

Company Update
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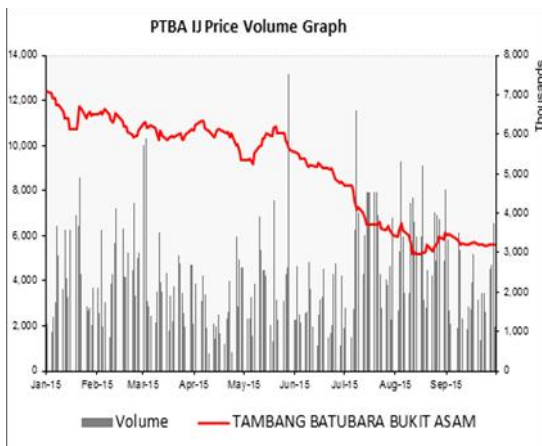
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PT Bukit Asam (Persero) Tbk provides coal mining activities. The company offers services including general surveying, exploration, exploitation, production, transportation, and marketing of coal.

PTBA IJ

Current Price: IDR 5,625

52-Week Target Price: IDR 7,000


Source: Bloomberg, Sinarmas Investment Research

Share Price Performance

Price (IDR)	5,625
52-Week High (12/05/14)	13,650
52-Week Low (08/18/15)	5,025
YTD Change /%	-6,875/-55.0%

Stock Information

Market Cap. (IDR bn)	12,960.7
Shares Out./Float. (mn)	2,304.1/676.0
IPO Date	23/12/2002

Source: Bloomberg, Sinarmas Investment Research

PT Bukit Asam (Persero) Tbk
Infrastructure Expansion to Support Production
BUY
TP IDR 7,000 with BUY Recommendation

As a giant state owned coal company with its abundant total resources and reserves along with its long term domestic coal power supply commitments, also the current cheap stock valuation of 6.0x trailing PER and 1.4x trailing PBV, we give BUY recommendation with its 52-week target price of IDR 7,000 which represents 6.6x PER FY16F.

1H15 Results Review

The company reported its 6M15 coal production of 8.32 MT (+8% YoY, 43% of our 2015 estimate), while its sales volume was reported by 9.03 MT (+2% YoY, 42% of our 2015 estimate). The railway capacity was increased by 5% YoY from 7.11 MT in 1H14 to 7.47 MT in 1H15. The weighted ASP was reported decrease by 3% YoY to IDR 703,005 per ton. Thus, revenue was booked by IDR 6.51 tn (+1% YoY, 45% of our 2015 estimate). Due to new pit opening, strip ratio was increased by 9% YoY to 4.91x which caused total cash cost increased by 2% to IDR 593,253 and cost of revenue was increased by 11.4% YoY to IDR 4.8 tn. As result, net profit was down by 31.8% YoY to IDR 794.8 bn (46% of our estimate).

Eyeing on Potential Export Market

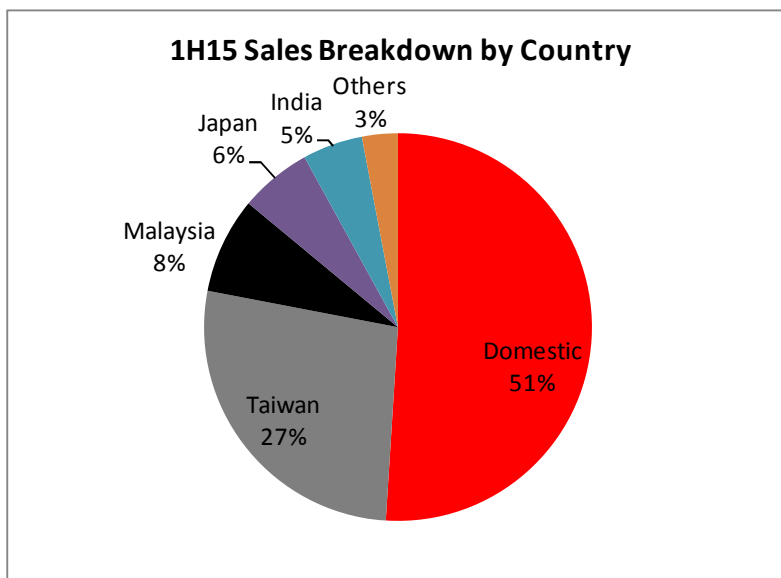
From company's sales market destination perspective, we view that company is quite resilient amid the global economy slowdown, especially China. In 1H15, the company sold its production mainly to domestic market as by 51% of its total sales. On the other hand, for export orientation, the company sold more portion of its coal this year than that last year to potential market in destination regional countries on the back of benefited from rupiah depreciation against US dollar. Taiwan was the main destination as it contributed by 27% to total sales. Then it was followed by Malaysia, Japan and India which each contributed by 8%, 6% and 5% in respectively. Moreover, other countries contributed by a total of 3% of total sales.

