

24 November 2021
Tins mining, Equity

Price IDR. 1630
Target Price IDR. 1900
JKSE Index 6668.349

Investment Consideration

Production declines

In 9M21, TINS produced 17,929 tons of tin ore, down -48% yoy. 56% came from offshore, while the remaining 44% came from onshore mining. Tin metal production was 19,120 tons, down -49% yoy. TINS also recorded a tin metal sales decrease to 19,059 tons down -58% yoy. The average selling price increased significantly 79% YoY to USD/ton 30,158 compared to USD/tons 16,832 in 9M20. The decline in tin ore production is caused by the Covid-19 pandemic and slower onshore tin mining. We estimate 2021F tin ore production of 30,000 tons which is down -24,5% YoY and tin metal production of 25,493 tons or -44.2% YoY due to the weather and also to help maintain a higher tin price. In line with the significantly higher tin selling price up to 9M21, we upgrade our tin price forecast for 2021 to an average USD 30,000/MT, while 2022's tin price is expected to be lower than the current price.

Profit improves

TINS is on track to improve their financial health and reduce interest expenses. In 9M21, TINS plan to de-leverage to reduce interest payments has worked, with bank debt reduced to IDR 1,8 trillion compared to IDR 3,8 trillion in 9M20. TINS' bond and ijarah non current portion as of 9M21 amounted to IDR. 806 billion compared to IDR.2,093 trillion in 9M20. TINS' bottom line has improved to a net profit of IDR 612 billion compared to the previous year's net loss of -IDR 255 billion. The improvement in the bottom line was caused by lower cost of raw materials (tin ore) down -38% yoy inline with significantly lower tin ore production in 9M21. We estimate bottom line profit in 2021F due to lower production costs, cost efficiency along with a higher ASP but we maintain our lower production target. In addition, an Ausmelt furnace with a capacity of 400,00MT pa is expected to start commercial operation by Feb 2022.

Valuation: 16% upside

We maintain our target price for TINS within one year of IDR. 1900 / share or trading at 17x PER, With 16% upside, our recommendation is HOLD.

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TradingView

Stock Code
Bloomberg code TINS IJ
Market cap (IDR.bn) 12251.6
52-Week High (IDR) 2540
52-Week Low (IDR) 1030
6-m Avg Daily. Val (IDR) 1555
Free Float (%) 35

Major Shareholders (%)
INALUM 65%
Public 35%

USD/IDR-YE
2020A 14050
2020F (Avg) 14265

Key Indicators 2022F
DER (x) 0.93
Debt ratio (x) 0.48

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Profit and Loss (IDR. in bn)	2018A	2019A	2020A	2021F	2022F	2022F
Revenue	11,017	19,303	15,216	13,264	14,007	16,365
Cost of Revenue	(9,943)	(18,167)	(14,096)	(10,876)	(11,626)	(13,583)
Gross Profit	1,074	1,136	1,120	2,388	2,381	2,782
Operating Expense	(939)	(1,212)	(902)	(796)	(840)	(982)
Operating Income	135	(76)	217	1,592	1,541	1,800
Other Income	64	(646)	(487)	(398)	(140)	(164)
Profit Before Tax	199	(722)	(270)	1,194	1,401	1,637
Tax Expense	(15)	114	(67)	(358)	(420)	(491)
Minority Interest	0.010	0.000	0.003	(0.252)	(0.266)	(0.311)
Net Income	132	(611)	(341)	831	976	1,140
EPS	18	(82)	(46)	112	131	153
EBITDA	1,148	907	1,160	2,378	2,654	2,891

Company Profile

PT Timah 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 area 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 exports 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

