

#### Indonesia Country Rating

S&P	BBB/Stable
Fitch	BBB/Stable
Moody's	Baa2/Stable
JCRA	BBB+/Stable
R&I	BBB+/Stable

Source: Bloomberg Terminal

#### Company Rating

PEFINDO	idA/Stable
---------	------------

Source: Company Data

#### Shareholders Composition

PT Terang Anugrah Abadi	71.00%
Fendy Wijaya	0.37%
Sandra Sunanto	0.06%
Ong Deny	0.04%
Cuncun Muliawan	0.04%
Public	28.49%

Source: Company Data

## PT Hartadinata Abadi Tbk

### Golden Opportunity for Growth

**We favor and recommend PT Hartadinata Abadi Tbk's (HRTA) corporate bonds to investors as the leading gold jewelry company in Indonesia with a track record of more than 30 years, HRTA offers attractive business growth prospect with its a solid liquidity position in balance sheet, and upside risk on gold prices movement. In this report, we attempt to shed light on the unique business model of HRTA, the positive factors that support our optimistic perspective on the company's business growth prospect, balance sheet health check, the financial analysis, and key investment risk factors.**

**Visible growth underpinned by several shining catalysts.** In the long-run, we expect that HRTA would be capable to book another all-time-high financial performance achievement underpinned by: proven long-track record, experienced management team with technical expertise for business execution, aggressive domestic market share expansion, better export market penetration, high entry barriers to gold industry, better Dore bullion purchasing contract with supplier, better consumer spending and declining interest expense prospect. Furthermore, HRTA's gold factories remain at a low utilization rate that opens up the potential for extraordinary growth in gold production and sales in the next few years.

**Positive impact of the business model on balance sheet structure.** When investors consider investing in corporate bond instruments, it is very crucial to carefully calculate the strength of the company's balance sheet structure in order to mitigate the risk of default. Over the past 5 years, the majority of HRTA's total assets have been dominated by current assets, average at 94.2% of the total assets, this is owing to the "pay gold with gold" scheme, which is a common practice in the wholesaler segment of the gold buying-selling industry. Against this backdrop, HRTA has highly liquid assets, which are corroborated by the presence of gold assets itself on the current asset side, establishing a robust balance sheet structure. This enables HRTA to effectively meet its obligations to pay coupons to investors and loans to creditors in a timely manner.

**Gold price swings severely affect financial performance.** As a direct proxy for gold's demand growth, especially gold jewelry and gold bars, we believe firmer gold prices in recent years should benefit HRTA. This is because gold related product revenue contributed 100% of the company's total revenue as of 2023. HRTA's sales grew by 31.5% CAGR and net profit rose by 18.5% CAGR in 2017-2023 period. So far, HRTA has been consistently to record all-time-high financial performance on both top-line and bottom-line which has been underpinned by favorable global gold price in the past years which translated to higher ASP, higher gold inventory value and better profitability margin.

**Key investment risks.** Our positive view on the company is predicated on the following key factors. (1) The company achieves its gold production volume targets to meet the demand, (2) The company controls annual production costs' inflation at reasonable level, (3) Gold prices not dipping well below the current level. Nevertheless, if the company missed this several positive factors, notably by a wide margin, would result in substantial earnings projection misses and a potential downgrade of its credit rating.

#### FI Research Analysts

##### Firman Hidayat

firman.hidayat@bahana.co.id

##### Ariawan

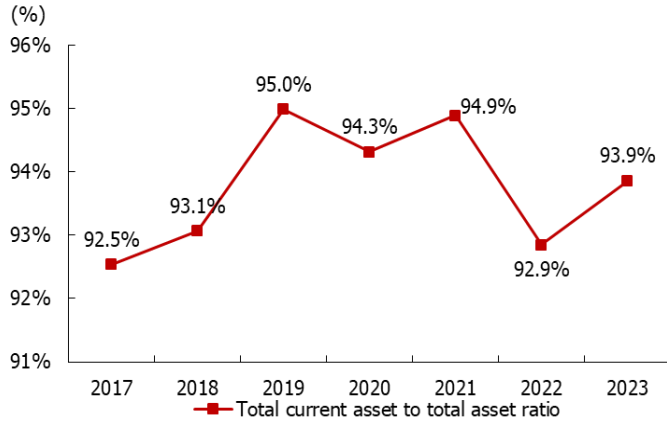
ariawan.hargianto@bahana.co.id

## TABLE OF CONTENTS

<b>Key Investment Summary.....</b>	<b>1</b>
<b>Focus Chart.....</b>	<b>3</b>
<b>Company Overview.....</b>	<b>4</b>
<b>Understanding Company’s Business Models.....</b>	<b>8</b>
<b>Business Growth Prospects.....</b>	<b>15</b>
<b>Financial Analysis.....</b>	<b>22</b>
<b>SWOT Analysis.....</b>	<b>26</b>
<b>Gold Sector Prospect.....</b>	<b>29</b>
<b>Key Investment Risks.....</b>	<b>34</b>
<b>Financial Highlights.....</b>	<b>35</b>
<b>Appendix.....</b>	<b>37</b>

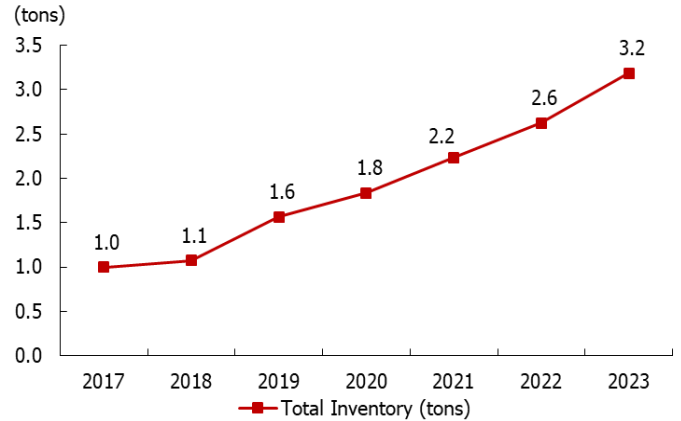
## FOCUS CHARTS

**Exhibit 1. A solid liquidity position in balance sheet**



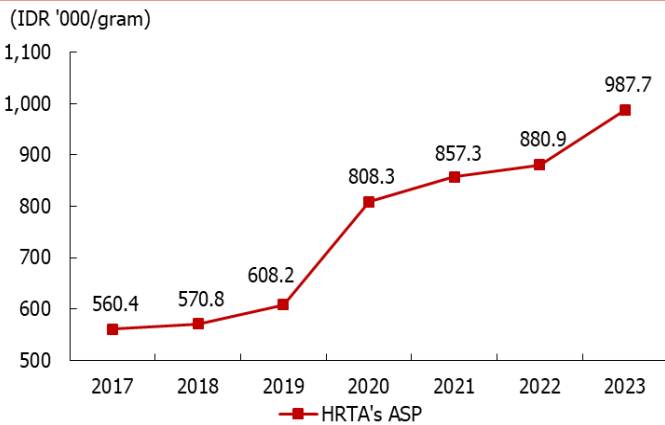
Source: Company Data, Bahana FI Research

**Exhibit 2. Gold inventory trend**



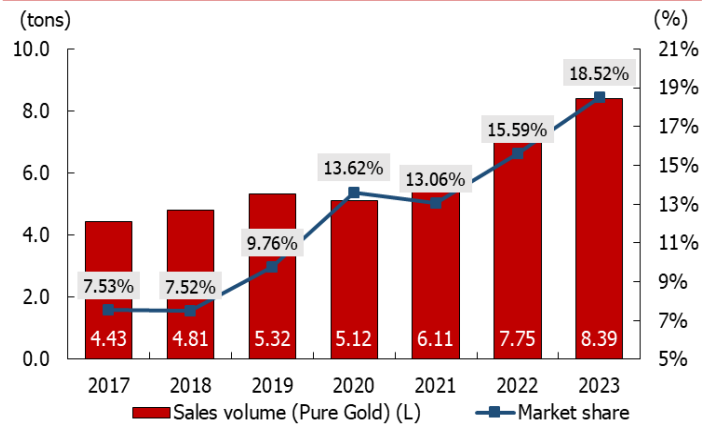
Source: Company Data, Bahana FI Research

**Exhibit 3. Average Selling Price (ASP) trend**



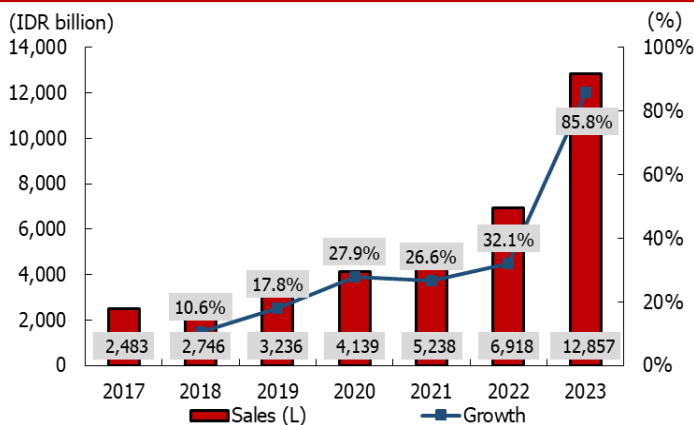
Source: Company Data, Bahana FI Research

**Exhibit 4. HRTA's sales volume & market share trend**



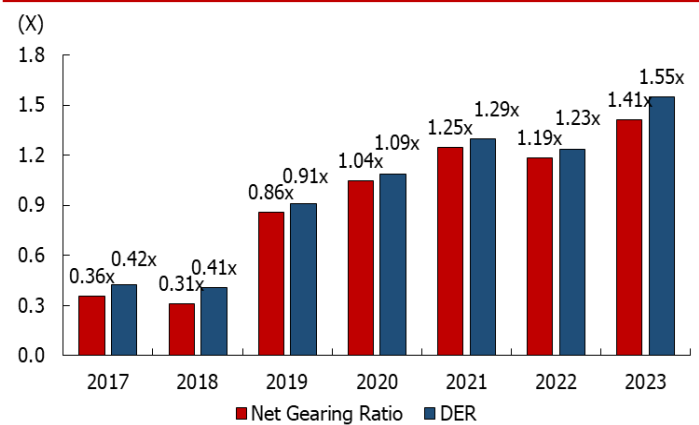
Source: Company Data, Bahana FI Research

**Exhibit 5. Sales trend**



Source: Company Data, Bahana FI Research

**Exhibit 6. DER and net gearing ratio trend**



Source: Company Data, Bahana FI Research

## COMPANY OVERVIEW

### Who is HRTA ?

The story begins in 1989, when Mr. Ferriyady Hartadinata embarked on his journey in the gold jewellery industry and established the HRTA in 2004, focusing on gold production and sales in the West Java region. With over two decades of experience, PT Hartadinata Abadi Tbk (HRTA) has been dedicated to serving the Indonesian people with their exquisite gold jewellery products and extensive retail network. HRTA's commitment to beauty, innovation, and exceptional service has remained unwavering throughout the years.

HRTA has established a robust competitive advantage by implementing an integrated business model that includes four great jewellery factories, a gold refining factory, and an extensive gold distribution network. This network spans across the domestic market, reaching wholesalers, gold shops, gold pawn shops, and HRTA's own retail shops. The retail store network of HRTA consists of four brands, namely: (1) Hartadinata Abadi Store, (2) Aurum Collection Centre (ACC), (3) Claudia Perfect Jewellery, and (4) Celine Jewellery. Going forward, HRTA will continue to promote innovation and expand its presence for retail customers in Indonesia. This will be achieved through the establishment of new retail stores, franchise partnerships, collaborations with institutions, and the expansion of its e-commerce network.

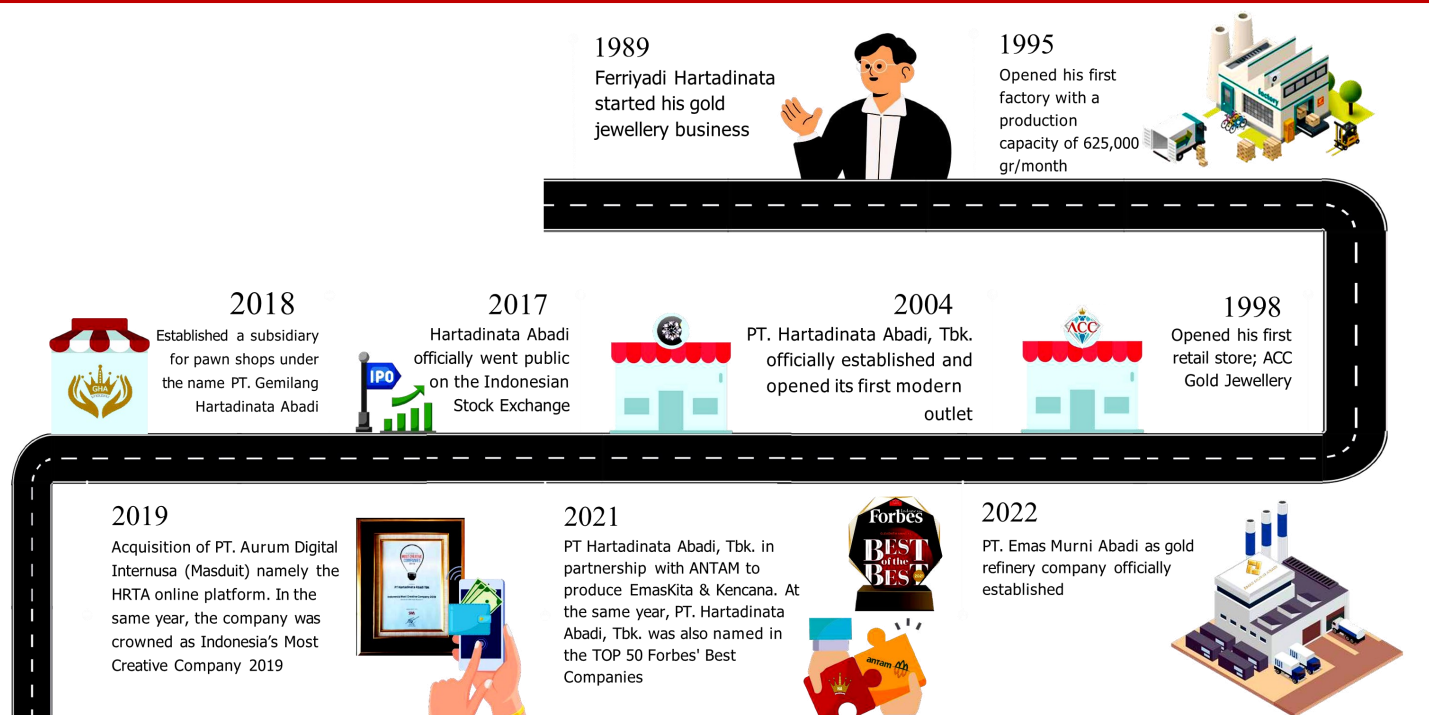
### Exhibit 7. Key milestones

## GAMBARAN PERUSAHAAN

### Siapakah HRTA ?

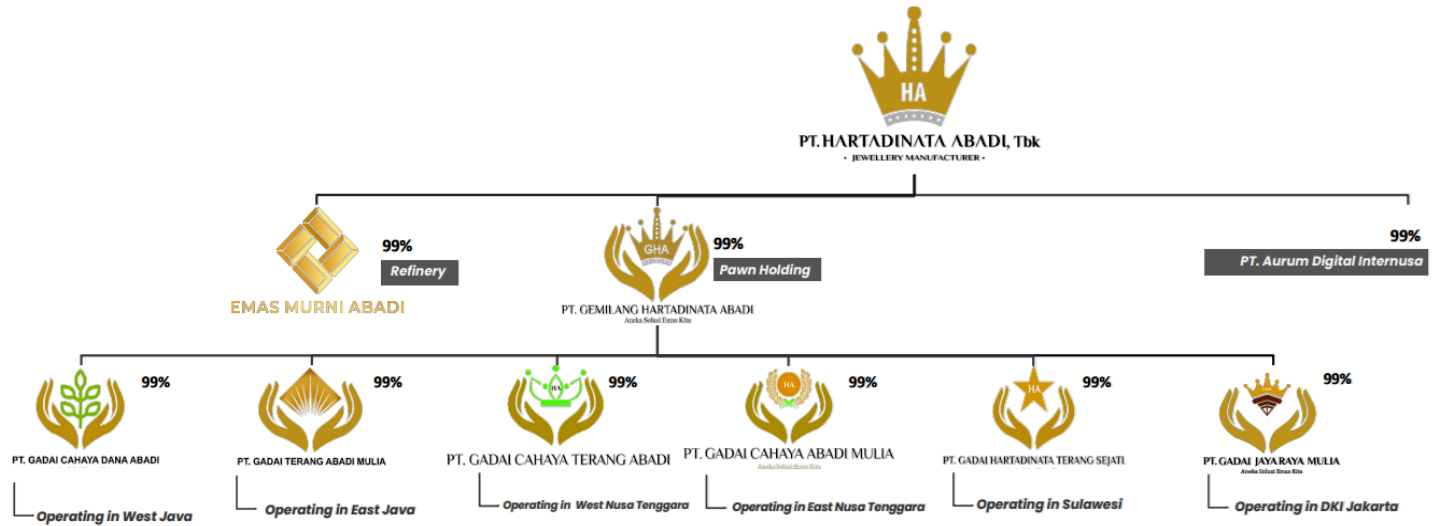
Dimulai pada tahun 1989, saat Bapak Ferriyady Hartadinata memulai perjalanannya di industri perhiasan emas dan mendirikan HRTA pada tahun 2004, dengan fokus pada produksi dan penjualan emas di wilayah Jawa Barat. Dengan pengalaman lebih dari dua dekade, PT Hartadinata Abadi Tbk (HRTA) telah berdedikasi untuk melayani masyarakat Indonesia dengan produk perhiasan emas yang indah dan jaringan ritel yang luas. Komitmen HRTA terhadap kecantikan, inovasi, dan layanan yang luar biasa tetap dipegang teguh selama bertahun-tahun.