The Expansion of Infrastructure

Tarahan Coal Terminal, the Indonesian largest coal terminal which is fully owned and operated by the company and located in the southern tip of Sumatera island, is now able to accomodate the giant 'Capesize' bulkcarrier vessels of up to 210,000 DWT capacity. This port is very essential for company as it contributes to around 80% of company's total sales volume. Moreover, railway from Tanjung Enim mine site to Prabumulih was upgraded to double track railway in order to achieve 22.7 MT per annum capacity.

(in MT)	1H14	1H15	% YoY	% FY15E	FY14A	FY15E	% YoY
						(Co. Target)	
Sales Volume	8.83	9.03	+2%	37.6%	18.0	24.0	+33%
Production	7.70	8.32	+8%	39.8%	16.4	20.9	+27%
Trading/Purchase	1.06	0.82	-23%	30.4%	1.8	2.7	+50%
Railway Capacity	7.11	7.47	+5%	39.5%	14.8	18.9	+28%
Strip Ratio (x)	4.52	4.91	+9%		4.6	5.0	+9%

(in billion of IDR)	1H14	1H15	% YoY
Revenue	6,427	6,511	+1.3%
Gross Profit	2,119	1,712	-19.2%
Operating Profit	1,393	893	-35.9%
Net Profit	1,165	794	-31.8%
EPS (full amount)	532	366	-31.2%
Total Assets	14,812	15,229	+2.8%
Cash and Cash Equivalents	4,039	3,832	-5.1%



<i>in billion of IDR</i>	FY13	FY14	FY15E	FY16F	FY17F
<u>I/S</u>					
Revenues	11,209	13,077	14,303	18,265	18,413
Cost of Revenues	7,745	9,056	9,894	12,641	12,740
Gross Profit	3,463	4,021	4,409	5,623	5,672
Operating Expenses	1,310	1,711	1,948	2,422	2,475
Operating Income	2,152	2,310	2,461	3,200	3,197
Other Income (Expenses)	308	364	(172)	(110)	(100)
Income Before Tax Expense	2,461	2,674	2,288	3,090	3,097
Tax Expense	607	655	572	772	774
Net Income	1,854	2,019	1,716	2,317	2,322
Total Comprehensive Income	2,351	2,123	1,716	2,317	2,322
Basic EPS (Full Amount)	822	927	788	1,064	1,067
<u>B/S</u>					
Cash and cash equivalents	3,343	4,039	3,901	3,687	2,841
Trade receivables	1,427	1,439	1,697	2,089	2,146
Inventories	901	1,033	1,140	1,449	1,464
Prepaid taxes	285	238	191	270	264
Investment in joint venture	628	936	912	1,236	1,211
Deferred development expenditure	862	1,459	1,348	1,880	1,815
Fixed assets	2,803	3,987	4,721	5,455	6,189
Other assets	1,428	1,681	2,066	2,397	2,514
TOTAL ASSETS	11,677	14,812	15,976	18,463	18,444
Trade payables	471	545	599	763	770
Accrued expenses	1,082	1,203	1,348	1,701	1,725
Bank borrowings	77	2,255	2,001	2,001	631
Post-employment benefits obligation	1,743	1,562	1,960	2,341	2,441
Other liabilities	752	576	752	879	931
TOTAL LIABILITIES	4,125	6,141	6,660	7,685	6,498
Share capital	1,152	1,152	1,152	1,152	1,152
Additional paid-in-capital	30	30	30	30	30
Treasury Shares	(1,899)	(1,899)	(1,899)	(1,899)	(1,899)
Retained earnings	8,093	9,205	9,912	11,371	12,535
Non-controlling Interest	114	117	119	123	126
Other equity	61	65	1	1	1
TOTAL EQUITY	7,551	8,670	9,315	10,778	11,945

Source: Company, Sinarmas Investment Research

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