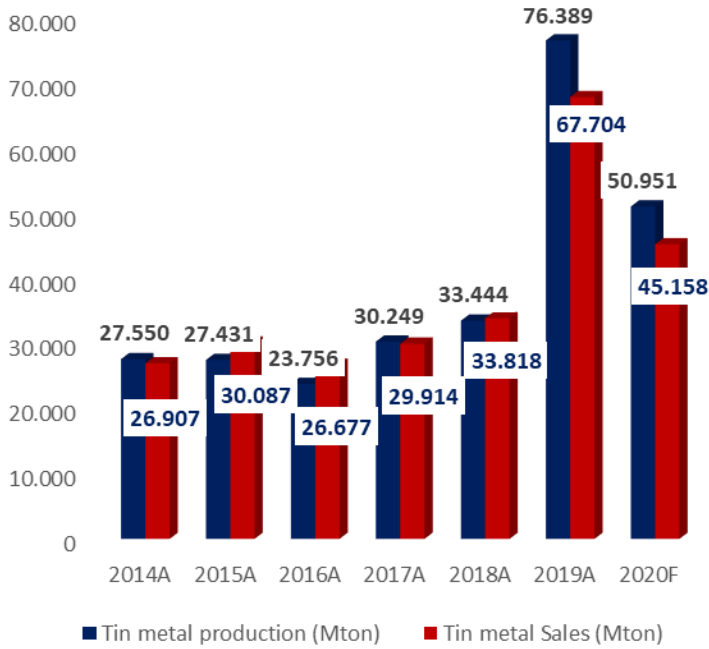


Chart: Tin offshorer and onshore production (tons) yoy

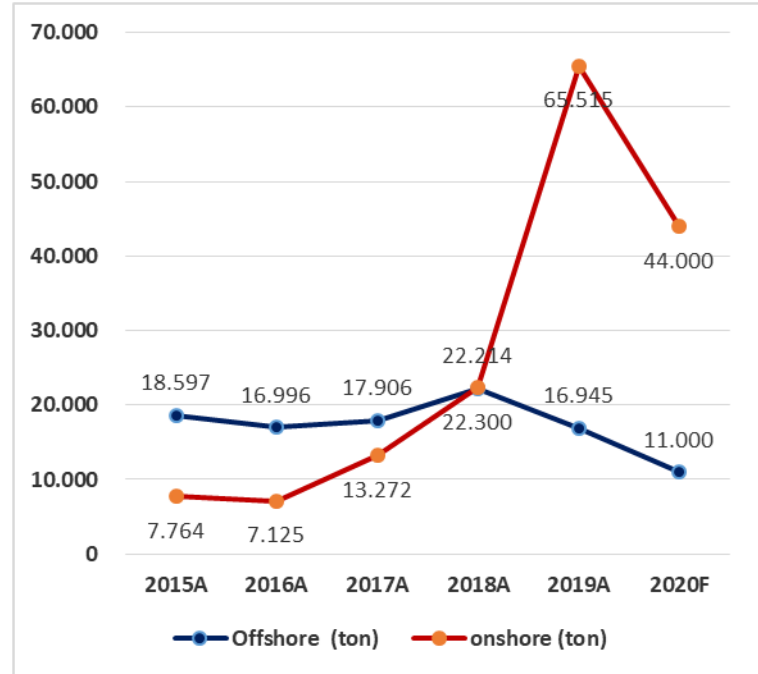


Chart: TINS Average selling price (ASP) yoy (USD/Mton)