HRTA membangun keunggulan kompetitif yang kuat dengan menerapkan model bisnis terintegrasi yang mencakup empat pabrik perhiasan besar, pabrik pemurnian emas, dan jaringan distribusi emas yang luas. Jaringan ini menjangkau pasar domestik, menjangkau pedagang grosir, toko emas, pegadaian emas, dan toko ritel milik HRTA sendiri. Jaringan toko ritel HRTA terdiri dari empat merek, yaitu: (1) Hartadinata Abadi Store, (2) Aurum Collection Center (ACC), (3) Claudia Perfect Jewellery, dan (4) Celine Jewellery. Ke depannya, HRTA akan terus mengedepankan inovasi dan memperluas kehadirannya bagi konsumen ritel di Indonesia. Hal tersebut akan tercapai melalui pendirian toko ritel baru, kemitraan waralaba, kolaborasi dengan institusi, dan perluasan jaringan e-commerce.



Source: Company data, Bahana FI Research

**Exhibit 8. Corporate structure - Most integrated and well-diversified business model**



Source: Company data, Bahana FI Research

**Experienced management team with technical expertise for business execution**

Management wise, HRTA's key management team has strong technical expertise for business execution, strategy business management, financial and legal aspect depth. We think in the business of jewellery manufacturers and retailers, having a seasoned player in mid-to-downstream gold business, a very senior market researcher and business development consultant, as well as people with corporate finance background from prominent companies in Indonesia is a very important recipe for achieving success.

A management team with a long-track record in the industry is something that investors should consider when investing in HRTA corporate bonds, in our perspective. The board of commissioner and director team has a wealth of experience, with over 100 years of combined experience.

**Tim manajemen yang berpengalaman dengan keahlian teknis untuk eksekusi bisnis**

Dari sisi manajemen, tim manajemen kunci HRTA memiliki keahlian teknis yang kuat untuk eksekusi bisnis, manajemen strategi bisnis, menguasai aspek keuangan dan hukum. Kami pikir dalam bisnis manufaktur dan penjualan perhiasan, memiliki pemain yang berpengalaman di mid-to-downstream bisnis emas, peneliti pasar dan konsultan pengembangan bisnis yang sangat senior, serta orang yang berlatar belakang corporate finance dari perusahaan terkemuka di Indonesia adalah resep yang sangat penting untuk mencapai kesuksesan.

Tim manajemen dengan rekam jejak yang panjang di bidangnya adalah sesuatu yang patut menjadi salah satu pertimbangan investor ketika investasi pada obligasi korporasi HRTA, dalam perspektif kami. Tim dewan komisaris dan direksi memiliki segudang pengalaman, dengan gabungan pengalaman lebih dari 100 tahun.

**Exhibit 9. Highly experienced commissioner team**
**Board of Commissioners**
**Ferriyady Hartadinata,  
President Commissioner**

Born in Tasikmalaya, 1973

**Education:**

- Bachelor of Economics, Bandung Raya University (1999)

**Experience:**

- PT Hartadinata Abadi (Company Founder) (2003)
- PT Hartadinata Abadi (President Director) (2004-2016)
- PT Hartadinata Abadi (President Commissioner) (2017-present)
- Commissioner of PT Gemilang Hartadinata Abadi (2020-present)
- Director of PT Gadai Cahaya Abadi Mulia (2020-present)

**Fendy Wijaya, Commissioner**

Born in Palembang, 1972

**Education:**

- Bachelor of Engineering, Maranatha Christian University (1997)

**Experience :**

- CV Gardindo (Marketing) (1996-1998)
- Logic Art.Co in Taiwan (Technical Supervisor) (2000-2001)
- PT La Senindo (Operations Manager) (2001-2002)
- PT Hartadinata Abadi (General Production Manager of the Company) (2003-2016)
- Commissioner of PT Hartadinata Abadi Tbk (2017—present)
- Commissioner of PT Gadai Cahaya Dana Abadi (2018-present)
- Commissioner of PT Gadai Terang Abadi Mulia (2019-present)
- Director of PT Gadai Cahaya Terang Abadi (2020-present)

**Drs. Suprihadi Usman,  
Independent Commissioner**

Born in Padang Sidempuan, 1950

**Education:**

- Masters in Management, Bhayangkara Jaya University (2000)

**Experience:**

- Kapolres Karawang (1990)
- Samarinda Police Chief (1993)
- Bengkulu Deputy Chief of Police (2003)
- Territorial Inspector (2004)
- West Java Deputy Police Chief (2006)
- Independent Commissioner of PT Hartadinata Abadi Tbk (2017-present)

Source: Company data, Bahana FI Research

**Exhibit 10. Highly experienced director team**

**Board of Directors**

**Sandra Sunanto, President Director**

Born in Bandung, 1973

**Education :**

- Bachelor of Management, Parahyangan Catholic University (1996)
- Masters in Management, Bandung Institute of Technology (1999)
- Master of Philosophy, Maastricht School of Management, Netherlands (2010)
- Doctor of Management, Erasmus Rotterdam University, Netherlands (2013)

**Experience :**

- Parahyangan Catholic University (Lecturer) (1997-2016)
- Market Research and Retail Management (Trainer) (2011-2016)
- PT Kurnia Asta Surya (Business Development Consultant) (2014-2015)
- YOGYA GROUP (Business Development Consultant) (2012—2016)
- PT Hartadinata Abadi (General Manager of Business and Development) (2014-2016)
- PT Hartadinata Abadi (President Director) (2017—present)
- Director of PT Gadai Cahaya Dana Abadi (2018-present)
- Director of PT Gadai Terang Abadi Mulia (June 2019 – August 2019)
- President Commissioner of PT Gadai Terang Abadi Mulia (August 2019-present)
- Commissioner of PT Gadai Cahaya Abadi Mulia (2020-present)

**Ong Deny, Director of Finance**

Born in Jakarta, 1973

**Education :**

- Bachelor of science in Accountancy, Xavier University "Ateneo de Cagayan", Cagayan de Oro City, Philippines, (1995)

**Experience :**

- Senior Manager Corporate Finance PT Plaza Indonesia Realty Tbk (1995-2011)
- Head of Finance and Accounting of PT Kertas Nusantara (2011-2013)
- Head of Finance Dwimukti Group (2014-2015)
- General Manager of Business Development of PT Lembang Permata Recreation Estate (Jan-June 2016)
- General Manager of Finance PT Hartadinata Abadi (Sep-Nov 2016)
- Director Finance of PT Hartadinata Abadi Tbk (2017-present)
- Director of PT Gadai Hartadinata Terang Sejati (2021-present)
- Commissioner of PT Gadai Jaya Raya Mulia (2021-present)

**Cuncun Muliawan, Director of Production and Operation**

Born in Tasikmalaya, 1974

**Education :**

- Bachelor of Management, Maranatha Christian University (1999)

**Experience :**

- Marketing Manager of Claudia Perfect Jewellery PT Hartadinata Abadi (2009-2012)
- Corporate Marketing Manager of PT Hartadinata Abadi (2012-2016)
- Director of PT Hartadinata Abadi Tbk (2017-present)

Source: Company data, Bahana FI Research

## UNDERSTANDING COMPANY'S BUSINESS MODELS

### Understanding the business model to generate sales

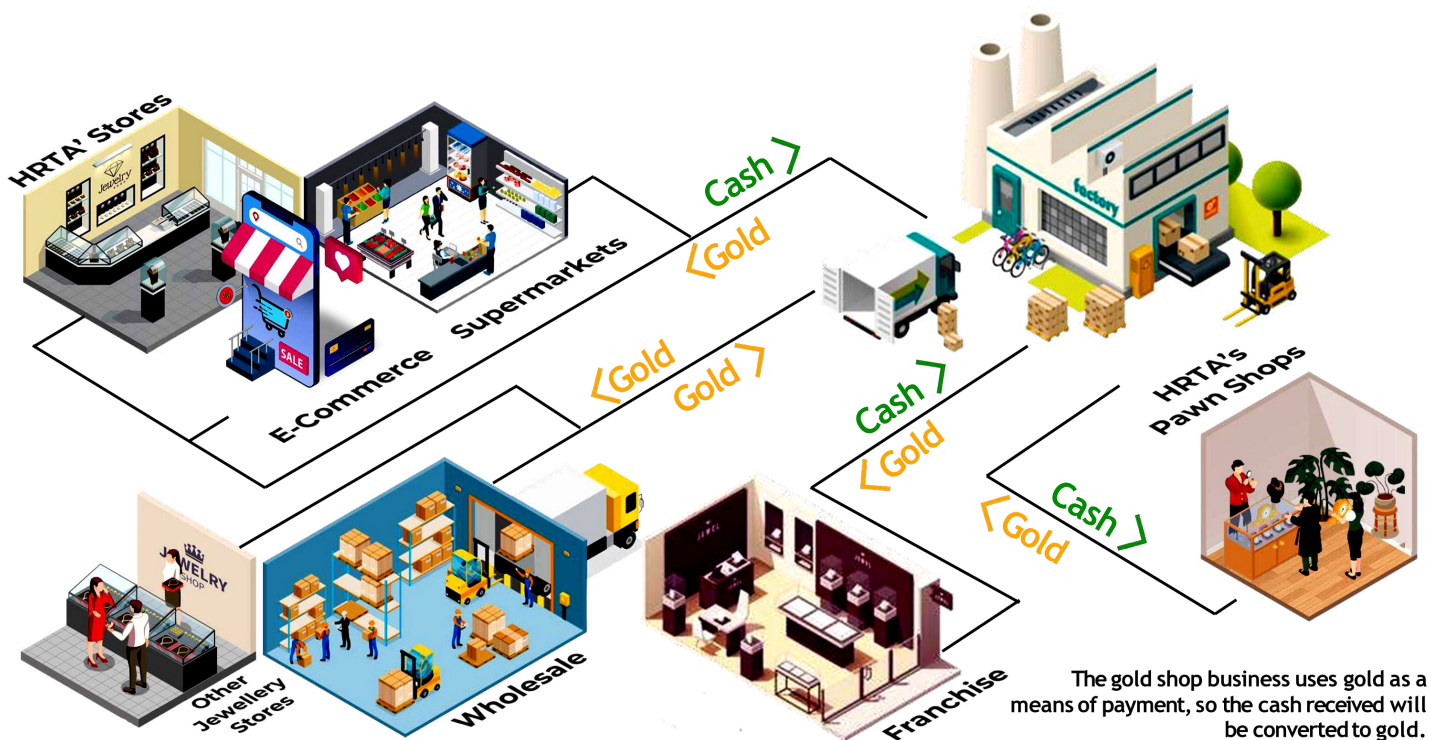
HRTA is a mid-to-downstream company in the gold industry, with a focus on gold jewelry and gold bullion. HRTA has a diverse range of business activities, including the production and refining of gold jewelry in its factory. In addition, HRTA has established a strong cooperation scheme that encompasses wholesale and retail distribution networks, both online and offline jewelry stores, as well as a gold pawn shop. In this research report, we attempt to elaborate on HRTA's business model to generate sales, ensuring that it is easily comprehensible for investors:

## MEMAHAMI MODEL BISNIS PERUSAHAAN

### Memahami model bisnis untuk menghasilkan penjualan

HRTA merupakan perusahaan mid-to-downstream yang bergerak di industri emas, dengan fokus pada emas perhiasan dan emas batangan. HRTA memiliki beragam kegiatan usaha, termasuk produksi dan pemurnian perhiasan emas di pabriknya. Selain itu, HRTA telah menjalin skema kerja sama yang kuat yang mencakup jaringan distribusi grosir dan eceran, baik toko perhiasan online maupun offline, serta toko gadai emas. Pada laporan riset ini, kami mencoba untuk elaborasikan model bisnis HRTA dalam menghasilkan pendapatan, memastikan bahwa model bisnis tersebut mudah dipahami oleh investor:

**Exhibit 11. Business model - Vertically integrated business model**



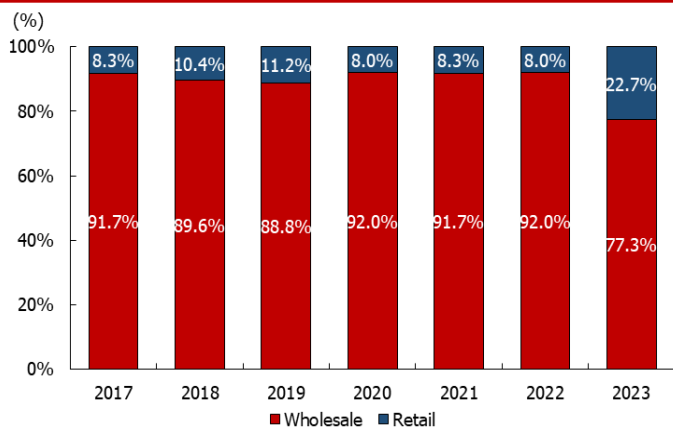
Source: Company data, Bahana FI Research



**#1. Wholesale segment.** As of 2023, the wholesale gold sales business segment via cooperation schemes is the main driver of HRTA's sales, accounting for approximately 92% and has a gross margin of around 6%-7%. HRTA sells gold jewelry to over 80 major distributors via a unique "pay gold with gold" scheme. Instead of using cash, the distributors exchange their scrap gold and HRTA takes a margin using the grammage calculation of the gold based on the 24 carat content.

The "pay gold with gold" transaction scheme is conducted with a grammage ratio of 1:1.1. For example, when distributor A purchases 1 kg of gold from HRTA, they are required to pay 1.1 kg of scrap gold to HRTA. Moreover, all calculations in gold purchasing transactions from distributors to HRTA are based on the pure gold content or 24 carats standard. If distributor A does not have 1.1 kg of 24 carats scrap gold to purchase 1 kg of 24 carats gold from HRTA, they have the option to pay with 3.3 kg of 8 carats scrap gold as an alternative form of payment.

**Exhibit 12. Wholesale vs. retail portion to total sales**



Source: Company Data, Bahana FI Research

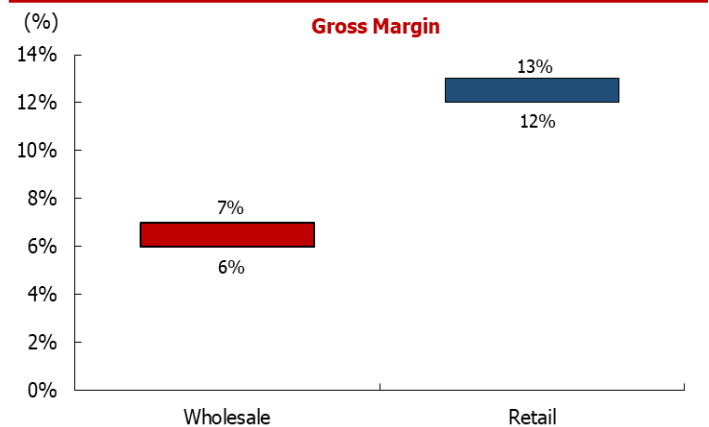
**#2. Retail segment.** As of 2023, the retail gold sales business segment accounts for approximately 15% of HRTA's total sales. In this segment, HRTA implements the "pay gold with cash" scheme via a widespread distribution network that operates both offline and online, which is dubbed an Omni-channel ecosystem. The main products include a wide design variance of gold jewelry and gold bullion, catering to diverse consumers' tastes and preferences from across different social strata with various income levels.

