

TRIM Company Update

RALS: Encouraging July

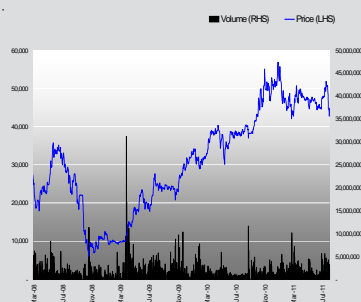
Maintained

HOLD

Share Price : Rp800
Sector : Retail
Price Target : Rp880 (10%)

Stock Data

Reuters Code : RALS.JK
Bloomberg Code : RALS IJ
Issued Shares (m) : 7,096
Mkt Cap (Rpbn): 5,677
Average Daily T/O : 4.7m
52-Wk range : Rp1,130/ Rp700



Company Description:

PT Ramayana Lestari Sentosa Tbk operates department stores in Indonesia which sell items such as clothes, accessories, bags, shoes, cosmetics, and daily needs. Its department stores are known as Ramayana, Robinson, and Cahaya.

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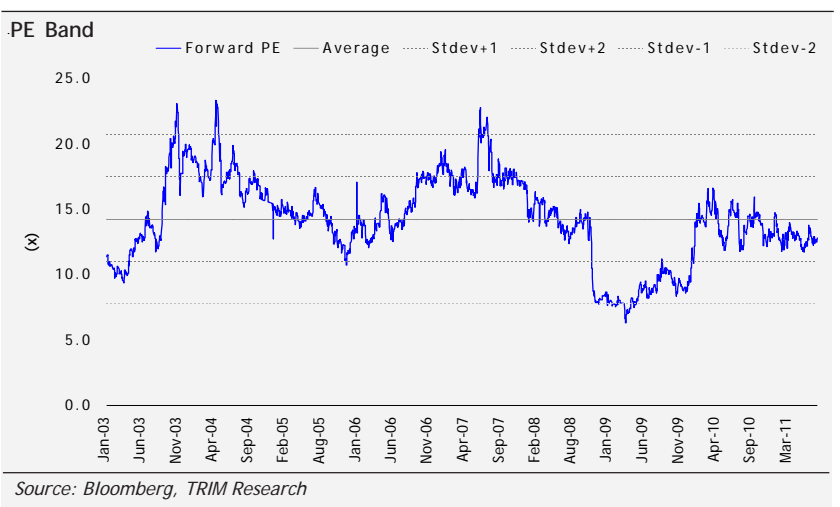
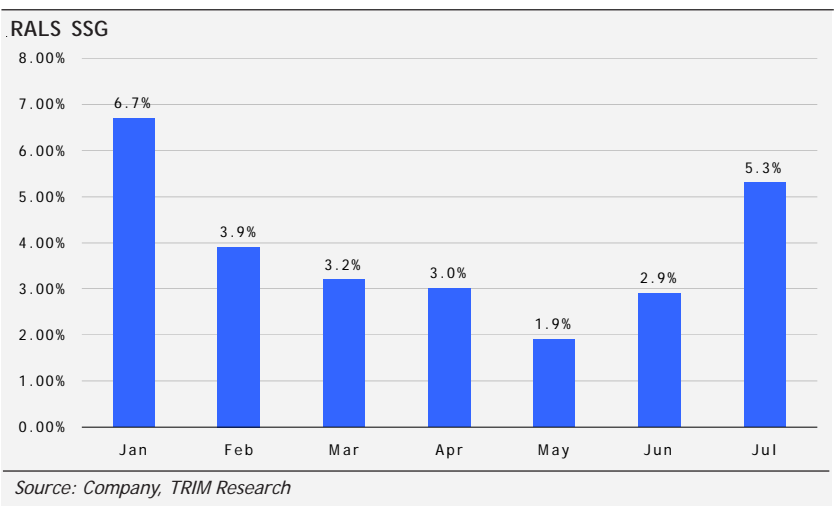
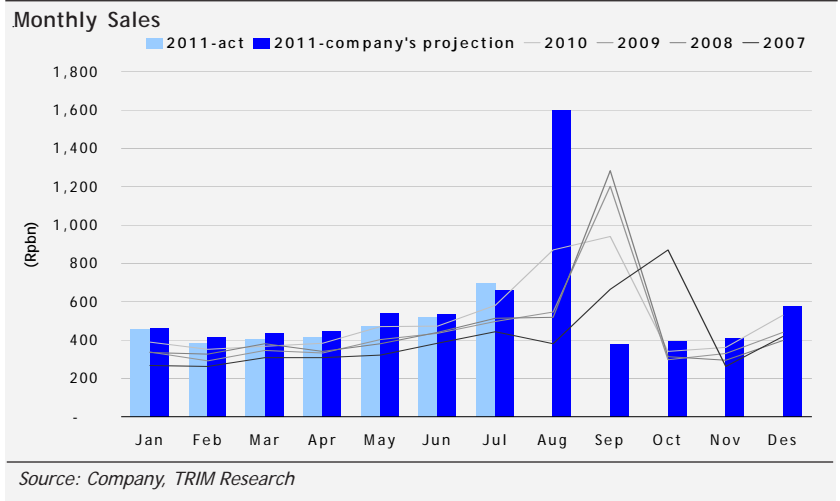
Strong July Performance. RALS reported Rp697.4bn sales in Jul'11, beat the internal forecast by 5.9% and grew 20% YoY. Revenue up to Jul'11 reached Rp3.4tr, reflects 50% of our FY11 forecast. The outstanding sales in July were backed by stronger SSG; RALS SSG rebound to 5.3% YTD from 2.9% last month. YTD sales missed 4.3% from internal target due to management decision to reduce its discount in order to get higher margin. The strategy seems worked with 1H11 GPM reached 32.6% compare to 31.1% in 1H10, resulting 1% improvement in the bottom line. The company has just opened two new stores in Kediri (9,800sqm) and Garut (9,717sqm) in Jul and Aug'11, anticipating the peak sales during Lebaran festive. We expect 40-45% of the remaining sales will be achieved in Aug'11.

