Trimegah SECURITIES

TRIM Result Commentary

TINS: Increasing On-Shore Tin

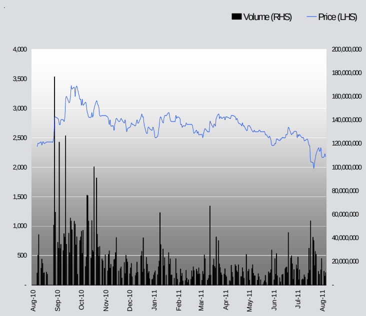
Maintained

BUY

Share Price	:	Rp2,225
Sector	:	Base Metal
Price Target	:	**Rp3,300 (48.3%)**

Stock Data

Reuters Code	:	TINS.JK
Bloomberg Code	:	TINS IJ
Issued Shares (mn)	:	5,033.0
Mkt Cap (Rpbn)	:	11,198
Average Daily T/O	:	18.8m
52-Wk range	:	Rp1,780/Rp3,475



Company Description:

PT Timah Tbk is the world's 2nd largest tin producer and largest tin exporter. It operates tin mines on Indonesian islands such as Bangka, Karimun, and coastal areas in Sumatra.

Andrian Tanuwijaya
Equity Analyst
andrian.tanuwijaya@trimegah.com

Net Profit Jumped 113.8% YoY, Maintain BUY. Net profit reached Rp684.8bn, up 113.8% YoY but still below our FY11 estimate due to the higher than expected production cost, which was indicated by lower profitability margin on a QoQ basis. Higher production cost was mainly driven by higher portion of the onshore tin, which made company's raw material cost surged by 54.5% YoY vs. 16.9% YoY increase on total COGS. Meanwhile at the top line, revenue stood at Rp4.8tr, increased 28.8% YoY, in line with our estimate on the back of higher ASP. We maintain our earnings forecast at the mean time, believing the higher portion of offshore tin in 2H11 due to the normalized weather and completion of vessels modification. TINS remains as our top pick on base metals sector, maintain BUY with Tp Rp3,300

Lower Volume Offset by a Jump in ASP. Refined tin production reached 18,455 metric tons, declined 5.3% YoY on lingering rainfall, in line with our expectation as it represented 48.5% of our 2011 estimate. Along with the surge in global tin prices in 1H11, ASP jumped by 68.5% YoY to reach USD29,541/ton. As the world is currently facing the slowdown on its industrial activities, we believe that the tin price will be hardly to back to its peak level in Apr'11 at USD33,000/ton. As such, we are comfortable to maintain our 2011 average tin price assumption of USD27,000/ton.

Higher Portion of On-Shore Tin. Tin ore production from onshore operation until 1H11 reached 9,446 tons, represented 53.4% of total production due to the higher than expected small scale miners production. The figure was quite high, especially when compared to 51.7% and 45.7% in 2009 and 2010, respectively. Despite the fact of the tin ore produced from small scale miners was unpredictable, management expects to boost its offshore performance in 2H11 in order to increase the offshore portion.

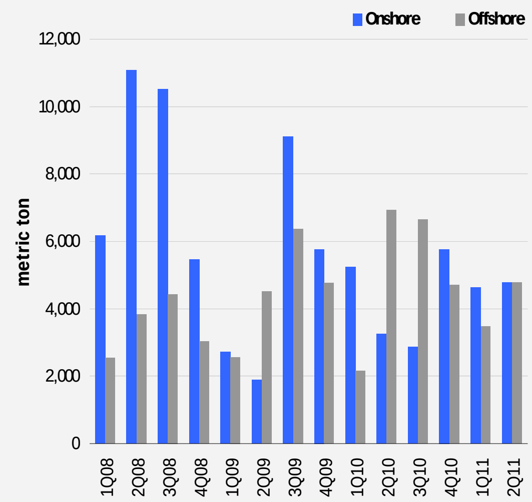
Low Capex Realization in 1H11. TINS was only managed to disburse 25%-30% of this year Rp1.3tr capex allocation to date with additional fixed assets only reached Rp112.3bn in 1H11. However, the management is still expecting for some huge capex realization in 3Q11 and 4Q11. Almost half of total capex budgeted will be allocated for strengthening its offshore fleets, including the modification of 1 unit Bucket Wheel Dredge (BWD).