Gold jewelry products generate a gross profit margin ranging from 5% to 17%, which is influenced by the carat content. Generally, lower gold carats tend to yield higher gross margins. Meanwhile, the gross margin for gold bullion products varies from 2% to 35%, depending on the grammage size. The smaller gold grammage tend to generate a larger gross margin.

**#1. Segmen grosir.** Per 2023, segmen bisnis penjualan emas grosir melalui skema kerja sama menjadi pendorong utama pendapatan HRTA, menyumbang sekitar 92% dan memiliki margin kotor sekitar 6%-7%. HRTA menjual perhiasan emas ke lebih dari 80 distributor besar melalui skema unik yaitu "bayar emas dengan emas". Alih-alih menggunakan uang tunai, distributor tersebut menukarkan emas scrap-nya dan HRTA mengambil margin menggunakan perhitungan gramasi emas berdasarkan kandungan 24 karat.

Skema transaksi "bayar emas dengan emas" dilakukan dengan rasio gramasi sebesar 1:1,1. Sebagai contoh, distributor A membeli 1 kg emas dari HRTA maka mereka wajib membayar dengan 1,1 kg emas scrap kepada HRTA. Lebih lanjut, seluruh perhitungan dalam transaksi pembelian emas dari distributor kepada HRTA didasarkan pada kadar emas murni atau standar 24 karat. Jika distributor A tidak memiliki 1,1 kg emas scrap 24 karat untuk membeli 1 kg emas 24 karat dari HRTA, mereka mempunyai opsi untuk membayar dengan 3,3 kg emas scrap 8 karat sebagai bentuk alternatif pembayaran.

**Exhibit 13. Wholesale vs. retail gross margin as of 2023**



Source: Company Data, Bahana FI Research

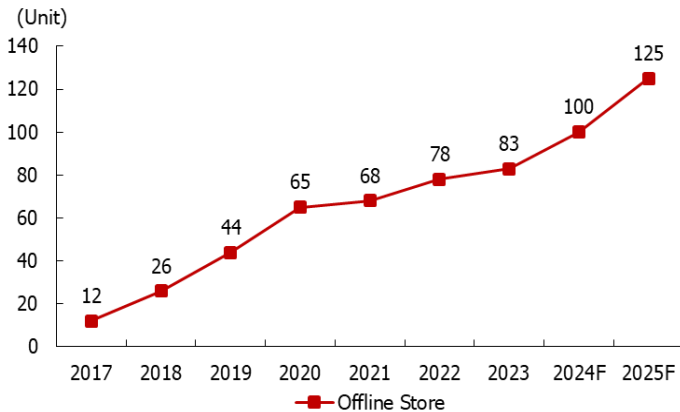
**#2. Segmen ritel.** Per 2023, segmen bisnis penjualan emas ritel menyumbang sekitar 8% dari total penjualan HRTA. Pada segmen ini, HRTA menerapkan skema "bayar emas dengan uang tunai" melalui jaringan distribusi luas yang beroperasi baik offline maupun online, yang disebut ekosistem Omni-channel. Produk utama meliputi berbagai macam desain perhiasan emas dan emas batangan, yang dapat memenuhi beragam selera dan preferensi konsumen dari berbagai strata sosial dengan tingkat pendapatan yang bervariasi.

Produk perhiasan emas menghasilkan margin laba kotor berkisar antara 5%-17% yang dipengaruhi oleh kandungan karatnya. Umumnya, karat emas yang lebih rendah cenderung menghasilkan margin kotor yang lebih tinggi. Sedangkan margin kotor untuk produk emas batangan bervariasi antara 2%-35%, tergantung besaran gramasinya. Emas dengan gramasi yang lebih kecil menghasilkan margin kotor yang lebih besar.

**#3. Gold pawnshop.** As of 2023, HRTA had accumulated around IDR311.4 billion worth of gold pawning receivables across 91 gold pawnshop locations in six provinces of Indonesia. Although the gold pawning business segment contributes a relatively small amount to HRTA's other income, it is an extremely promising business prospect given that gold pawnshops earn a substantial amount of interest per month at around 1.5%-1.7%.

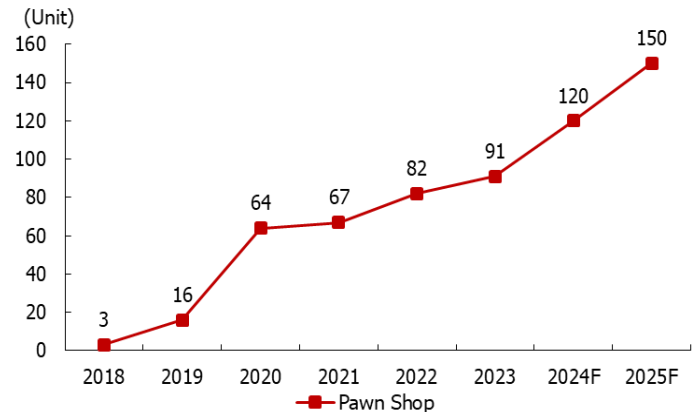
**#3. Gadai emas.** Per 2023, HRTA telah mengakumulasi piutang gadai emas senilai sekitar Rp311,4 miliar dari 91 lokasi toko gadai emas di enam provinsi Indonesia. Meskipun kontribusi segmen bisnis gadai emas terhadap pendapatan lain-lain HRTA masih relatif kecil, namun prospek bisnis ini sangat menjanjikan mengingat gadai emas memperoleh bunga per bulan yang cukup tinggi, yaitu berkisar 1,5%-1,7%.

**Exhibit 14. Offline store expansion trend**



Source: Company Data, Bahana FI Research

**Exhibit 15. Pawn shop expansion trend**



Source: Company Data, Bahana FI Research

**Positive impact of the business model on balance sheet structure**

When investors consider investing in corporate bond instruments, it is very crucial to carefully calculate the strength of the company's balance sheet structure in order to mitigate the risk of default. Understanding the HRTA business model we discussed earlier, it's clear that its financial balance sheet has been greatly influenced in a positive way by its business model characteristics. Over the past 5 years, the majority of HRTA's total assets have been dominated by current assets, average at 94.2% of the total assets. This indicates that HRTA has highly liquid assets, which are corroborated by the presence of gold assets itself on the current asset side, establishing a robust balance sheet structure.

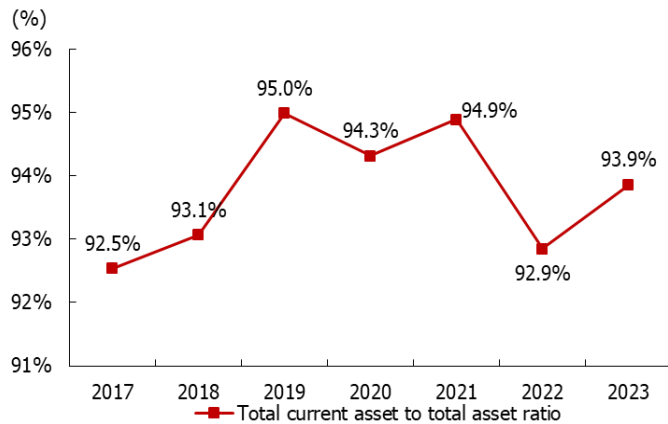
**Dampak positif model bisnis terhadap struktur neraca**

Ketika investor mempertimbangkan untuk berinvestasi pada instrumen obligasi korporasi, sangatlah penting untuk memperhitungkan dengan cermat kekuatan struktur neraca perusahaan untuk memitigasi risiko gagal bayar. Memahami model bisnis HRTA yang telah kita bahas sebelumnya, terlihat jelas bahwa neraca keuangannya sangatlah terdampak secara positif oleh karakteristik bisnis modelnya. Selama 5 tahun terakhir, sebagian besar total aset HRTA didominasi oleh aset lancar, rata-rata sebesar 94,2% dari total aset. Hal tersebut mengindikasikan bahwa aset HRTA sangatlah likuid, yang ditopang oleh keberadaan aset emas itu sendiri pada sisi aset lancar, sehingga membuat struktur neraca keuangan yang kuat.

In the past 5-years, HRTA has consistently maintained a high level of current ratio with averaging at 6.69x. This enables HRTA to effectively meet its obligations to pay coupons to investors and loans to creditors in a timely manner. Several key aspects contribute to the huge number of total current assets, including:

Dalam 5 tahun terakhir, HRTA secara konsisten menjaga rasio lancarnya pada level yang tinggi dengan rata-rata sebesar 6,69x. Hal tersebut memungkinkan HRTA untuk memenuhi kewajibannya secara efektif dalam membayar kupon kepada investor dan pinjaman kepada kreditor secara tepat waktu. Beberapa aspek utama yang berkontribusi terhadap besarnya jumlah aset lancar, antara lain:

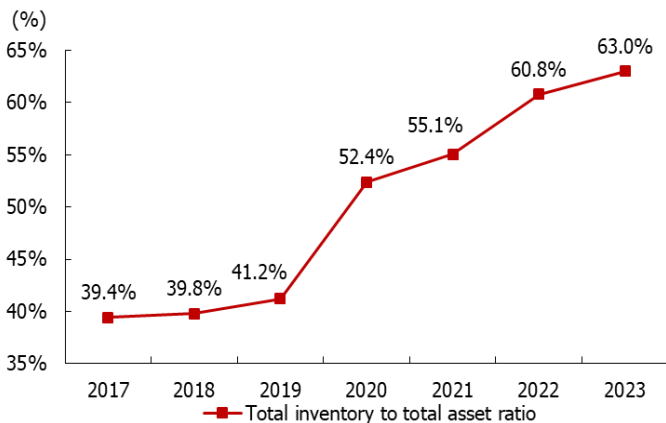
**Exhibit 16. A solid liquidity position in balance sheet**



Source: Company Data, Bahana FI Research

**#1. Total inventory.** HRTA has a substantial total inventory with an average portion to total assets of 54.5% in the past 5-years, this is owing to the "pay gold with gold" scheme, which is a common practice in the wholesaler segment of the gold buying-selling industry. In the past 5-years, HRTA has consistently maintained an average inventory turnover of 3.31x. In 2023, the gold inventory stands at approximately 3.2 tons, which is a notable rise compared to 1.0 tons recorded in 2017.

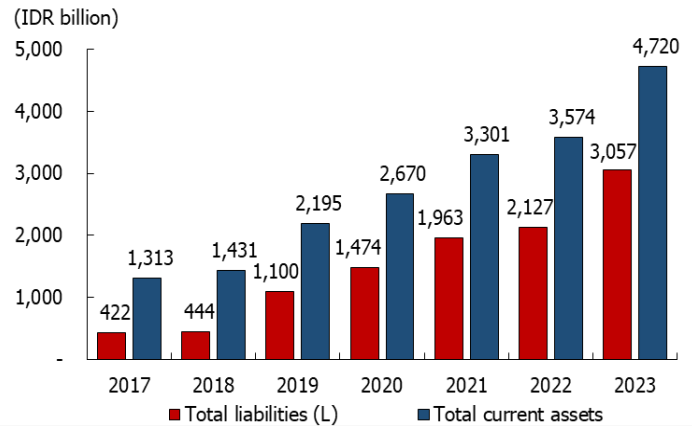
**Exhibit 18. Total inventory to total asset ratio**



Source: Company Data, Bahana FI Research

Meanwhile, the gold jewelry industry is notorious for its slow cash conversion cycle characteristic. In 2023, HRTA recorded a cash conversion cycle of approximately 128 days, indicating that there are around three-times cash conversion cycles in a year. Nevertheless, HRTA's cash conversion cycle falls short when compared to the cash conversion cycles of major global players like Chow Tai Fook, which stands at 296 days, and Titan Co Ltd, which stands at 172 days.

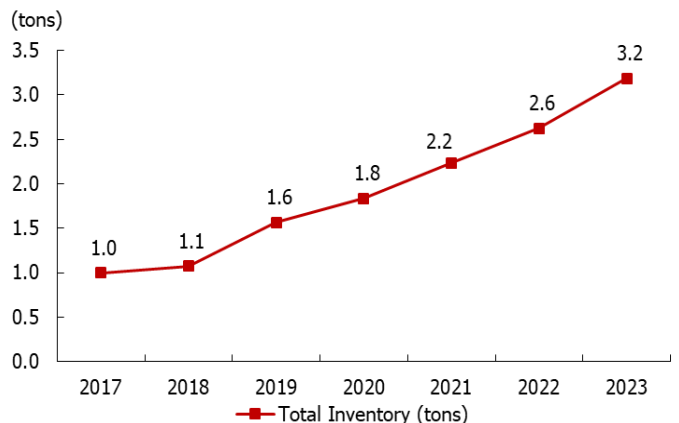
**Exhibit 17. Total current assets vs. total liabilities**



Source: Company Data, Bahana FI Research

**#1. Total persediaan.** HRTA memiliki total persediaan yang cukup besar dengan rata-rata porsi terhadap total aset sebesar 54,5% selama 5 tahun terakhir, hal tersebut disebabkan oleh skema "bayar emas dengan emas" yang merupakan common practice di segmen grosir pada industri jual-beli emas. Selama 5-tahun terakhir, HRTA secara konsisten mempertahankan rata-rata perputaran persediaan sebesar 3,31x. Pada tahun 2023, persediaan emas berjumlah sekitar 3,2 ton, meningkat signifikan dibandingkan 1,0 ton yang tercatat pada tahun 2017.

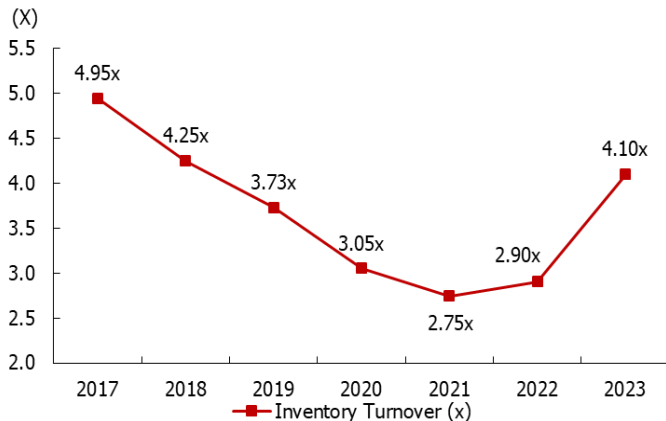
**Exhibit 19. Gold inventory trend**



Source: Company Data, Bahana FI Research

Sementara itu, industri perhiasan emas terkenal dengan karakteristik siklus konversi uang tunainya yang lambat. Pada tahun 2023, HRTA mencatatkan siklus konversi uang tunai sekitar 128 hari, yang berarti hanya terdapat sekitar tiga kali siklus konversi uang tunai dalam setahun. Namun, siklus konversi uang tunai HRTA tersebut masih jauh lebih rendah jika dibandingkan dengan siklus konversi uang tunai pemain global besar seperti Chow Tai Fook, yang mencapai 296 hari, dan Titan Co Ltd, yang mencapai 172 hari.

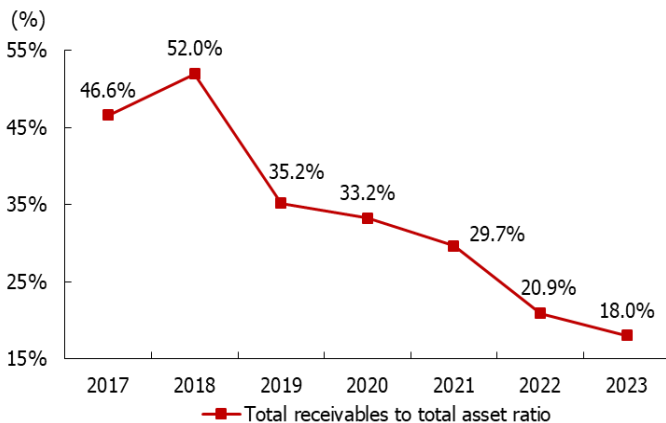
**Exhibit 20. Inventory turnover movement**



Source: Company Data, Bahana FI Research

**#2. Trade receivables.** HRTA has consistently maintained an average portion of trade receivables to total assets at 27.4% in the past 5-years. Trade receivables for sales of gold jewelry are recorded based on the total grammage of gold sold to customers, with a payment due within 30-90 days. The trade receivables are evaluated at fair value, taking into account the market price of gold at the reporting date. All gains or losses resulting from fluctuations in fair value of gold are recorded and acknowledged in income.