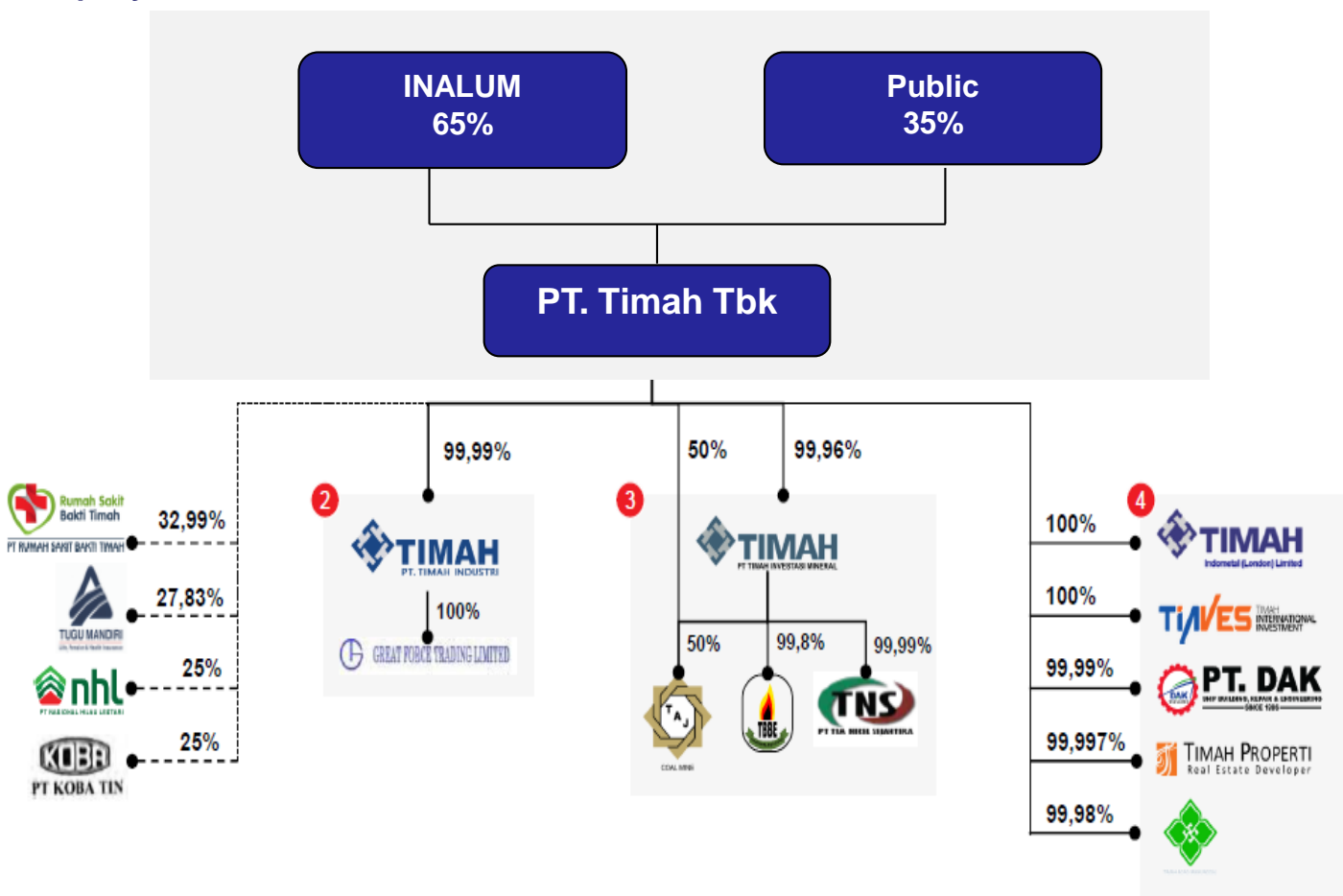


Chart: Tin metal production vs sales metal (Mtons) yoy

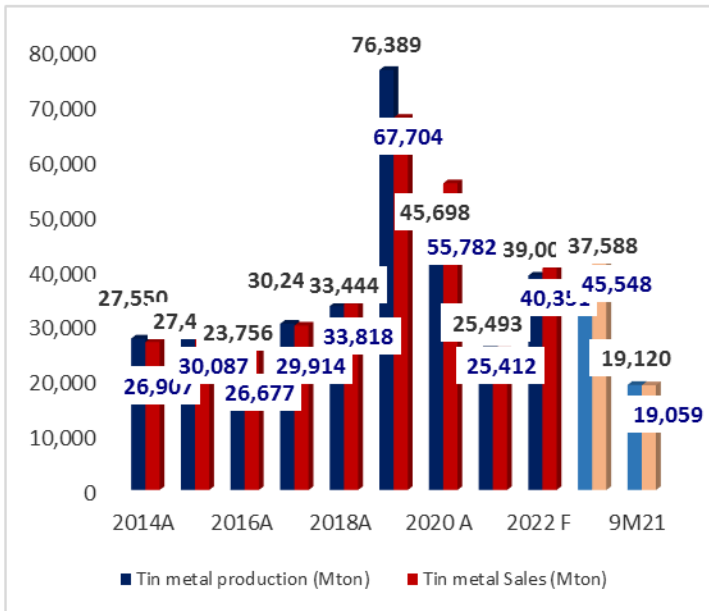


Chart: Tin offshorer and onshore production (tons) yoy

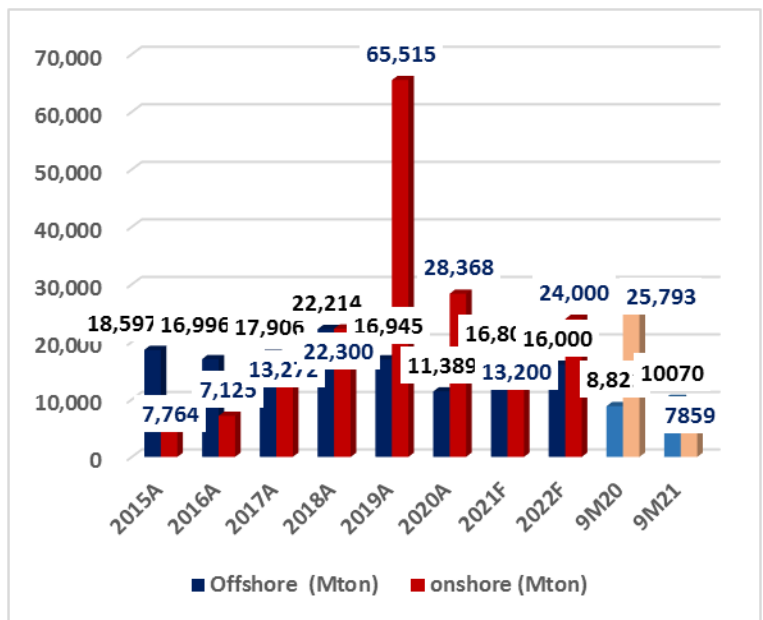