TINS (1H11 Result)

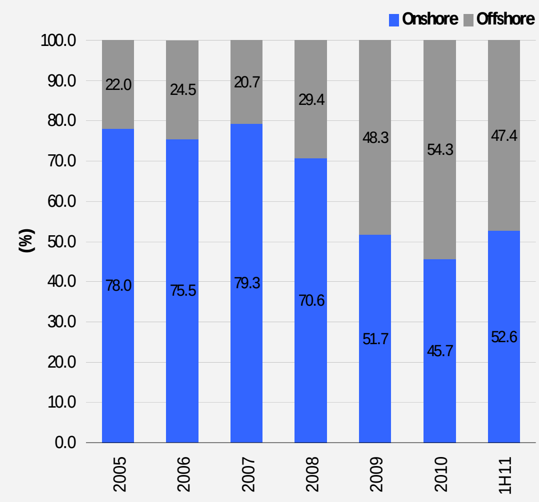
QoQ (Rpbn)	2Q11	1Q11	QoQg (%)	Qtr Margin (%)	2Q11	1Q11
Revenue	2,581	2,249	14.8			
Gross Profit	609	644	(5.5)	GPM	23.6	28.7
Operating Profit	462	473	(2.4)	OPM	17.9	21.0
Net Profit	334	355	(5.7)	NPM	13.0	15.8
YTD YoY	**1H11**	**1H10**	**YoYg (%)**	**YTD Margin (%)**	**1H11**	**1H10**
Revenue	4,830	3,749	28.8			
Gross Profit	1,253	689	81.8	GPM	25.9	18.4
Operating Profit	935	415	125.3	OPM	19.4	11.1
Net Profit	689	322	113.8	NPM	14.3	8.6
TRIM Est			**Realization (%)**	**Margin (%)**		
Revenue	10,342		46.7			
Operating Profit	2,457		38.1	OPM	23.8	
Net Profit	1,789		38.5	NPM	17.3	
Bloomberg Est			**Realization (%)**	**Margin (%)**		
Revenue	10,317		46.8			
Operating Profit	2,035		46.0	OPM	19.7	
Net Profit	1,468		46.9	NPM	14.2	

Source: Company, Bloomberg

Onshore Production Tend to be Volatile

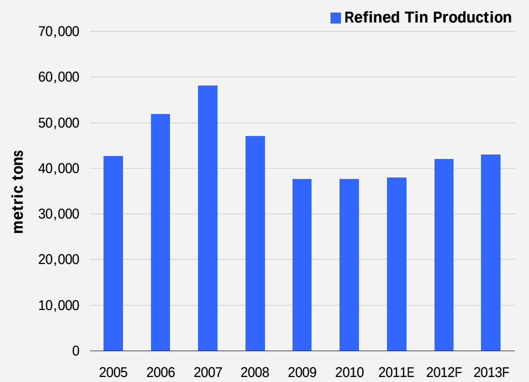


Portion Between Offshore and Onshore Tin

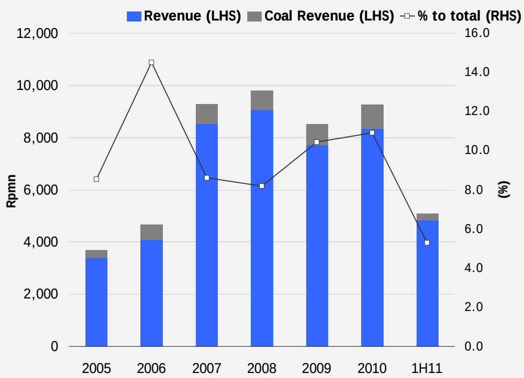


Source: Company, TRIM Research

Expect Less Than 50k Tons Output in The Future



Contribution from Coal Business



Source: Company, TRIM Research

TINS is the World's 2nd Largest Tin Producers

Company	Country	Production Volume (mt ton) 2010	2009
Yunnan Tin	China	59,180	55,898
Timah	Indonesia	40,413	45,086
Malaysia Smelting Corp	Malaysia	38,737	36,407
Minsur	Peru	36,052	33,920
Thaisarco	Thailand	23,505	19,300
Guangxi China Tin	China	14,300	10,500
Yunnan Chengfeng	China	14,155	14,947
EM Vinto	Bolivia	11,520	11,805
Metallo Chimique	Belgia	9,945	8,690
Gejiu Zi-Li	China	9,000	5,600