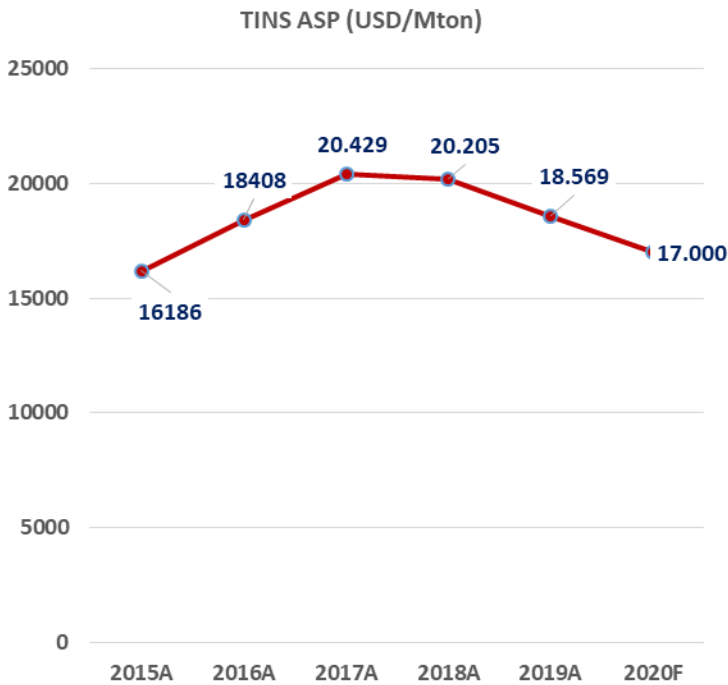
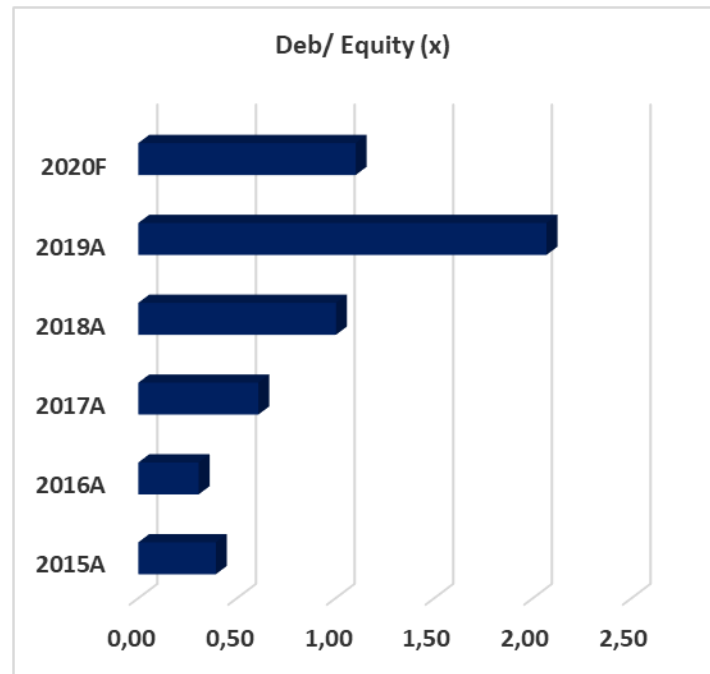


Chart: TINS Debt to Equity ratio yoy (x)



Profit and Loss (IDR. in bn) yoy

Profit and Loss (IDR. in bn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenues	6.874	6.968	9.217	11.017	19.303	15.706	19.032
Cost of Revenues	(6.188)	(5.873)	(7.692)	(9.943)	(18.167)	(14.921)	(17.129)
Gross Profit	686	1.095	1.526	1.074	1.136	785	1.903
Operating Expenses	(605)	(597)	(795)	(939)	(1.212)	(942)	(1.275)
Operating Income	81	498	731	135	(76)	(157)	628
Other Income	87	(83)	(15)	64	(646)	(157)	(381)
Profit Before Tax	168	415	716	199	(722)	(314)	247
Tax Expense	(67)	(132)	(207)	(15)	114	(50)	(74)
NIAT	102	283	509	184	(609)	(364)	173
Loss after tax from discontinued operations	0	(31)	(6)	(52)	(3)	5	5
Minority Interest	0,022	(0,137)	0,013	0,010	0,000	(0,298)	(0,362)
Net Income	102	252	502	132	(611)	(360)	178
EPS	14	34	67	18	(82)	(48)	24
EBITDA	757	1.057	1.432	1.148	907	951	1.569