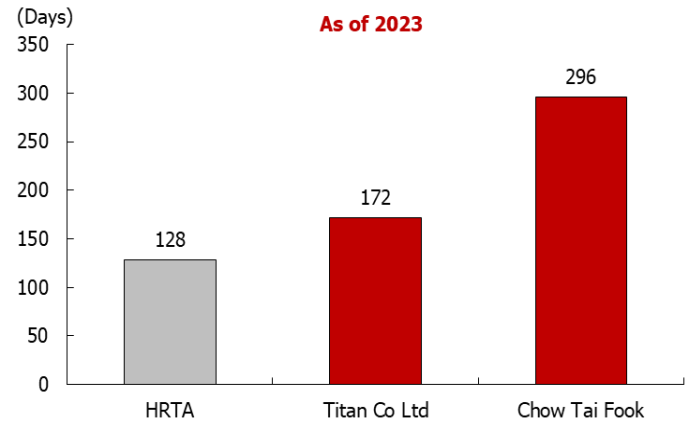
**Exhibit 22. Total receivables to total asset ratio**



Source: Company Data, Bahana FI Research

Moreover, HRTA's trade receivables can serve as collateral for various debts, including the Shelf Registered I Hartadinata Abadi Bonds Phase II Year 2020 totaling IDR1.0 trillion, banking loan from PT Bank Pembangunan Daerah Jawa Barat and Banten Tbk (BJBR) amounting to IDR660.0 billion in 2021, and banking loan from PT Bank Negara Indonesia (BBNI) totaling IDR1.7 trillion in 2022.

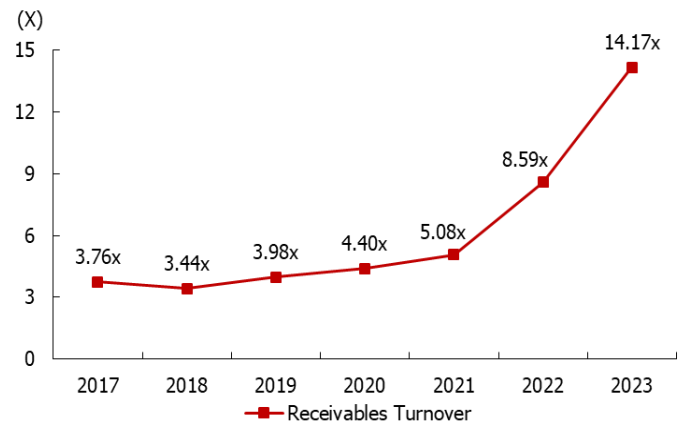
**Exhibit 21. Inventory days comparison**



Source: Company Data, Bahana FI Research

**#2. Piutang usaha.** HRTA secara konsisten mempertahankan rata-rata porsi piutang usaha terhadap total aset sebesar 27,4% selama 5-tahun terakhir. Piutang usaha atas penjualan emas perhiasan dicatat berdasarkan total gramasi emas yang dijual kepada pelanggan, dengan jangka waktu pembayaran dalam tempo 30-90 hari. Piutang usaha dievaluasi pada nilai wajar dengan mempertimbangkan harga pasar emas pada tanggal pelaporan. Seluruh keuntungan atau kerugian akibat fluktuasi nilai wajar emas dicatatkan dan diakui sebagai pendapatan.

**Exhibit 23. Receivable turnover trend**



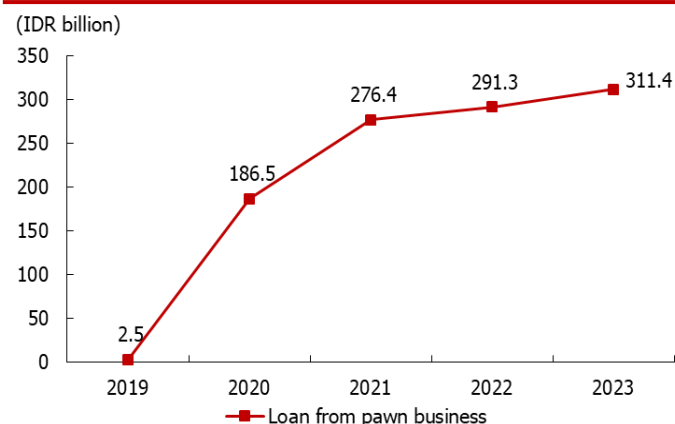
Source: Company Data, Bahana FI Research

Terlebih lagi, piutang usaha HRTA dapat dijadikan jaminan atas berbagai utang, antara lain Obligasi Berkelanjutan I Hartadinata Abadi Tahap II Tahun 2020 sebesar Rp1,0 triliun, pinjaman perbankan dari PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk (BJBR) sebesar Rp660,0 miliar pada tahun 2021, dan pinjaman perbankan dari PT Bank Negara Indonesia (BBNI) sebesar Rp1,7 triliun pada tahun 2022.

**#3. Gold pawn outstanding.** As of 2023, HRTA's total outstanding gold pawn stood at IDR311 billion. Albeit this amount may not seem excessively large in comparison to HRTA's total assets, but the interest it accrues is extremely lucrative, ranging from 1.5% to 1.7% per month for loans with terms of less than one year. This gold pawning business is relatively secure because, in accordance with pawn law in Indonesia, the collateral will be auctioned off if the customer fails to repay the loan by the due date. In addition, the gold pawn collateral by customers has been fully insured to reputable general insurance companies in Indonesia.

**#3. Outstanding gadai emas.** Per tahun 2023, total outstanding gadai emas HRTA mencapai Rp311 miliar. Meskipun jumlah ini mungkin tidak terlalu besar jika dibandingkan dengan total aset HRTA, namun bunga yang dihasilkan sangatlah menguntungkan, berkisar antara 1,5% hingga 1,7% per bulan untuk pinjaman dengan jangka waktu kurang dari satu tahun. Bisnis gadai emas ini relatif aman karena sesuai dengan hukum gadai di Indonesia, yang mana barang jaminan akan dilelang jika nasabah gagal melunasi pinjamannya hingga jatuh tempo. Selain itu, jaminan gadai emas nasabah telah sepenuhnya diasuransikan kepada perusahaan asuransi umum terkemuka di Indonesia.

**Exhibit 24. Gold pawn outstanding trend**



Source: Company Data, Bahana FI Research

### Gold price swings severely affect financial performance

We see that the rising trend in gold prices both from global and domestic will greatly benefit HRTA's financial performance, this includes an increase in gold inventory value, higher Average Selling Price (ASP), and improved profit margins. Given that HRTA recorded an average inventory turnover of 3.31x over the past 5-years, which translates to a span of approximately 3-4 months for one time of HRTA's inventory period to enjoy a rise in the average gold price at the same time period.

On the flip side, if the average gold price falls, it can adversely affect HRTA's financial performance. Nevertheless, as long as the decline in the average gold price remains within 10% or is not greater than the gross margin of gold sales in one time of inventory period, thus HRTA can still enjoy the benefit from elevated gold sales volume itself. Historically, there is a surge in demand for gold jewelry when the price of gold goes down.

### Pergerakan harga emas sangat mempengaruhi kinerja keuangan

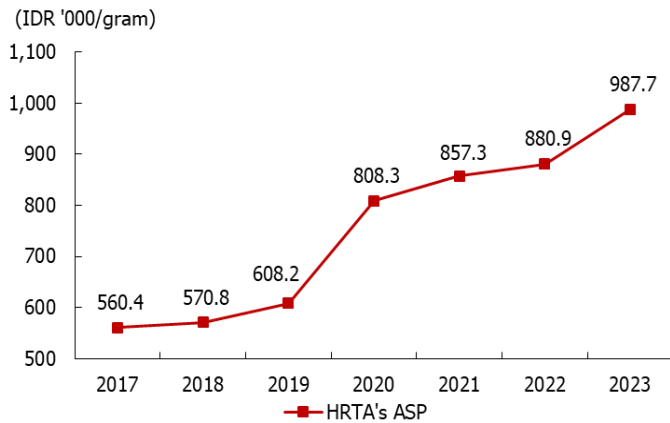
Kami melihat bahwa tren kenaikan harga emas baik dari global maupun domestik akan sangat menguntungkan kinerja keuangan HRTA, seperti peningkatan nilai persediaan emas, kenaikan Average Selling Price (ASP), dan peningkatan margin keuntungan. Mengingat bahwa HRTA mencatatkan rata-rata perputaran persediaan sebesar 3,31x selama 5-tahun terakhir, yang berarti terdapat rentang waktu kurang lebih sekitar 3-4 bulan dalam satu kali periode persediaan HRTA untuk menikmati kenaikan rata-rata harga emas pada periode yang sama.

Sebaliknya, jika rata-rata harga emas turun, maka dapat berdampak negatif terhadap kinerja keuangan HRTA. Namun, selama penurunan rata-rata harga emas tersebut masih berada pada kisaran 10% atau tidak lebih besar dari margin kotor penjualan emas dalam satu kali periode persediaan, maka HRTA masih dapat menikmati keuntungan dari peningkatan volume penjualan emas itu sendiri. Secara historis, terjadi lonjakan permintaan emas perhiasan ketika harga emas sedang mengalami tren penurunan.

On the raw material side, HRTA tends to purchase more expensive Dore bullion from gold miners when gold prices trend increase. This is since all Dore bullion purchase transactions are conducted via spot price contracts, and HRTA does not have a gold price hedging policy in place with the aim to secure larger quantities of Dore bullion supply from trustworthy suppliers.

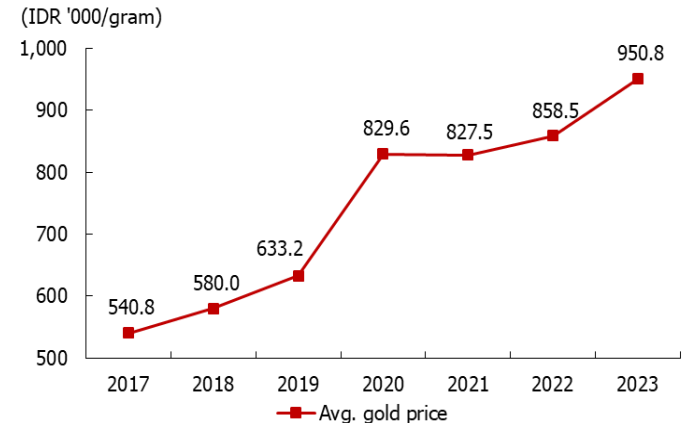
Dari segi bahan mentah, HRTA akan cenderung membeli emas Dore yang lebih mahal dari penambang emas ketika tren harga emas naik. Hal ini karena semua transaksi pembelian emas Dore dilakukan melalui kontrak harga spot, dan HRTA tidak memiliki kebijakan hedging harga emas dengan bertujuan untuk mengamankan pasokan emas Dore dalam kuantitas yang lebih besar dari pemasok yang dapat dipercaya.

**Exhibit 25. Average Selling Price (ASP) trend**



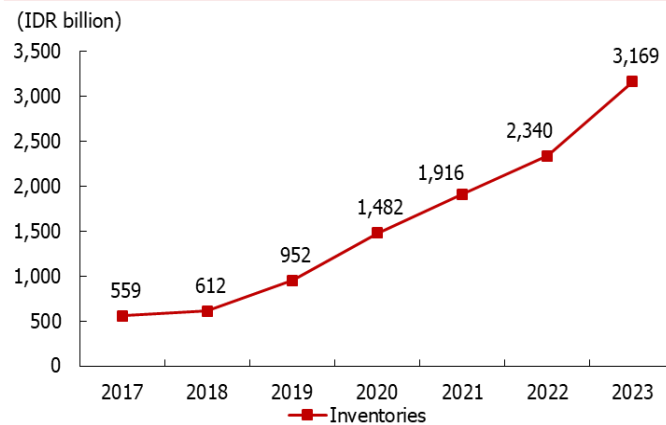
Source: Company Data, Bahana FI Research

**Exhibit 26. Domestic gold price trend**



Source: World Gold Council, Bahana FI Research

**Exhibit 27. Total inventory value trend**



Source: Company Data, Bahana FI Research

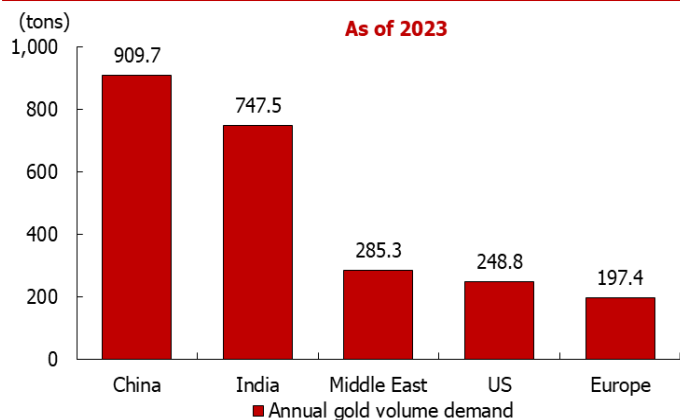
## BUSINESS GROWTH PROSPECTS

### Potential gold sales volume expansion to global gold markets

In 2023, HRTA successfully exported gold for the first time, specifically to India. This achievement was made possible via four export agreements with three India's gold companies, resulting in a total sales volume of approximately 13.5 - 14.5 tons. That exports volume was 1.74x - 1.87x higher than HRTA's gold sales volume in 2022 and exceed HRTA's initial sales target to the export market of 10 tons of gold jewelry. In addition, HRTA secured an export sales contract for 1.92 tons in early 2024, which will last for 1-year period. In order to maintain stable profit margins, HRTA plans to maintain a portion of export sales volume between 25% and 30% of their total gold sales in the medium term.

We are optimistic about the future growth potential of HRTA's export sales volume, particularly in India's gold market. At present, India stands out as a highly favorable target country in comparison to other major global gold consumers like China and the Middle East. This is due to factors such as a higher Average Selling Price (ASP), more favorable profit margins, achievable monthly gold volume demand, alignment with the demand for gold carat content, and a cash-in-advance payment policy.

**Exhibit 28. Top 5 country by gold volume demand**



Source: World Gold Council, Bahana FI Research

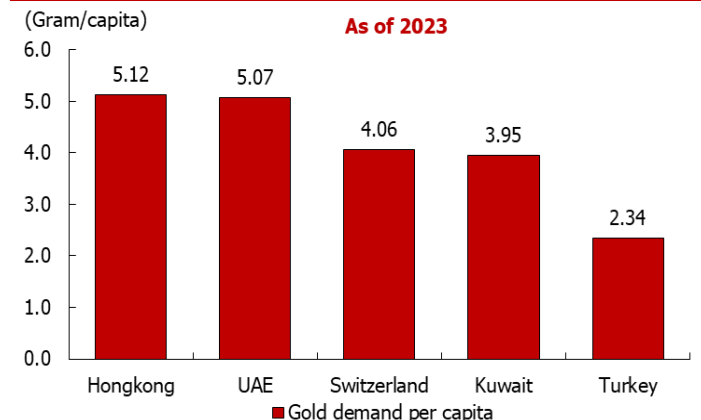
## PROSPEK PERTUMBUHAN BISNIS

### Potensi ekspansi volume penjualan emas ke pasar emas global

Pada tahun 2023, HRTA berhasil mengekspor emas untuk pertama kalinya, secara spesifik ke India. Pencapaian ini dicapai melalui empat perjanjian ekspor dengan tiga perusahaan emas India, sehingga menghasilkan total volume penjualan sekitar 13,5 - 14,5 ton. Volume ekspor tersebut 1,74x - 1,87x lebih tinggi dari volume penjualan emas HRTA pada tahun 2022 dan melebihi target penjualan awal HRTA ke pasar ekspor sebesar 10 ton perhiasan emas. Selain itu, HRTA juga mendapatkan kontrak penjualan ekspor sebanyak 1,92 ton pada awal tahun 2024 untuk jangka waktu 1-tahun. Untuk menjaga margin keuntungan yang stabil, HRTA berencana untuk mempertahankan porsi volume penjualan ekspor antara 25%-30% dari total penjualan emasnya dalam jangka menengah.

Kami optimis terhadap potensi pertumbuhan volume penjualan ekspor HRTA di masa depan, khususnya di pasar emas India. Saat ini, India unggul sebagai negara target yang sangat disukai dibandingkan dengan konsumen emas besar global lainnya seperti China dan Timur Tengah. Hal tersebut disebabkan oleh faktor-faktor seperti Average Selling Price (ASP) yang lebih tinggi, margin keuntungan yang lebih baik, volume permintaan emas bulanan yang achievable, keselarasan dengan permintaan kandungan karat emas, dan kebijakan pembayaran tunai di muka.

**Exhibit 29. Top 5 country by gold demand per capita**



Source: World Gold Council, Bahana FI Research

It is important to note that HRTA employs the "pay gold with cash" scheme for its gold sales to the export market. The gross margin for the export gold market is approximately 3%-4%, which is lower than the gross margin for the domestic gold market. Additionally, the average export sales contract is short-term, typically lasting between 3-months to 1-year. This short contract period has the potential to create fluctuations in HRTA's long-term revenue and net profit growth, particularly when global gold consumers do not place repeat orders with HRTA.