Source: ITRI, Company

Income Statement (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Revenue	7,710	8,339	10,342	10,590	10,838
% growth	(14.8)	8.2	24.0	2.4	2.3
Gross Profit	1,153	1,924	3,197	3,417	3,854
Opr Profit	689	1,311	2,457	2,615	2,981
EBITDA	933	1,559	2,780	3,109	3,584
% growth	(58.4)	67.1	78.3	11.8	15.3
Net Int inc/(exp)	(43)	5	22	49	79
Gain/(loss) forex	(120)	(23)	-	-	-
Other Inc/(exp)	23	(165)	(94)	(67)	(64)
Pre-tax Profit	549	1,127	2,386	2,596	2,996
Tax	(235)	(179)	(596)	(649)	(749)
Minority Int.	(0)	(0)	(0)	(0)	(0)
Extra. Items	-	-	-	-	-
Net Profit	314	948	1,789	1,947	2,247
% growth	(76.6)	202.1	88.7	8.8	15.4

Cash Flow (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Net Profit	314	948	1,789	1,947	2,247
Depr/Amort	244	248	322	494	603
Chg in Opr ass&liab	921	(476)	131	(59)	(14)
Others	(9)	(17)	(1)	0	0
CF's from Oprs	1,470	703	2,241	2,382	2,837
Capex	(665)	(310)	(872)	(837)	(434)
Others	6	(9)	(0)	(0)	(0)
CF's from Investing	(658)	(319)	(872)	(837)	(434)
Net Change in Debt	(1)	67	(432)	-	-
Others	(704)	(175)	(483)	(906)	(986)
CF's from Financing	(705)	(108)	(915)	(906)	(986)
Net Cash Flow	107	276	455	640	1,417
Cash at BoY	461	568	844	1,299	1,939
Cash at EoY	568	844	1,299	1,939	3,356
Free Cashflow	806	393	1,369	1,545	2,403

Balance Sheet (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Cash and Deposits	568	844	1,299	1,939	3,356
Other Current Assets	2,677	3,265	3,100	3,176	3,244
Net Fixed Assets	1,300	1,362	1,911	2,254	2,084
Other Assets	311	410	394	426	411
Total Assets	4,856	5,881	6,704	7,795	9,096
ST Debt	364	432	-	-	-
Other Current Liabilities	739	838	860	901	937
LT Debt	-	-	-	-	-
Other LT Liab	322	409	335	342	346
Minority Interest	0	0	0	0	0
Total Liabilities	1,425	1,678	1,195	1,244	1,283
Shareholder's Equity	3,430	4,203	5,510	6,551	7,812
Net Debt/(Cash)	(203)	(412)	(1,299)	(1,939)	(3,356)
Net Working Capital	2,141	2,839	3,539	4,214	5,664

Key Ratio Analysis

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Profitability					
Gross Margins (%)	15.0	23.1	30.9	32.3	35.6
Op Margins (%)	8.9	15.7	23.8	24.7	27.5
EBITDA Margins (%)	12.1	18.7	26.9	29.4	33.1
Net Margins (%)	4.1	11.4	17.3	18.4	20.7
ROE (%)	8.7	24.8	36.8	32.3	31.3
ROA (%)	5.9	17.7	28.4	26.9	26.6
Stability					
Current ratio (x)	2.9	3.2	5.1	5.7	7.0
Net Debt/Equity (x)	(0.1)	(0.1)	(0.2)	(0.3)	(0.4)
Int Coverage (x)	13.0	84.0	561.7	-	-
Efficiency					
A/P days	19.3	12.4	12.4	12.4	12.4
A/R days	22.0	37.4	37.4	37.4	37.4
Inventory days	104.8	101.2	75.0	75.0	75.0

Interim Results (Rpbn)

	2Q10	3Q10	4Q10	1Q11	2Q11
Sales	1,914	1,866	2,724	2,249	2,581
Gross Profit	319	294	941	644	608
Operating Profit	167	208	687	473	462
Net Profit	180	153	473	355	334
Gross Margins (%)	16.7	15.8	34.5	28.7	23.6
Opr Margins (%)	8.7	11.2	25.2	21.0	17.9
Net Margins (%)	9.4	8.2	17.3	15.8	13.0

Key Assumptions

Year end 31 Dec	2010	2011E	2012F	2013F
Refined Tin Production (000 tons)	37.6	38.0	42.0	43.0
On-shore	17.2	17.1	16.8	17.2
Off-shore	20.4	20.9	25.2	25.8
ASP (USD/ton)	19,981	28,609	26,689	26,715

PT Trimegah Securities Tbk
18th Fl, Artha Graha Building
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, INDONESIA
Tel : (6221) 2924-9088 Fax : (6221) 2924-9163