Balance Sheet (IDR. in bn) yoy

Balance Sheet (IDR. in bn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Cash and cash equivalent	497	564	1.357	785	1.599	923	1.202
Trade Account Receivable	466	883	1.514	1.920	1.620	1.420	1.721
inventory	3.102	2.309	2.509	4.108	6.501	3.679	3.754
Other current asset	1.379	1.121	1.264	1.904	2.290	1.885	2.284
asset classified as held for sale	0	361	352	299	297	347	357
Current Asset	5.444	5.238	6.997	9.017	12.307	8.253	9.318
Fixed Asset	2.224	2.221	2.462	3.100	3.601	3.915	4.103
other long term asset	1.611	2.090	2.417	3.104	4.453	4.712	5.139
Total non current Asset	3.835	4.311	4.879	6.204	8.054	8.627	9.242
Total Asset	9.280	9.549	11.876	15.221	20.361	16.880	18.559
Trade Account Payable	583	661	733	1.322	1.969	2.582	3.650
Short Term bank loans	2.115	1.733	2.192	4.664	8.791	4.239	3.739
liabilities directly associated with assets classified for sale	0	100	95	137	85	75	75
Other short term liabilities	301	567	382	513	1.113	628	1.142
Total current liabilities	2.999	3.061	3.403	6.635	11.958	7.524	8.605
bond	0	0	1.200	1.200	1.793	1.793	1.793
sukuk ijarah	0	0	300	300	300	300	300
other long term liabilities	910	834	912	937	1.061	1.529	1.841
Total long term/ non current liabilities	910	834	2.412	2.437	3.145	3.613	3.925
Total Liabilities	3.909	3.895	5.815	9.072	15.103	11.137	12.530
non controlling interest	0	0	0	0	0	0	0
Total Equities	5.371	5.653	6.061	6.148	5.258	5.743	6.029
Total Liabilities & Equity	9.280	9.549	11.876	15.221	20.361	16.880	18.559

Cash Flow (IDR. In bn) yoy

Cash Flow (IDR. in bn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
+ Net Income	102	252	502	132	(611)	(360)	178
+Depreciation	442	508	497	562	819	791	884
- Change in WC	689	335	(624)	640	2847	(1057)	296
Cash From Operating Activities	1232	1095	375	1334	3055	(626)	1357
capex	(649)	(505)	(738)	(1199)	(1320)	(1104)	(1072)
other long term asset	(282)	(479)	(327)	(687)	(1349)	(259)	(427)
cash from investing activities	(931)	(983)	(1066)	(1886)	(2669)	(1363)	(1499)
bond	0	0	1200	0	593	0	0
sukuk ijarah	0	0	300	0	0	0	0
other long term liabilities	(920)	(76)	79	25	115	468	312
Equity	770	31	(95)	(45)	(279)	845	109
cash from financing activities	(150)	(45)	1484	(21)	429	1313	421
Net Changes in Cash	151	66	794	(573)	815	(677)	279
Beginning Balance	346	497	564	1357	785	1599	923
Ending balance	497	564	1357	785	1599	923	1202

Ratio Highlights

Ratio Highlights	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Growth (%)							
Revenues	-8,56%	1,37%	32,27%	19,52%	75,21%	-18,63%	21,17%
OP	-91,54%	510,80%	46,84%	-81,57%	-156,38%	106,79%	-499,88%
EBITDA	-50,87%	39,59%	35,53%	-19,84%	-21,01%	4,80%	65,07%
Net profit	-84,91%	147,91%	99,51%	-73,67%	-562,06%	-41,09%	-149,32%
EPS	-84,91%	147,91%	99,51%	-73,67%	-562,06%	-41,09%	-149,32%
Profitability (%)							
Operating Margin	1,19%	7,14%	7,93%	1,22%	-0,39%	-1,00%	3,30%
EBITDA margin	11,01%	15,17%	15,54%	10,42%	4,70%	6,05%	8,24%
NET Profit margin	1,48%	3,61%	5,45%	1,20%	-3,17%	-2,29%	0,93%
ROA	1,09%	2,64%	4,23%	0,87%	-3,00%	-2,07%	0,98%
ROE	1,89%	4,45%	8,29%	2,15%	-11,63%	-6,27%	2,95%
Liquidity							
Current Ratio (X)	1,82	1,71	2,06	1,36	1,03	1,17	1,03
Cash Ratio	0,17	0,18	0,40	0,12	0,13	0,12	0,14
Solvability							
Debt/ Total equity (x)	0,39	0,31	0,61	1,00	2,07	1,10	0,97
Int. Coverage (x)	1,30	3,51	3,57	0,56	-0,92	-0,69	0,59
Debt Ratio	0,42	0,41	0,49	0,60	0,74	0,66	0,68
Per Share data (Rp)							
EPS	13,64	33,81	67,46	17,76	-82,08	-48,35	23,85

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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