Chart: TINS Average selling price (ASP) yoy (USD/Mton)

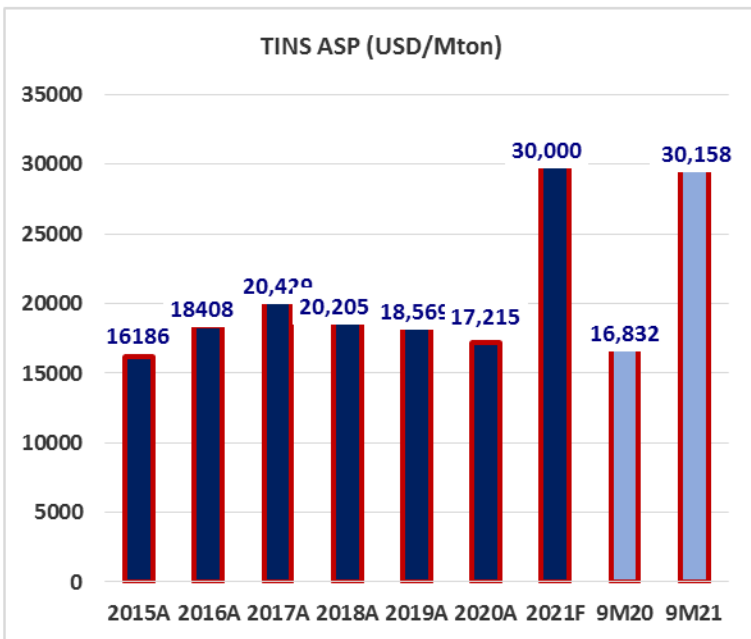
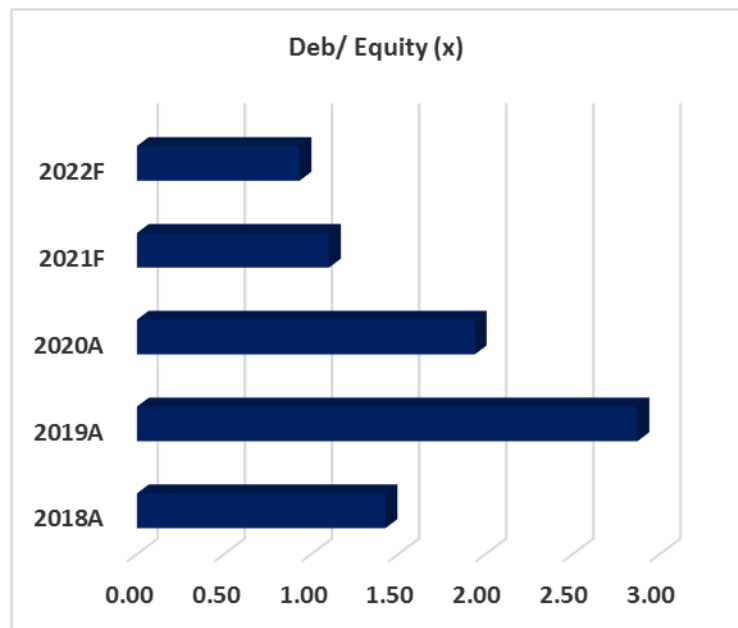


Chart: TINS Total Debt to Equity ratio yoy (x)



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Balance Sheet (IDR. in bn) yoy