New Venture to Convenience Stores. RALS has just entered convenience stores business with its own brand, Orange Mart. The concept is more like 7-Eleven in Jakarta but targeting low-end market segment. The convenience stores cover 100-150sqm area with average sales reach Rp5-8mn/store/day. GPM reached 30-35% equal to 7-Eleven and doubled from AMRT and MIDI due to its offer more F&B products. Currently RALS has opened two Orange Mart stores (in Kediri and Garut) and plan to open 12-15 stores in 2012. Besides opening Orange Mart along with Ramayana stores, RALS will also open the Orange Mart with stand alone concept. Although we do think that this initiative is good for RALS, we should wait whether this concept would get positive response from the low-end market segment.

Maintain Hold, with target price Rp880/shr. Our forecast mainly in line with RALS actual performance, with revenue growth YTD reached 11% and SSG YTD 5.3% (our forecast was 10.5% and 5% respectively). We expect YoY top line growth and SSG will experience a soft decline in the next five months. RALS has added 36,521 sqm new space and plan to open 2-3 new stores by the end of this year; in line with our assumption which added 60,000 sqm this year (including the closure of a few stores). We maintain our target price at Rp880/shr, reflects 13.4x FY12 est PE. No change to our financial forecast and assumption.

Financial Summary

Year end 31 Dec	2008	2009	2010	2011E	2012F	2013F
Revenue (Rpbn)	5,526	5,459	6,060	6,695	7,522	8,425
Revenue Growth (%)	12.9	(1.2)	11.0	10.5	12.4	12.0
EBITDA (Rpbn)	539	510	514	614	703	800
EBITDAGrowth (%)	12.8	(5.4)	0.8	19.4	14.4	13.8
Net Profit (Rpbn)	430	335	355	416	464	524
EPS Growth (%)	17.2	(22.1)	5.8	17.1	11.5	13.1
ROAE(%)	19.2	13.9	13.8	14.9	15.3	15.9
DPS (Rp)	31.0	31.0	25.0	30.0	35.0	39.0
Div Yield (%)	3.9	3.9	3.1	3.8	4.4	4.9
P/E (x)	13.1	16.9	16.0	13.6	12.3	10.9
P/BV (x)	2.4	2.3	2.1	2.0	1.8	1.7
EV/EBITDA (x)	8.4	9.2	8.9	7.7	6.8	5.9