### **HRTA's market share expansion is supported by high entry barriers to gold industry**

There are various factors, both external and internal, that contribute to the stability of the domestic gold industry competition landscape. One key aspect is the competitive advantage of established players like HRTA, which has prevented new players from significantly impacting the market share dominance of these industry leaders, including:

**#1. Build trust with partners.** The gold business in the wholesale segment places a strong emphasis on maintaining mutual trust between trading partners. This industry upholds trust in terms of both the quality and volume of gold, often without relying on written contracts. As a result, there is very limited opportunity for gold players to switch partners. Maintaining strong trade relations between suppliers and buyers is very important in the gold industry, this ensures that the established connections can endure for years to come.

**#2. Domestic gold jewelry sales stagnate.** In recent years, there has been a stagnant trend in domestic gold sales, particularly in the jewellery segment, despite the fact that jewelry still accounts for around 60% of gold demand in Indonesia. This phenomenon is a result of the purchasing and selling behaviors of jewelry consumers in Indonesia, who frequently engage in transactions without accumulating their gold jewelry ownership. As a consequence, the quantity of gold jewelry in circulation remains relatively constant. In this context, gold jewelry manufacturers purchase scrap gold, recycle it, subsequently resell it on the gold jewelry market and consumers buy it back.

Penting untuk dicatat bahwa HRTA menerapkan skema "bayar emas dengan uang tunai" untuk penjualan emasnya ke pasar ekspor. Marjin kotor pasar emas ekspor sekitar 3%-4%, lebih rendah dibandingkan marjin kotor pasar emas domestik. Selain itu, rata-rata kontrak penjualan ekspor bersifat jangka pendek, biasanya berlangsung antara 3-bulan hingga 1-tahun. Periode kontrak yang pendek tersebut berpotensi menciptakan fluktuasi terhadap pendapatan dan pertumbuhan laba bersih HRTA dalam jangka panjang, terutama ketika konsumen emas global tidak melakukan repeat order kepada HRTA.

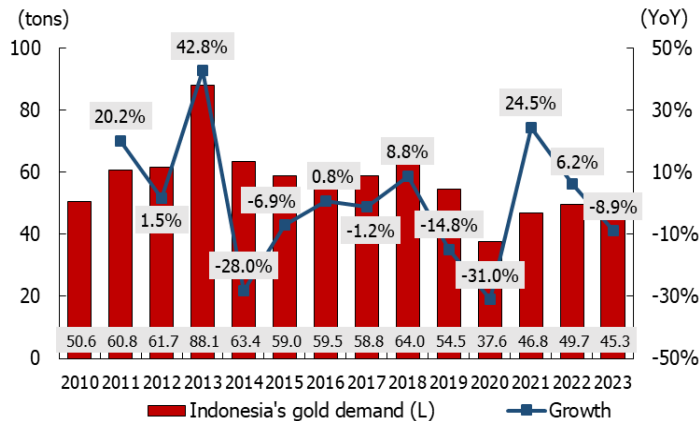
### **Ekspansi pangsa pasar HRTA didukung oleh tingginya hambatan masuk ke industri emas**

Terdapat berbagai faktor, baik eksternal maupun internal, yang berkontribusi terhadap stabilitas lanskap persaingan industri emas domestik. Salah satu aspek utamanya adalah keunggulan kompetitif dari pemain lama seperti HRTA, yang mencegah pemain baru untuk memberikan dampak yang signifikan terhadap dominasi pangsa pasar para pemimpin industri ini, seperti:

**#1. Membangun kepercayaan dengan mitra.** Bisnis emas di segmen grosir sangat menekankan pada menjaga rasa saling percaya antar mitra dagang. Industri ini menjunjung tinggi kepercayaan baik dari segi kualitas dan volume emas, seringkali tanpa bergantung pada kontrak tertulis. Akibatnya, peluang pemain emas untuk berganti mitra sangat terbatas. Menjaga hubungan perdagangan yang kuat antara pemasok dan pembeli sangat penting dalam industri emas, hal ini memastikan hubungan yang terjalin dapat bertahan selama bertahun-tahun yang akan datang.

**#2. Penjualan perhiasan emas domestik yang stagnan.** Dalam beberapa tahun terakhir, terdapat tren stagnan dalam penjualan emas secara domestik, khususnya di segmen perhiasan, meskipun faktanya perhiasan masih menyumbang sekitar 60% dari permintaan emas di Indonesia. Fenomena ini disebabkan oleh perilaku jual-beli konsumen perhiasan emas di Indonesia yang sering melakukan transaksi tanpa mengakumulasikan kepemilikan perhiasan emasnya. Akibatnya, jumlah perhiasan emas yang beredar relatif konstan. Dalam konteks ini, siklusnya adalah produsen perhiasan emas membeli emas scrap, mendaur ulangnya, kemudian menjualnya kembali di pasar perhiasan emas, dan konsumen membelinya kembali.



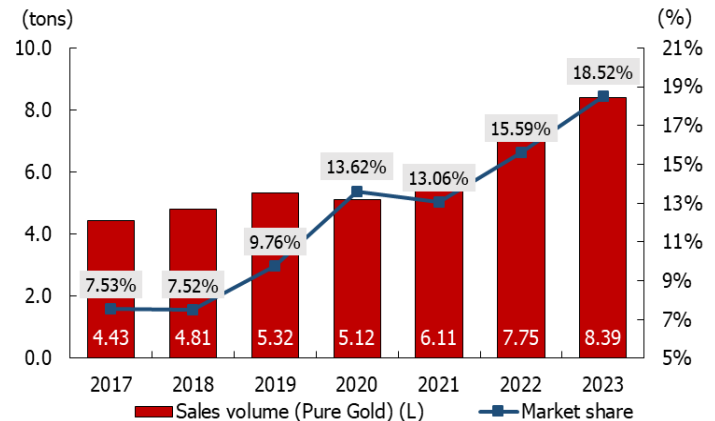
**Exhibit 30. Total gold demand in Indonesia**


Source: World Gold Council, Bahana FI Research

**#3. Competitive advantages underpin HRTA's growth in market share.** In the past few years, HRTA has managed to grow its market share despite the lackluster demand for gold, particularly in the jewelry segment, which means that HRTA has succeeded in eroding the market share of its competitors, such as PT Untung Bersama Sejahtera (UBS) and PT Hartono Wira Tanik (HWT).

HRTA's strong competitive advantages support the company's ability to maintain market share growth in the long-run, including:

- (1) Vertically integration of all gold business aspects from mid-to-downstream.
- (2) A wide distribution network through an Omni-channel ecosystem (gold jewelry and bullion distribution, gold pawning, digital platforms, and e-commerce).
- (3) Constant product innovation in terms of design and size of gold grammage to meet the demands of different social strata.
- (4) Strategic partnerships that support the long-term viability of HRTA's business in a number of aspects, including funding, gold Dore suppliers, retail sales distribution, and export market penetration.

**Exhibit 31. HRTA's sales volume & market share trend**


Source: Company Data, Bahana FI Research

**#3. Keunggulan kompetitif mendukung pertumbuhan pangsa pasar HRTA.** Dalam beberapa tahun terakhir, HRTA berhasil meningkatkan pangsa pasarnya meskipun permintaan emas masih lesu, khususnya di segmen perhiasan, yang berarti bahwa HRTA berhasil menggerus pangsa pasar kompetitornya, seperti PT Untung Bersama Sejahtera (UBS) dan PT Hartono Wira Tanik (HWT).

Keunggulan kompetitif HRTA yang kuat mendukung kemampuan perusahaan dalam mempertahankan pertumbuhan pangsa pasar dalam jangka panjang, antara lain:

- (1) Integrasi secara vertikal seluruh aspek bisnis emas dari mid-to-downstream.
- (2) Jaringan distribusi yang luas melalui ekosistem Omni-channel (distribusi perhiasan emas dan emas batangan, gadai emas, platform digital, dan e-commerce).
- (3) Inovasi produk yang berkelanjutan dalam hal desain dan ukuran gramasi emas untuk memenuhi permintaan berbagai strata sosial masyarakat.
- (4) Kemitraan strategis yang mendukung kelangsungan bisnis HRTA dalam jangka panjang dalam beberapa aspek, antara lain pendanaan, pemasok dore emas, distribusi penjualan ritel, dan penetrasi pasar ekspor.

**Exhibit 32. Strategic partnership in several important aspects**


Source: Company Data, Bahana FI Research

**The gold factory utilization rate still has a lot of room to grow**

As of 2023, HRTA operates 5 factories (4 manufacturing + 1 refinery) that have a combined gold production capacity of 39 tons per year. However, the average utilization rate is only 37.7% in the past 5-years. It's clear that the HRTA gold factory utilization rate is currently low, but there is significant potential for increasing gold production and sales in the future. This is due to the high demand for gold in the global market and the positive sentiment surrounding the formation of bullion banks. Nevertheless, optimizing the utilization level of the HRTA gold factory is a complex task that demands time due to there are several bottleneck factors, i.e., :

**#1. Limited domestic Dore gold supply from gold miners in Indonesia.** There are several challenges to obtaining a significant volume of Dore gold supply in a sustainable manner, including: Indonesia's gold miners often choose to sell their Dore gold to the export market due to the higher selling price compared to the domestic market. Meanwhile, the majority of creditors for gold miners in Indonesia consist of foreign banks that have established agreements that offer lower loan interest rates to gold miners who are willing to supply their gold to other business partners of the bank. In the long-run, if there is ever a government regulation that mandates a minimum supply quantity of gold to the domestic market, the HRTA will see significant advantages.

**Tingkat utilisasi pabrik emas masih memiliki banyak ruang untuk bertumbuh**

Per 2023, HRTA mengoperasikan 5 pabrik (4 manufaktur + 1 refinery) yang memiliki kapasitas produksi emas gabungan sebesar 39 ton per tahun. Namun, rata-rata tingkat utilitasnya hanya sebesar 37,7% selama 5-tahun terakhir. Jelas terlihat bahwa tingkat utilisasi pabrik emas HRTA saat ini masih rendah, namun terdapat potensi peningkatan produksi dan penjualan emas yang signifikan di masa depan. Hal ini disebabkan tingginya permintaan emas di pasar global dan sentimen positif seputar pembentukan bullion bank. Namun demikian, optimalisasi tingkat utilisasi pabrik emas HRTA merupakan tugas kompleks yang memerlukan waktu karena terdapat beberapa faktor penghambat, yaitu:

**#1. Terbatasnya pasokan emas Dore domestik dari penambang emas di Indonesia.** Terdapat beberapa tantangan untuk memperoleh pasokan emas Dore dalam volume besar secara berkelanjutan, antara lain: Para penambang emas Indonesia seringkali memilih menjual emas Dore ke pasar ekspor karena harga jual yang lebih tinggi dibandingkan pasar domestik. Sementara itu, mayoritas kreditur penambang emas di Indonesia terdiri dari bank asing yang telah menjalin perjanjian dimana menawarkan suku bunga pinjaman lebih rendah kepada penambang emas yang bersedia memasok emasnya ke mitra usaha lainnya dari bank tersebut. Dalam jangka panjang, jika terdapat peraturan pemerintah yang mewajibkan kuantitas pasokan emas minimum ke pasar domestik, HRTA akan mendapatkan keuntungan yang signifikan.

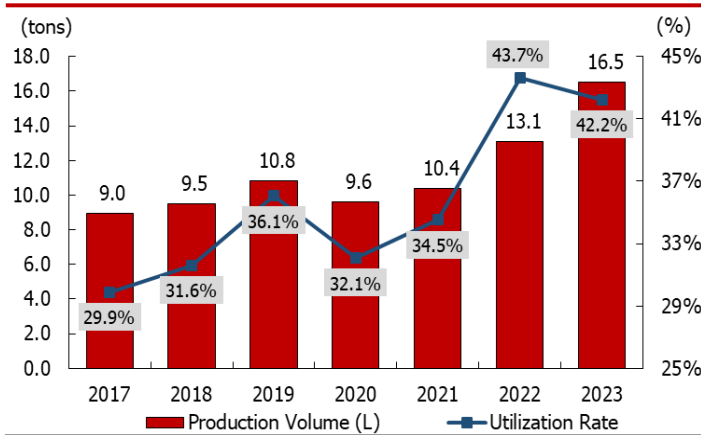
**#2. Maintaining a conservative balance sheet structure**

Over the next few years, HRTA has ambitious business expansion plans in order to sustain sales growth, increase net profit, and generate robust cash flow. This expansion will require significant funding to meet its capital expenditure needs. However, simultaneously, HRTA aims to uphold a conservative financial balance sheet structure, maintaining an optimal level of leverage. This approach will ensure a healthy balance sheet, safeguards its credit metric profile, and preserves profitability margins that remain stable.

**#2. Mempertahankan struktur neraca keuangan yang konservatif**

Selama beberapa tahun ke depan, HRTA memiliki rencana ekspansi bisnis yang ambisius untuk mempertahankan pertumbuhan penjualan, meningkatkan laba bersih, dan menghasilkan arus kas yang kuat. Ekspansi tersebut akan memerlukan pendanaan yang besar untuk memenuhi kebutuhan belanja modalnya. Namun, pada saat yang sama, HRTA memiliki tujuan untuk mempertahankan struktur neraca keuangan yang konservatif dan mempertahankan tingkat leverage yang optimal. Pendekatan tersebut akan memastikan neraca keuangan yang sehat, menjaga profil metrik kreditnya, dan menjaga margin profitabilitas tetap stabil.

**Exhibit 33. Gold production volume vs. utilization rate**



Source: Company Data, Bahana FI Research

**Exhibit 34. Breakdown of factory utilization rate**

Factory	Total Capacity (tons)	Gold Jewellery Content (%)	Utilization Rate (%)				
			2018	2019	2020	2021	2022
Sukamenak I	7.5	30%-75%	40.31%	45.70%	41.11%	48.43%	56.40%
Sukamenak II	6.0	75%	45.04%	50.50%	43.37%	32.28%	49.60%
Kopo Sayati	4.5	70%-75%	51.83%	58.10%	49.46%	46.47%	50.90%
Sapphire	12.0	99.99%	11.85%	14.60%	14.28%	22.45%	30.00%
<b>Total Capacity</b>	<b>30.0</b>		<b>31.60%</b>	<b>36.08%</b>	<b>32.08%</b>	<b>34.51%</b>	<b>43.66%</b>

Source: Company Data, Bahana FI Research

**HRTA will aggressively expand retail gold sales to boost cash flow**

HRTA aims to significantly expand its presence in the retail sales sector by maximizing the role of the Omni-channel ecosystem. The goal is to increase the proportion of gold sales for the retail segment by approximately 30% in the long-run, compared to the current 15% portion to total sales as of 2023. This strategy is expected to boost cash flow, particularly through the "pay gold with cash" scheme for retail customers.

We see this plan as a favorable move by HRTA in the long-run, as the majority of company's operational activities involve cash payments. These include payments for raw materials to suppliers, marketing expenses, employee salaries, tax payments, and coupon payments to investors who holding HRTA's corporate bonds. Given the current circumstances, it is anticipated that the cash flow generated from operational activities will be favorable, resulting in an increase in the cash position on the balance sheet over the coming years.

**HRTA akan secara agresif memperluas penjualan emas ritel untuk meningkatkan arus kas**

HRTA bertujuan untuk memperluas kehadirannya secara signifikan di sektor penjualan emas ritel dengan memaksimalkan peran ekosistem Omni-channel. Tujuannya adalah untuk meningkatkan proporsi penjualan emas ke segmen ritel sekitar 30% dalam jangka panjang, dibandingkan dengan porsi sebesar 15% terhadap total penjualan saat ini pada tahun 2023. Strategi ini diharapkan dapat meningkatkan arus kas, terutama melalui skema "bayar emas dengan uang tunai" untuk konsumen ritel.

Kami melihat rencana tersebut sebagai langkah yang menguntungkan HRTA dalam jangka panjang, seiring sebagian besar aktivitas operasional perusahaan melibatkan pembayaran tunai. Diantaranya adalah pembayaran bahan baku kepada supplier, biaya pemasaran, gaji karyawan, pembayaran pajak, dan pembayaran kupon kepada investor pemegang obligasi korporasi HRTA. Dengan latar belakang tersebut, arus kas yang dihasilkan dari aktivitas operasional diperkirakan akan membaik, sehingga berdampak pada peningkatan posisi kas yang lebih besar di neraca keuangan pada tahun-tahun mendatang.