Balance Sheet (IDR. in bn)	2018A	2019A	2020A	2021F	2022F	2023F
Cash and cash equivalent	785	1,599	807	924	1,253	2,030
Trade Account Receivable	1,920	1,620	1,198	1,266	1,266	1,390
inventory	4,108	6,501	2,881	2,160	2,262	2,605
Other current asset	1,904	2,290	1,480	928	1,401	1,637
asset classified as held for sale	299	297	191	0	0	0
Current Asset	9,017	12,307	6,557	5,278	6,182	7,662
Fixed Asset	3,100	3,601	3,436	3,592	3,304	3,734
other long term asset	3,104	4,453	4,524	3,316	3,645	3,273
Total non current Asset	6,204	8,054	7,960	6,908	6,950	7,007
Total Asset	15,221	20,361	14,518	12,186	13,131	14,669
Trade Account Payable	1,322	1,969	885	981	998	1,121
Short Term bank loans	4,664	8,791	3,802	1,865	1,365	1,434
liabilities directly associated with assets classified for sale	137	85	47	0	(1)	(1)
Other short term liabilities	513	1,113	1,132	1,061	1,401	1,309
Total current liabilities	6,635	11,958	5,865	3,908	3,764	3,863
bond	1,200	2,093	2,093	806	806	806
sukuk ijarah	0	0	0	0	0	0
other long term liabilities	937	1,061	1,616	1,683	1,777	2,075
Total long term/ non current liabilities	2,137	3,145	3,712	2,481	2,574	2,872
Total Liabilities	8,772	15,103	9,578	6,388	6,338	6,735
non controlling interest	0	0	0	0	0	0
Total Equities	6,148	5,258	4,940	5,798	6,793	7,934
Total Liabilities & Equity	14,921	20,361	14,518	12,186	13,131	14,669

Cash Flow (IDR. In bn) yoy

Cash Flow (IDR. in bn)	2018A	2019A	2020A	2021F	2022F	2023F
+ Net Income	132	(611)	(341)	831	976	1140
+Depreciation	562	819	803	972	1078	1074
- Change in WC	640	2847	(1135)	(562)	(718)	(603)
Cash From Operating Activities	1334	3055	(673)	1241	1335	1611
capex	(1199)	(1320)	(638)	(1128)	(790)	(1504)
other long term asset	(687)	(1349)	(71)	1208	(329)	372
cash from investing activities	(1886)	(2669)	(710)	80	(1119)	(1131)
bond	(300)	893	0	(1287)	0	0
sukuk ijarah	0	0	0	0	0	0
other long term liabilities	25	115	568	55	94	298
Equity	(45)	(279)	22	27	20	0
cash from financing activities	(321)	729	590	(1205)	114	298
Net Changes in Cash	(873)	1115	(792)	116	329	777
Beginning Balance	1357	485	1599	807	924	1253
Ending balance	485	1599	807	924	1253	2030

Ratio Highlights

Ratio Highlights	2018 A	2019 A	2020 A	2021 F	2022 F	2023 F
Growth (%)						
Revenues	19.52%	75.21%	-21.17%	-12.83%	5.61%	16.83%
OP	-81.57%	-156.38%	-386.31%	631.96%	-3.19%	16.83%
EBITDA	-19.84%	-21.01%	27.92%	104.97%	11.62%	8.93%
Net profit	-73.67%	-562.06%	-44.28%	-343.97%	17.41%	16.89%
EPS	-73.67%	-562.06%	-44.28%	-343.97%	17.41%	16.89%
Profitability (%)						
Operating Margin	1.22%	-0.39%	1.43%	12.00%	11.00%	11.00%
EBITDA margin	10.42%	4.70%	7.62%	17.93%	18.95%	17.67%
NET Profit margin	1.20%	-3.17%	-2.24%	6.26%	6.97%	6.97%
ROA	0.87%	-3.00%	-2.35%	7.38%	8.21%	9.02%
ROE	2.15%	-11.63%	-6.89%	14.33%	14.36%	14.37%
Liquidity						
Current Ratio (X)	1.36	1.03	1.12	1.11	1.31	1.46
Cash Ratio	0.12	0.13	0.14	0.24	0.33	0.53
Solvability						
Tot Debt/ Total equity (x)	1.43	2.87	1.94	1.10	0.93	0.85
Int. Coverage (x)	0.56	-0.92	-0.44	6.22	8.98	10.17
Debt Ratio	0.58	0.74	0.66	0.52	0.48	0.46
Per Share data (Rp)						
BVS	826	706	663	778	912	1,065
EPS	17.76	-82.08	-45.73	111.57	131.00	153.12

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.

RESEARCH TEAM
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