Income Statement (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Revenue	5,459	6,060	6,695	7,522	8,425
% growth	(1)	11	10	12	12
Gross Profit	1,471	1,659	1,814	2,046	2,292
Opr Profit	367	371	446	509	581
EBITDA	510	514	614	703	800
% growth	(5)	1	19	14	14
Net Int Inc/(Exp)	64	47	58	53	54
Gain/(Loss) Forex	(39)	(11)	-	-	-
Other Inc/(Exp)	12	5	-	-	-
Pre-tax Profit	404	412	504	562	634
Tax	(69)	(57)	(89)	(102)	(116)
Minority Int.	-	-	-	-	-
Extra. Items	-	-	-	-	-
Net Profit	335	355	415	460	518
% growth	(22)	6	17	11	13

Balance Sheet (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Net Profit	335	355	415	460	518
Depr/Amort	144	143	168	194	219
Others	1	(1)	6	2	2
Chg in Opr Ass&Liab	(207)	91	(157)	(73)	(80)
CF's from oprs	272	588	432	583	659
Capex	(200)	(361)	(350)	(350)	(350)
Others	-	-	-	-	-
CF's from investing	(200)	(361)	(350)	(350)	(350)
Net change in debt	-	-	-	-	-
Others	-	-	-	-	-
CF's from financing	(190)	(147)	(237)	(248)	(275)
Net cash flow	(118)	80	(156)	(15)	34
Cash at BoY	1,123	1,006	1,086	930	915
Cash at EoY	1,006	1,086	930	915	949
Free Cashflow	72	227	82	233	309

Interim Results (Rpbn)

	2Q10	3Q10	4Q10	1Q11	2Q11
Sales	414	397	450	468	502
Gross Profit	150	139	119	152	189
Operating Profit	106	99	65	117	151
Net Profit	67	52	18	95	110
Gross Margins (%)	36.1	35.1	26.4	32.5	37.6
Opr Margins (%)	25.6	24.9	14.4	25.1	30.1
Net Margins (%)	16.2	13.0	4.1	20.3	21.9

Cash Flow (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Cash and Deposits	1,006	1,086	930	915	949
Other Current Assets	753	854	999	1,121	1,256
Net Fixed Assets	944	1,162	1,344	1,500	1,631
Other Assets	506	384	458	515	577
Total Assets	3,209	3,486	3,732	4,051	4,413
ST Debt	-	-	-	-	-
Other Current Liabilities	626	681	740	831	931
LT Debt	-	-	-	-	-
Other LT Liabs	110	125	134	150	169
Minority Interest	-	-	-	-	-
Total Liabilities	737	806	874	981	1,100
Shareholder's Equity	2,473	2,680	2,858	3,070	3,313
Net Debt/(Cash)	(1,006)	(1,086)	(930)	(915)	(949)
Net Working Capital	1,133	1,260	1,189	1,206	1,273

Key Ratio Analysis

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Profitability					
Gross Margins (%)	27.0	27.4	27.1	27.2	27.2
Op Margins (%)	6.7	6.1	6.7	6.8	6.9
EBITDA Margins (%)	9.3	8.5	9.2	9.3	9.5
Net Margins (%)	6.1	5.9	6.2	6.1	6.1
ROE (%)	13.9	13.8	15.0	15.5	16.2
ROA (%)	10.8	10.6	11.5	11.8	12.2
Stability					
Current ratio (x)	2.8	2.9	2.6	2.5	2.4
Net Debt/Equity (x)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)
Int Coverage (x)	-	-	-	-	-
Efficiency					
A/P days	52	50	50	50	50
A/R days	0	0	0	0	0
Inventory days	59	61	65	65	65

Key Assumptions

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Net Store Space					
Added (sqm)	(2,798)	57,883	60,000	60,000	60,000
Blended SSG (%)	-2	8	5	5	5

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