**Exhibit 35. Ecosystem Omni-Channels**



Source: Company Data, Bahana FI Research

**Exhibit 36. Product innovations**

 <p><b>Jewelry with 8K – 22K Gold Content</b></p>	<p>Since 2021 <b>EmaskITA &amp; Kencana 99.99% Jewelry</b></p> 	<p>Since 2022 <b>New EmaskITA with BullionProtect®</b></p> 	<p>Since 2023 <b>EMASKU® Capsule &amp; Bar</b></p>  <p>250 Gram 500 Gram 1000 Gram 75 gram 125 gram</p>	 <p>Since 2023 <b>ARDORE®</b></p>
---	---	---	--	---

Source: Company Data, Bahana FI Research

**Exhibit 37. E-commerce web and app**



**BELI DIANTAR JUAL DIJEMPUT**

**JNE EXPRESS**

**PICK UP BUYBACK (Pulau Jawa)**

**KEAMANAN PENGIRIMAN**

**MEMBERSHIP**

**APLIKASI emaskita**

Download on the App Store | GET IT ON Google Play

Source: Company Data, Bahana FI Research

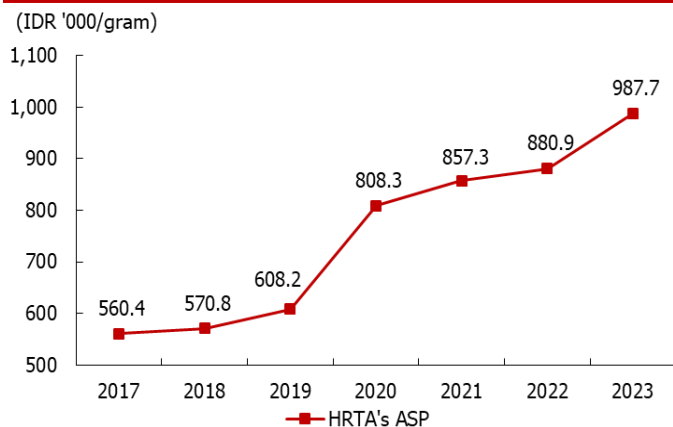
## FINANCIAL ANALYSIS

### Auspicious financial performance booster in the long-run

As a direct proxy for gold's demand growth, especially gold jewelry and gold bars, we believe firmer gold prices in recent years should benefit HRTA. This is because gold related product revenue contributed 100% of the company's total revenue as of 2023. HRTA's sales grew by 31.5% CAGR and net profit rose by 18.5% CAGR in 2017-2023 period.

So far, HRTA has been consistently to record all-time-high financial performance on both top-line and bottom-line which has been underpinned by favorable global gold price in the past years which translated to higher ASP, higher gold inventory value and better profitability margin. At the same time, HRTA recorded all-time-high gold sales volume and kept growing year by year supported by their gold product innovation, aggressively expanding the retail segment both offline via opening new gold stores and online via e-commerce.

**Exhibit 38. ASP trend**



Source: Company Data, Bahana FI Research

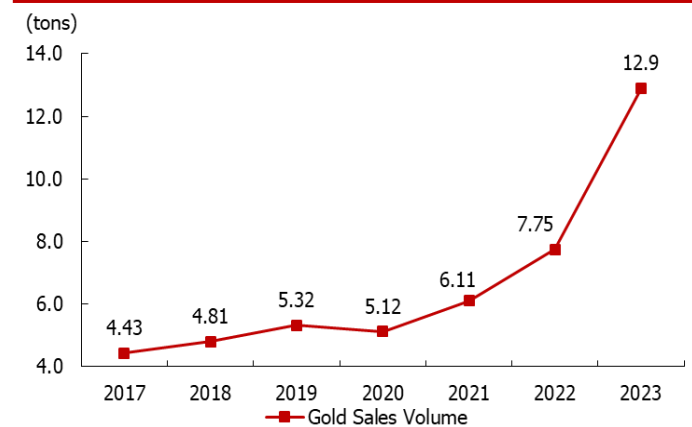
## ANALISA KEUANGAN

### Pendorong kinerja keuangan yang menguntungkan dalam jangka panjang

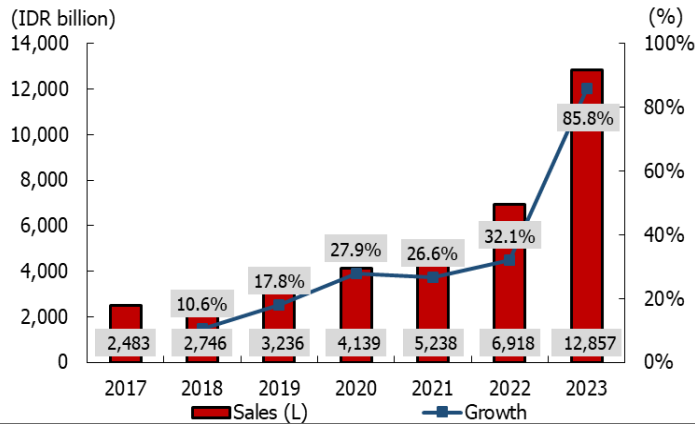
Sebagai proksi langsung terhadap pertumbuhan permintaan emas khususnya emas perhiasan dan emas batangan, kami yakin bahwa kenaikan harga emas dalam beberapa tahun terakhir menguntungkan HRTA. Pasalnya, pendapatan terkait produk emas menyumbang 100% terhadap total pendapatan perusahaan pada tahun 2023. Penjualan HRTA tumbuh sebesar 31,5% CAGR dan laba bersih naik 18,5% CAGR pada periode 2017-2023.

Sejauh ini, HRTA secara konsisten mencatatkan rekor kinerja keuangan all-time-high baik pada top-line maupun bottom-line yang didukung oleh kenaikan harga emas global selama beberapa tahun terakhir yang diterjemahkan ke dalam ASP yang lebih tinggi, nilai persediaan emas yang lebih tinggi, dan margin profitabilitas yang lebih baik. Pada saat yang sama, HRTA mencatatkan all-time-high untuk volume penjualan emas dan terus tumbuh dari tahun ke tahun yang didukung oleh inovasi produk emasnya, secara agresif memperluas segmen ritel baik offline melalui pembukaan toko emas baru maupun online melalui e-commerce.

**Exhibit 39. Gold sales volume**



Source: Company Data, Bahana FI Research

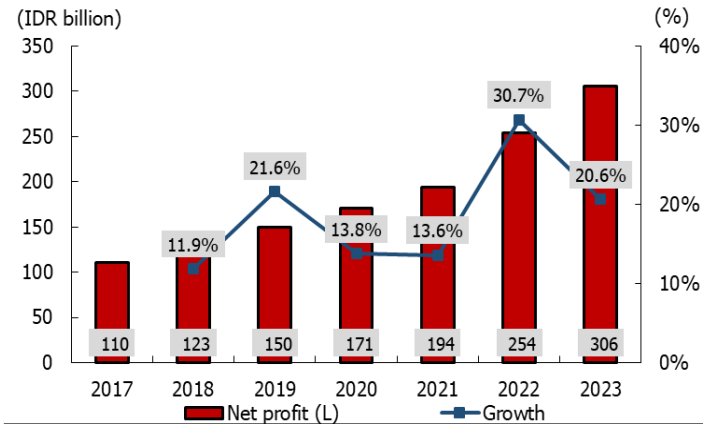
**Exhibit 40. Sales trend**


Source: Company Data, Bahana FI Research

In the long-run, we expect that HRTA would be capable to book another all-time-high financial performance achievement underpinned by better export market penetration, better Dore bullion purchasing contract with supplier, its gold factories remain at low utilization rate that opens up the potential for extraordinary growth in gold production and sales in the next few years as well as declining interest expense. Last but not least, we note that HRTA's profitability margin mainly depends on gold price movement due to HRTA's high exposure to gold price with 100% spot transaction without hedging policy both in gold jewelry and bar selling activity and gold Dore purchasing activity from its supplier.

### Robust capital structure to support long-term organic growth

HRTA spent moderate capex at an average of IDR48.6 billion in the past 5-years, which was mainly allocated for business development including gold sales distribution network expansion and production purpose in order to ensure sustainable gold sales growth. Meanwhile, HRTA has strong funding resources to fulfill their capex and working capital which is supported by the company's good relationship with several big banks and investors in the capital market, in case it needs further financing for future business development.

**Exhibit 41. Net profit trend**


Source: Company Data, Bahana FI Research

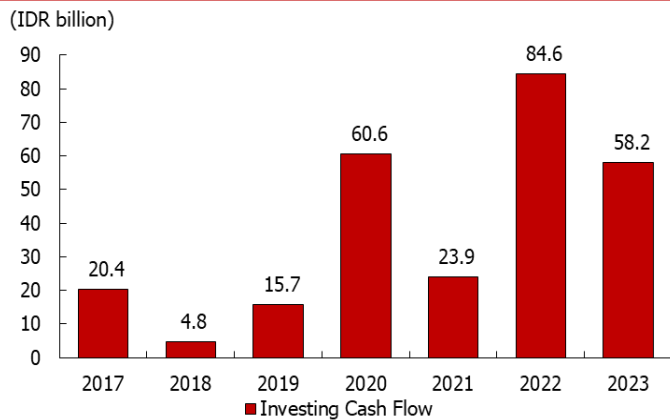
Dalam jangka panjang, kami ekspektasikan bahwa HRTA akan mampu membukukan pencapaian kinerja keuangan all-time-high lebih lanjut yang didukung oleh penetrasi pasar ekspor yang lebih baik, kontrak pembelian emas Dore yang lebih baik dengan pemasok, pabrik emasnya masih berada pada tingkat utilisasi rendah yang membuka potensi untuk pertumbuhan yang luar biasa pada produksi dan penjualan emas dalam beberapa tahun ke depan serta penurunan beban bunga. Terakhir tapi tidak kalah pentingnya, kami mencatat bahwa marjin profitabilitas HRTA utamanya bergantung pada pergerakan harga emas seiring tingginya eksposur HRTA terhadap harga emas dengan transaksi spot sebesar 100% tanpa kebijakan hedging baik dalam aktivitas penjualan perhiasan emas dan emas batangan serta aktivitas pembelian emas Dore dari pemasoknya.

### Struktur permodalan yang kuat untuk mendukung pertumbuhan organik dalam jangka panjang

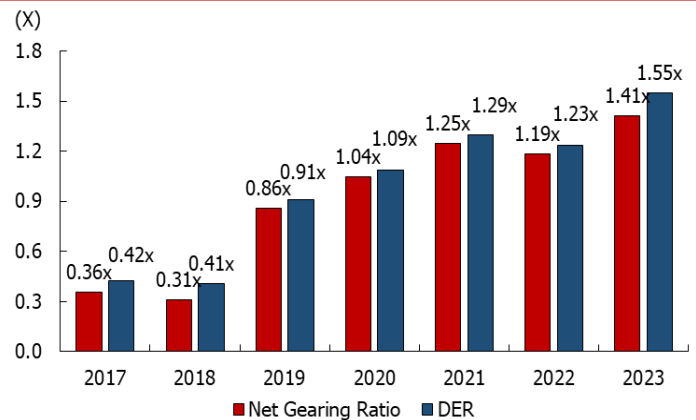
HRTA menghabiskan belanja modal yang moderat, rata-rata sebesar Rp48,6 miliar selama 5-tahun terakhir, yang sebagian besar dialokasikan untuk pengembangan bisnis termasuk perluasan jaringan distribusi penjualan emas dan tujuan produksi guna memastikan pertumbuhan penjualan emas yang berkelanjutan. Sementara itu, HRTA memiliki sumber pendanaan yang kuat untuk memenuhi kebutuhan belanja modal dan modal kerjanya yang didukung oleh hubungan baik perusahaan dengan beberapa bank besar dan investor di pasar modal, jika diperlukan pembiayaan lebih lanjut untuk pengembangan bisnisnya di masa depan.

In the long-run, HRTA is expected to record a better credit matrix ratio which will be translated to higher credit rating from rating agencies as the company deleverages efforts and improves cash flows. As of 2023, HRTA booked a net gearing ratio of 1.41x, a DER ratio of 1.55x, and a DAR ratio of 0.61x. At these levels, the company still has enough room to raise its borrowing to accommodate its future business expansion.

Dalam jangka panjang, HRTA diekspektasikan akan mencatatkan rasio matriks kredit yang lebih baik yang akan menghasilkan peringkat kredit yang lebih tinggi dari lembaga pemeringkat seiring dengan upaya perusahaan untuk mengurangi leverage dan meningkatkan arus kas. Pada tahun 2023, HRTA membukukan net gearing ratio sebesar 1,41x, rasio DER sebesar 1,55x, dan rasio DAR sebesar 0,61x. Pada level tersebut, perusahaan masih memiliki cukup ruang untuk meningkatkan pinjamannya guna mengakomodasi ekspansi bisnisnya di masa depan.

**Exhibit 42. Investing cash flow trend**


Source: Company Data, Bahana FI Research

**Exhibit 43. DER and net gearing ratio trend**


Source: Company Data, Bahana FI Research



### Altman Z-score model

According to the analysis of potential financial distress using the Altman Z-score model, HRTA's financial performance is considered to be in a healthy condition and is not at risk of bankruptcy. This can be spotted from its Z-score value which is higher than 2.99 level, supported by the company's ability to generate exceptional revenue by utilizing its assets. Over the past 5 years, on average, HRTA has recorded a revenue to total assets ratio of 1.74x.

Historically, companies that have a Z-Score of 0.8 or less than 0.8 for two consecutive years have a very high probability of experiencing bankruptcy in the next 3rd or 4th year. The Altman Z-Score model calculation considers the company's profitability, liquidity and solvency ratios.

### Model Altman Z-score

Berdasarkan analisa potensi financial distress dengan menggunakan model Altman Z-score, kinerja keuangan HRTA dinilai berada dalam kondisi sehat dan tidak berisiko mengalami kebangkrutan. Hal tersebut tercermin dari nilai Z-score yang jauh lebih tinggi dari level 2,99, didukung oleh kemampuan perusahaan dalam menghasilkan pendapatan dengan melakukan utilisasi aset—aset yang dimiliki. Dalam 5 tahun terakhir, secara rata—rata, HRTA mencatatkan rasio pendapatan terhadap total aset sebesar 1,74x.

Secara historis, perusahaan yang memiliki Z-Score sebesar 0,8 atau lebih kecil dari 0,8 selama dua tahun secara berturut-turut, maka memiliki kemungkinan yang sangat tinggi untuk mengalami kebangkrutan pada tahun ke-3 atau ke-4 setelahnya. Perhitungan model Altman Z-Score mempertimbangkan

#### Exhibit 44. HRTA's Altman Z-Score

Financial Ratio	2017	2018	2019	2020	2021	2022	2023
Working Capital	966	1,043	1,977	2,461	2,592	2,623	2,585
Retained Earnings	332	428	546	688	847	1,053	1,306
EBIT	192	208	258	356	426	548	708
Market Value of Equity	997	1,093	1,211	1,357	1,516	1,723	1,973
Revenue	2,483	2,746	3,236	4,139	5,238	6,918	12,857
Total Asset	1,418	1,537	2,311	2,831	3,478	3,849	5,029

Formula	2017	2018	2019	2020	2021	2022	2023
A	0.68	0.68	0.86	0.87	0.75	0.68	0.51
B	0.23	0.28	0.24	0.24	0.24	0.27	0.26
C	0.14	0.14	0.11	0.13	0.12	0.14	0.14
D	0.70	0.71	0.52	0.48	0.44	0.45	0.39
E	1.75	1.79	1.40	1.46	1.51	1.80	2.56

Result	2017	2018	2019	2020	2021	2022	2023
Z-Score	3.76	3.86	3.44	3.55	3.41	3.74	4.24
	Safe Zone	Safe Zone	Safe Zone	Safe Zone	Safe Zone	Safe Zone	Safe Zone

#### Variant 1

Financial Ratio	Formula
A	Working Capital /Total Asset
B	Retained Earnings /Total Asset
C	EBIT/Total Asset
D	Market Value of Equity/Total Asset
E	Total Sales/Total Asset

$$Z\text{-Score} = (1.2 \times A) + (1.4 \times B) + (3.3 \times C) + (0.6 \times D) + (1.0 \times E)$$

Z-Score > 2.99 = Safe Zone  
 1.88 < Z-Score < 2.99 = Grey Zone  
 Z-Score < 1.88 = Distress Zone

Source: Company Data, Bahana FI Research

## SWOT ANALYSIS

### STRENGTH

- **Proven long-track record.** The leading gold jewelry company in Indonesia with a track record of more than 30 years sponsored by an experienced management team with technical expertise for business execution.
- **Vertically integrated business.** HRTA has an integrated business portfolio of precious metal refining facilities (refinery), gold jewelry and gold ingot production factories, distribution networks for both offline stores and e-commerce as well as gold pawning businesses.
- **High level of customer satisfaction.** HRTA with its dedicated customer relationship management has been able to achieve a high level of customer satisfaction among customers underpinned by strong brand identity.
- **Strong distribution network.** Over the years, HRTA has built a reliable distribution network that can reach the majority of its potential market and that its gold products are available easily to a large number of customers in a timely manner.
- **Cost Structure.** HRTA's low cost structure helps it produce gold jewelry at a low cost and sell its gold products at an attractive price, making it affordable for its customers.
- **All-time-high financial performance.** So far, HRTA has been consistently to record all-time-high financial performance on both top-line and bottom-line which has been underpinned by favorable global gold price coupled with robust market share expansion.
- **Product Portfolio.** HRTA has a large gold product portfolio where it provides gold products in a large range of categories. HRTA has a number of unique gold product offerings that are not provided by competitors.
- **Credit Rating.** HRTA get idA credit rating from PEFINDO, which means the company's bonds have low investment risk and HRTA has strong ability to pay its debt in a timely manner.

## ANALISA SWOT

### STRENGTH

- **Rekam jejaknya yang telah terbukti.** Perusahaan perhiasan emas terkemuka di Indonesia dengan rekam jejak lebih dari 30-tahun disponsori oleh tim manajemen yang berpengalaman yang memiliki keahlian teknis untuk eksekusi bisnis.
- **Bisnis yang terintegrasi secara vertikal.** HRTA memiliki portofolio bisnis terintegrasi berupa fasilitas pemurnian logam mulia (refinery), pabrik produksi perhiasan emas dan emas batangan, jaringan distribusi baik toko offline maupun e-commerce serta bisnis gadai emas.
- **Tingkat kepuasan konsumen yang tinggi.** HRTA dengan manajemen hubungan pelanggan yang berdedikasi telah mampu mencapai tingkat kepuasan pelanggan yang tinggi di antara pelanggan yang didukung oleh identitas merek yang kuat.
- **Jaringan distribusi yang kuat.** Selama bertahun-tahun, HRTA telah membangun jaringan distribusi yang handal yang dapat menjangkau sebagian besar pasar potensial dan produk emasnya tersedia dengan mudah bagi banyak konsumen secara tepat waktu.
- **Struktur Biaya.** Struktur biaya rendah HRTA membantunya memproduksi perhiasan emas dengan biaya rendah dan menjual produk emasnya dengan harga menarik, sehingga terjangkau bagi pelanggannya.
- **Kinerja keuangan all-time-high.** Sejauh ini, HRTA secara konsisten mencatatkan kinerja keuangan tertinggi all-time-high baik dari segi top-line maupun bottom-line yang didukung oleh harga emas global yang menguntungkan ditambah dengan ekspansi pangsa pasar yang kuat.
- **Portofolio produk.** HRTA memiliki portofolio produk emas yang besar yang menyediakan produk emas dalam berbagai kategori. HRTA memiliki sejumlah penawaran produk emas unik yang tidak disediakan oleh pesaing.
- **Peringkat kredit.** HRTA mendapatkan peringkat kredit idA dari PEFINDO yang berarti obligasi korporasinya memiliki risiko investasi yang rendah dan HRTA memiliki kemampuan yang kuat untuk melunasi kewajibannya dengan tepat waktu.

## WEAKNESS

- **Low inventory turnover.** HRTA recorded an average inventory turnover of 3.31x over the past 5-years. Basically, the gold jewelry industry is notorious for its low inventory turnover characteristic, this is owing to the "pay gold with gold" scheme, which is a common practice in the wholesaler segment of the gold buying-selling industry.
- **External funding.** HRTA has a larger portion of financing source by external funding from bank loans and corporate bond issuances compared to its internal funding source. As of 2023, HRTA booked Debt to EBITDA and DER of 3.84x and 1.55x, respectively.

## OPPORTUNITY

- **Retail customer expansion from online channels.** HRTA has invested a vast sum of money into the online platform. HRTA can leverage this opportunity by knowing its customers better and serving their needs using big data analytics.
- **Export market expansion.** We are optimistic about the future growth potential of HRTA's export sales volume, particularly in India's gold market. In order to maintain stable profit margins, HRTA plans to maintain a portion of export sales volume between 25% and 30% of their total gold sales in the medium term.
- **Low utilization rate of gold factories.** The average HRTA's gold factory utilization rate is only 37.7% in the past 5-years, making a lot of room to grow going forward amid high demand prospects for gold in the global market.
- **Lower inflation rate prospect.** The lower inflation rate is driving global central banks to ease their monetary policy, which is good for gold prices. In addition, low inflation rates support the customers' better purchasing power.
- **Demand for gold.** Predicted demand for gold remains high in the long-term as economic global uncertainty, weakening USD currency, and stock market volatile. Global central banks hold much of gold as an alternative asset and safe-heaven.

## WEAKNESS

- **Perputaran persediaan yang rendah.** HRTA mencatatkan rata-rata perputaran persediaan sebesar 3,31x selama 5-tahun terakhir. Pada dasarnya industri perhiasan emas terkenal dengan karakteristik perputaran persediaan yang rendah, hal ini disebabkan oleh skema "bayar emas dengan emas" yang merupakan praktik umum di segmen grosir industri jual-beli emas.
- **Pendanaan eksternal.** HRTA memiliki porsi sumber pendanaan yang lebih besar dari pendanaan eksternal yang bersumber dari pinjaman bank dan penerbitan obligasi korporasi dibandingkan dengan sumber pendanaan internal. Per 2023, HRTA membukukan Debt to EBITDA dan DER masing-masing sebesar 3,84x dan 1,55x.

## OPPORTUNITY

- **Ekspansi konsumen ritel dari saluran online.** HRTA telah menginvestasikan sejumlah besar uang ke dalam platform online. HRTA dapat memanfaatkan peluang ini dengan mengenal pelanggannya lebih baik dan melayani kebutuhan mereka menggunakan analisis big data.
- **Perluasan pasar ekspor.** Kami optimis terhadap potensi pertumbuhan volume penjualan ekspor HRTA di masa depan, khususnya di pasar emas India. Untuk menjaga margin keuntungan yang stabil, HRTA berencana mempertahankan porsi volume penjualan ekspor antara 25%-30% dari total penjualan emas dalam jangka menengah.
- **Tingkat utilitas pabrik emas yang rendah.** Rata-rata tingkat utilisasi pabrik emas HRTA hanya sebesar 37,7% dalam 5-tahun terakhir, sehingga memberikan banyak ruang untuk pertumbuhan di masa depan di tengah tingginya prospek permintaan emas di pasar global.
- **Prospek tingkat inflasi yang lebih rendah.** Tingkat inflasi yang lebih rendah mendorong bank sentral global untuk melonggarkan kebijakan moneter, yang berdampak baik bagi harga emas. Selain itu, tingkat inflasi yang rendah mendukung daya beli masyarakat lebih baik.
- **Permintaan emas.** Permintaan emas diperkirakan masih tinggi dalam jangka panjang seiring ketidakpastian perekonomian global, melemahnya mata uang USD, dan volatilitas pasar saham. Bank sentral global menyimpan banyak emas sebagai aset alternatif dan safe-haven.

## THREATS

- **Seasonality pattern sales.** The demand of the highly profitable gold products is seasonal in nature and any unlikely event during the peak season may impact the HRTA's profitability in the short to medium term.
- **Export sales contract is short-term.** The average export sales contract typically lasts between 3-months to 1-year. This short contract period has the potential to create fluctuations in HRTA's long-term revenue and net profit growth, particularly when global gold consumers do not place repeat orders with HRTA.
- **Limited domestic Dore gold supply.** Indonesia's gold miners often choose to sell their Dore gold to the export market due to the higher selling price compared to the domestic market which has become potential bottleneck factors for HRTA to increase its gold production.
- **Missing production targets.** There are some execution risks which will affect to misses of gold production targets, notably by a wide margin, would result in substantial earnings projection misses and a potential downgrade of its credit rating. However, HRTA has strategies to optimize their gold production volume.
- **Softening of gold price.** Declining global gold price will impact to lower HRTA's Average Selling Price (ASP) and inventory value.

## THREATS

- **Pola penjualan musiman.** Permintaan produk emas yang sangat menguntungkan bersifat musiman dan kejadian yang tidak terduga selama musim puncak dapat berdampak pada profitabilitas HRTA dalam jangka pendek hingga menengah.
- **Kontrak penjualan ekspor bersifat jangka pendek.** Rata-rata kontrak penjualan ekspor biasanya berlangsung antara 3-bulan hingga 1-tahun. Periode kontrak yang pendek ini berpotensi menciptakan fluktuasi pendapatan jangka panjang dan pertumbuhan laba bersih HRTA, terutama ketika konsumen emas global tidak melakukan pemesanan berulang pada HRTA.
- **Terbatasnya pasokan emas Dore domestik.** Para penambang emas di Indonesia seringkali memilih untuk menjual emas Dore mereka ke pasar ekspor karena harga jual yang lebih tinggi dibandingkan pasar domestik yang berpotensi menjadi faktor penghambat HRTA untuk meningkatkan produksi emasnya.
- **Target produksi yang tidak tercapai.** Terdapat beberapa risiko eksekusi yang berdampak pada tidak tercapainya target produksi emas, terutama dengan selisih yang besar, yang akan mengakibatkan melesetnya proyeksi pendapatan secara signifikan dan potensi penurunan peringkat kreditnya. Meski begitu, HRTA memiliki strategi untuk mengoptimalkan volume produksi emasnya.
- **Penurunan harga emas.** Penurunan harga emas global berdampak pada penurunan Average Selling Price (ASP) dan nilai persediaan HRTA.

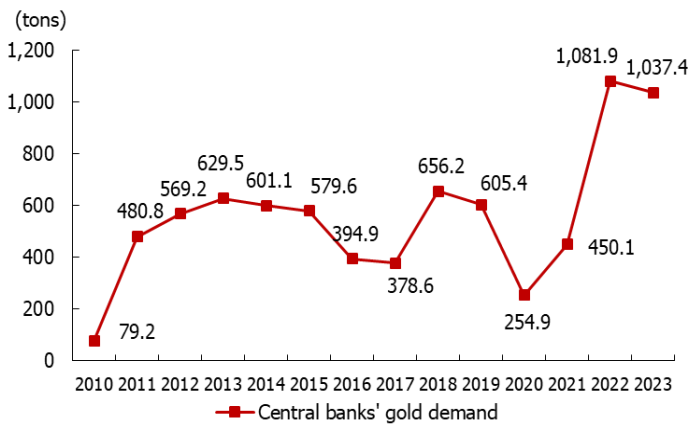
## GOLD SECTOR PROSPECT

### Global central bank continued to increase their ownership of gold

We remain optimistic on the positive outlook for gold price in 2024F underpinned by interest rate cut prospect, global gold demand strength, lingering uncertainty on the global economic growth coupled with geopolitical tensions, and gold supply tightness owing to global gold miners' method transition period from open pit to underground mining, increased production costs from labor and fuel.

Furthermore, we see that gold's role as an alternative currency asset may rise in the mid-to long term as it relates to its historical use as a currency. Central banks are the world's largest holder of gold, with the largest amount in the US, followed by Europe. Additional gold reserve buying may offer underlying support for gold price in the mid-to-long term, in line with plans to establish a global bullion bank. We see that emerging market central banks' increasing their gold holdings for diversifying their asset base, coupled with robust jewelry demand from India and China, as the main drivers for the higher gold prices forecast going forward.

**Exhibit 45. Global central banks' gold demand trend**



Source: World Gold Council, Bahana FI Research

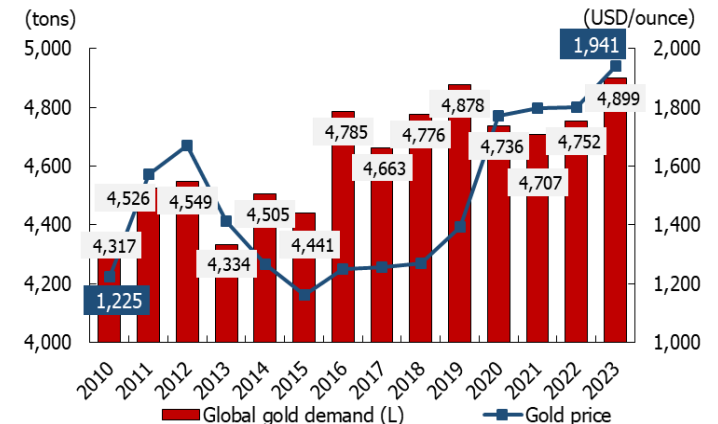
## PROSPEK SEKTOR EMAS

### Bank sentral global terus meningkatkan kepemilikan emasnya

Kami tetap optimis terhadap prospek positif harga emas pada tahun 2024F yang ditopang oleh prospek pemangkasan suku bunga, kuatnya permintaan emas global, berlanjutnya ketidakpastian terkait pertumbuhan ekonomi global ditambah dengan tensi geopolitik, dan terbatasnya pasokan emas karena masa peralihan metode penambang emas global dari open-pit ke underground mining, peningkatan biaya produksi dari tenaga kerja dan bahan bakar.

Selain itu, kami melihat bahwa peran emas sebagai aset mata uang alternatif kemungkinan meningkat dalam jangka menengah hingga panjang sehubungan dengan sejarah penggunaannya sebagai mata uang. Bank sentral adalah pemegang emas terbesar di dunia, dengan jumlah terbesar berada di AS, diikuti oleh Eropa. Pembelian cadangan emas tambahan mungkin menawarkan dukungan mendasar bagi harga emas dalam jangka menengah hingga panjang, sejalan dengan rencana pembentukan bullion bank global. Kami melihat bahwa bank sentral negara berkembang meningkatkan kepemilikan emasnya untuk mendiversifikasi basis aset mereka, ditambah dengan permintaan perhiasan yang kuat dari India dan China, sebagai pendorong utama proyeksi harga emas yang lebih tinggi ke depan.

**Exhibit 46. Global gold demand vs. gold price trend**



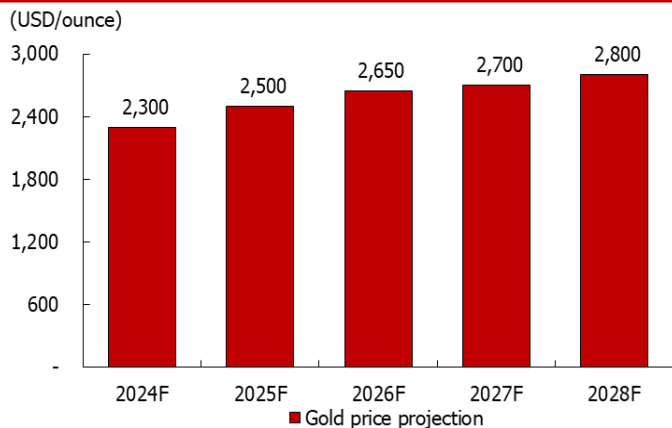
Source: World Gold Council, Bahana FI Research

**Wall Street is already full-on bullish for the gold price**

Recently, the global gold price hit an all-time high and Wall Street thinks it will keep climbing ahead. Here's what some of the world's biggest banks 12-18 month forecast for gold price: (1) Bank of America has USD2,400/ounce, (2) Citi Bank has USD3,000/ounce, (3) Royal Bank of Canada has USD2,350/ounce, Goldman Sachs has USD2,300/ounce, (4) Deutsche Bank has USD2,400/ounce, (5) UBS and JP Morgan both have USD2,300/oz forecast for gold price.

Meanwhile, the Bloomberg consensus expects global gold prices to increase 18.5% YoY in 2024F to USD2,300/oz, before raising another 8.7% YoY in 2025F to USD2,500/oz. Conservatively, we set a modest rise in the gold price. Our mid-term and long-term global gold price projection to average at USD2,300/oz and USD2,500/oz, respectively.

**Exhibit 47. Global gold price projection (yearly)**



Source: Bloomberg, Bahana FI Research

**Negative correlation between USD and gold price**

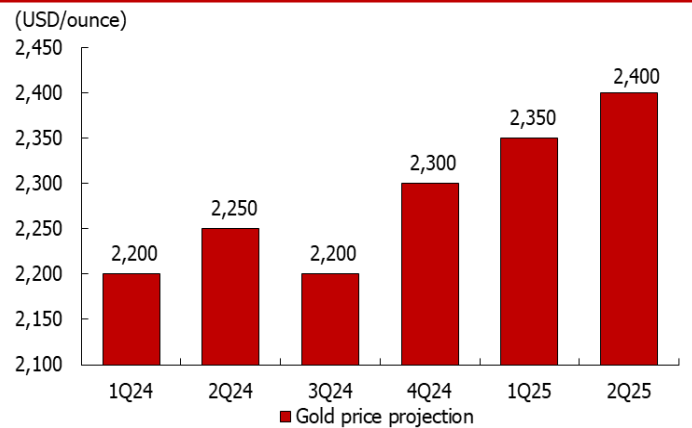
We see that in most cases, the lower USD index will push the gold price higher. However, driven by the global gold demand and supply, there is some moment when gold and the USD currency have risen together. But, in the historical long-run, eg. in the last 10-years, there is a strong negative correlation between USD and gold price.

**Wall Street telah sepenuhnya bullish pada harga emas**

Baru-baru ini, harga emas global mencapai titik all-time-high dan Wall Street memperkirakan harga emas akan terus naik ke depan. Berikut proyeksi harga emas dari beberapa bank terbesar di dunia dalam 12-18 bulan ke depan: (1) Bank of America sebesar USD2.400/ons, (2) Citi Bank sebesar USD3.000/ons, (3) Royal Bank of Canada sebesar USD2.350/ons, Goldman Sachs sebesar USD2,300/ons, (4) Deutsche Bank sebesar USD2,400/ons, (5) UBS dan JP Morgan keduanya proyeksikan harga emas sebesar USD2.300/ons.

Sementara itu, konsensus Bloomberg ekspektasikan harga emas global akan naik sebesar 18,5% YoY di 2024F menjadi USD2.300/ons, sebelum naik lagi sebesar 8,7% YoY di 2025F menjadi USD2.500/ons. Secara konservatif, kami menetapkan kenaikan yang moderat pada proyeksi harga emas. Rata-rata proyeksi harga emas global jangka menengah dan jangka panjang kami masing-masing sebesar USD2.300/ons dan USD2.500/ons.

**Exhibit 48. Global gold price projection (quarterly)**



Source: Bloomberg, Bahana FI Research

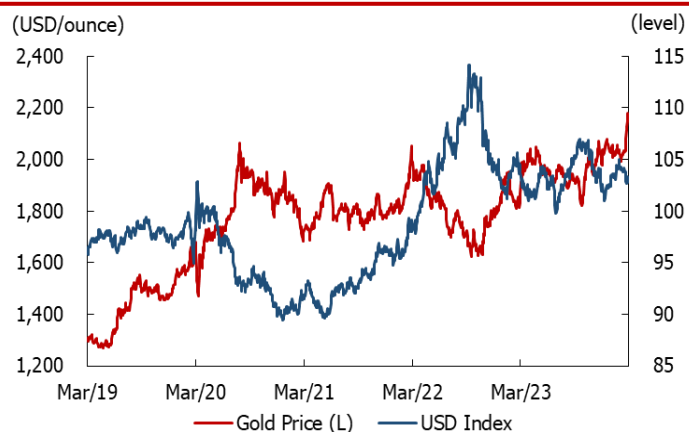
**Hubungan terbalik antara USD dan harga emas**

Kami melihat dalam banyak kasus bahwa penurunan indeks USD akan mendorong kenaikan harga emas. Namun demikian, didorong oleh permintaan dan pasokan emas global, ada kalanya emas dan mata uang USD naik secara bersamaan. Namun, secara historis dalam jangka waktu yang lebih panjang, misalnya dalam 10-tahun terakhir, terdapat hubungan terbalik yang kuat antara USD dan harga emas.

We see that amid the uncertain global economic growth due to geopolitical tension and rising expectation of an interest rate cut by the Fed could be a precursor of the weakening USD index. In turn, there could be more upside for gold prices in the near to mid-term. Weakening USD index means strengthening value of the other countries' currencies, which in turn could be positive for gold price due to higher demand for gold as a symbol of wealth or investors look to gold for alternative investment to diversify their portfolio as safe haven.

Kami berpendapat bahwa di tengah ketidakpastian pertumbuhan ekonomi global akibat ketegangan geopolitik dan meningkatnya ekspektasi pemangkasan suku bunga oleh Fed dapat menjadi awal dari melemahnya indeks USD. Pada gilirannya, seharusnya terdapat kenaikan yang lebih tinggi pada harga emas dalam jangka pendek hingga menengah. Melemahnya indeks USD berarti menguatnya nilai mata uang negara lain, yang pada gilirannya dapat berdampak positif pada harga emas seiring tingginya permintaan emas sebagai simbol kekayaan atau investor mencari emas sebagai alternatif investasi untuk mendiversifikasi portofolionya sebagai safe-haven.

**Exhibit 49. Gold price vs. USD index movement**

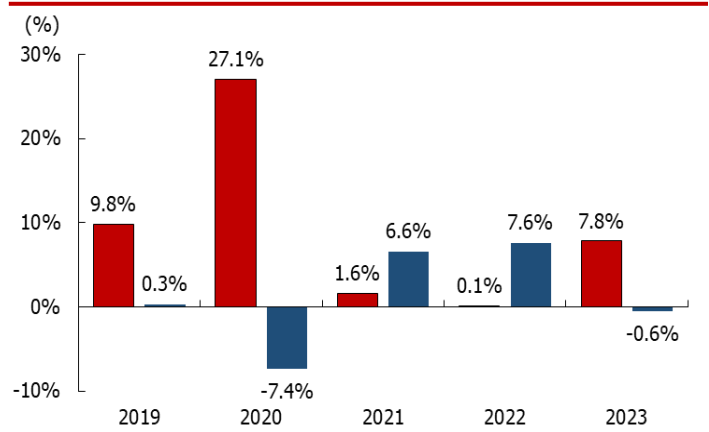


Source: Bloomberg, Bahana FI Research

### **Jewelry to boost global gold demand growth in the next several years**

Different countries may have different motives for purchasing gold. In several countries such as China and the Middle East, gold purchases have a high investment motive for price appreciation. In contrast, in other places such as India, the main motive for demand for gold is still supported by the purchase of jewelry as a form of luxury items. In developed markets, like in the US and Europe, 70% of gold demand comes from the technology sector. Going forward, we expect global gold demand will rely on the jewelry segment particularly in India and China, which account for more than 50% of the global jewelry demand. However, the growth pace will depend on gold prices itself, as Chinese and Indian consumers are highly gold price sensitive. Historically, jewelry demand has always been the largest and the main driver of global physical demand for gold.

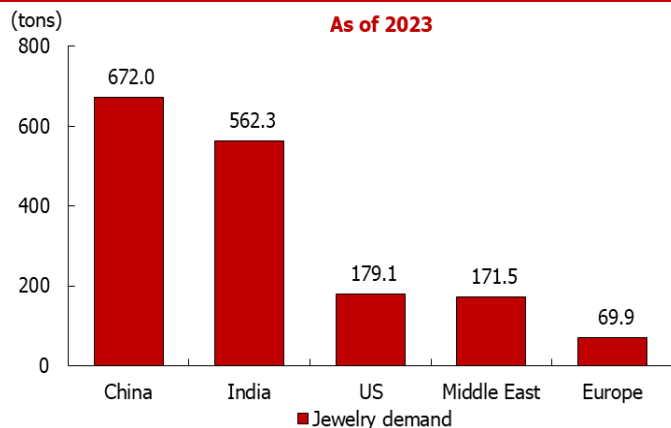
**Exhibit 50. Return gold price vs. USD index**



Source: Bloomberg, Bahana FI Research

### **Perhiasan akan mendongkrak pertumbuhan permintaan emas global dalam beberapa tahun ke depan**

Beda negara mungkin punya motif berbeda dalam membeli emas. Di beberapa negara seperti China dan Timur Tengah, pembelian emas memiliki motif investasi yang tinggi untuk apresiasi harga. Sebaliknya, di negara lain seperti India, motif utama permintaan emas masih ditopang oleh pembelian perhiasan sebagai salah satu wujud barang mewah. Di pasar negara maju, seperti Amerika dan Eropa, 70% permintaan emas berasal dari sektor teknologi. Kedepannya, kami memperhitungkan bahwa permintaan emas global ke depan akan bertumpu pada segmen perhiasan khususnya di India dan China, yang mencakup lebih dari 50% permintaan perhiasan global. Namun, laju pertumbuhan permintaan emas akan bergantung pada harga emas itu sendiri, karena konsumen China dan India sangat sensitif terhadap pergerakan harga emas. Secara historis, permintaan perhiasan selalu menjadi yang terbesar dan pendorong utama permintaan fisik emas global.

**Exhibit 51. Jewelry demand by geography**


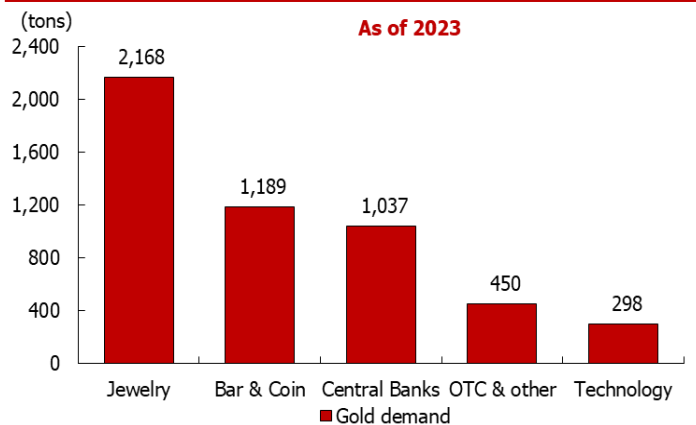
Source: World Gold Council, Bahana FI Research

### Indonesia's gold sector in brief

**#1. Gold demand.** Indonesia's gold demand in both jewelry and gold bars has remained relatively stagnant in recent years. At the same time, Indonesia's gold consumption per capita is currently lower than that of its peers in emerging countries. There are several factors that have led to a stagnation in demand for gold in Indonesia over the past few years, namely:

For the jewelry segment, the fact that jewelry still accounts for around 60% of gold demand in Indonesia. This phenomenon is a result of the purchasing and selling behaviors of jewelry consumers in Indonesia, who frequently engage in transactions without accumulating their gold jewelry ownership in the long-run.

Meanwhile, in the gold bar segment, it is widely believed among the Indonesian population that gold bullion is a luxury item, reserved for those in the middle and upper class who view it as a tertiary need. As a result, only individuals in these income brackets tend to collect gold bullion as an investment tool. However, we see that demand for gold bullion will continue to grow in the future as currently, there are numerous gold bullion producers, such as HRTA, that offer gold bullion in smaller grammage sizes to cater to the purchasing power of all levels of Indonesian society.

**Exhibit 52. Global gold demand breakdown**


Source: World Gold Council, Bahana FI Research

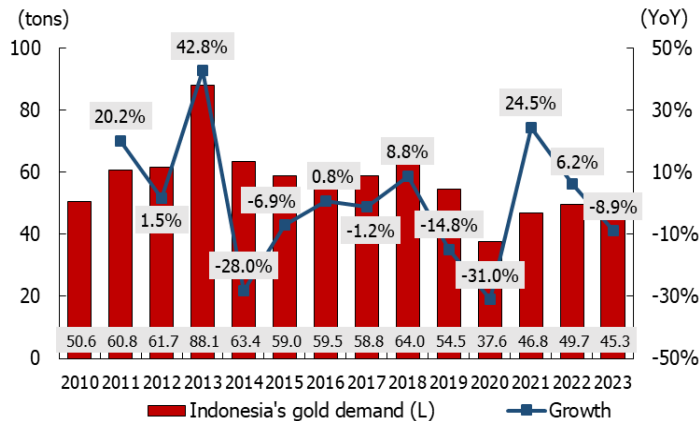
### Sekilas tentang sektor emas di Indonesia

**#1. Permintaan emas.** Permintaan emas Indonesia dalam bentuk perhiasan maupun emas batangan relatif stagnan dalam beberapa tahun terakhir. Pada saat yang sama, konsumsi emas per kapita Indonesia saat ini lebih rendah dibandingkan negara-negara berkembang lainnya. Ada beberapa faktor yang menyebabkan stagnannya permintaan emas di Indonesia selama beberapa tahun terakhir, yaitu:

Untuk segmen emas perhiasan, faktanya perhiasan masih menyumbang sekitar 60% permintaan emas di Indonesia. Fenomena stagnannya permintaan emas perhiasan tersebut disebabkan oleh perilaku jual-beli konsumen perhiasan di Indonesia yang sering bertransaksi tanpa mengakumulasi kepemilikan perhiasan emasnya dalam jangka panjang.

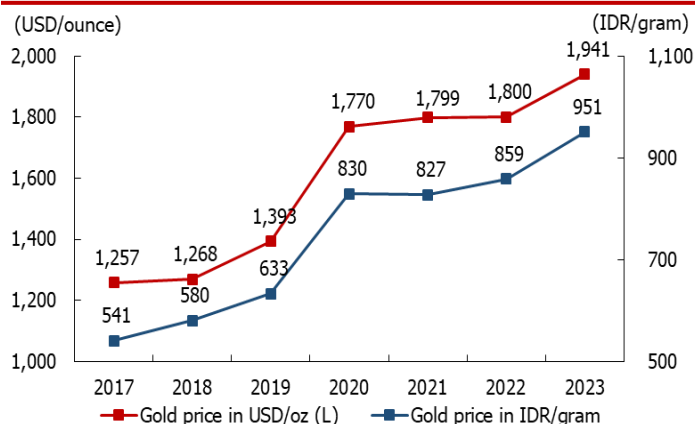
Sementara itu, di segmen emas batangan, masyarakat Indonesia masih menganggap emas batangan merupakan barang mewah yang hanya diperuntukkan bagi masyarakat kelas menengah dan atas yang menganggapnya sebagai kebutuhan tersier. Akibatnya, hanya individu dalam kelompok pendapatan tinggi yang cenderung mengoleksi emas batangan sebagai alat investasi. Namun, kami melihat bahwa permintaan emas batangan akan terus tumbuh ke depan seiring saat ini sudah banyak produsen emas batangan, seperti HRTA, yang menawarkan emas batangan dalam ukuran gram lebih kecil sehingga dapat memenuhi daya beli seluruh lapisan masyarakat Indonesia.



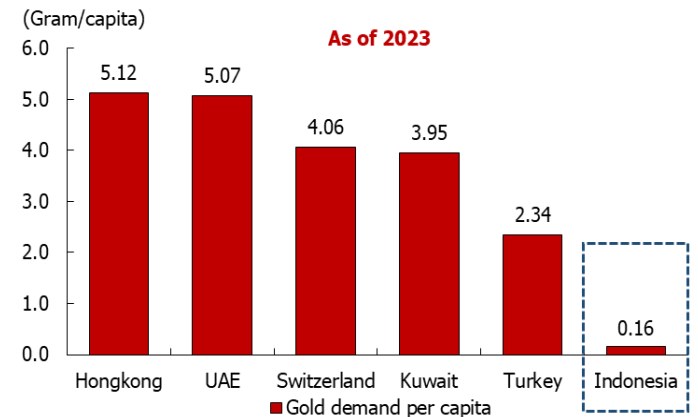
**Exhibit 53. Indonesia's gold demand trend**


Source: World Gold Council, Bahana FI Research

**#2. Gold prices.** In Indonesia, a gold reference price is set at a national level by the Ministry of Energy and Mineral Resources (MEMR) in USD/ounce. The reference price for gold is based solely on the price quoted from the London Bullion Market Association (LBMA), a global gold benchmark price. Historically, the reference price set by the MEMR is in-line with the LBMA price which is based upon, but also sometimes shows a one-to-two month delay. Meanwhile, gold price in IDR/gram which is commonly used in the jewelry segment has been a more resilient movement owing to it being affected by the Rupiah exchange rate against the US Dollar.

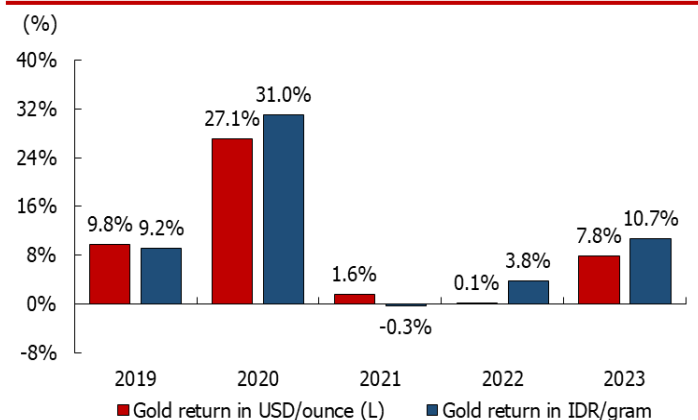
**Exhibit 55. Gold price movement in USD vs. IDR**


Source: World Gold Council, Bahana FI Research

**Exhibit 54. Indonesia's gold consumption per capita**


Source: World Gold Council, Bahana FI Research

**#2. Harga emas.** Di Indonesia, harga referensi emas ditetapkan di tingkat nasional oleh Kementerian Energi dan Sumber Daya Mineral (ESDM) dalam satuan USD/ons. Harga referensi emas tersebut hanya didasarkan pada harga yang dikutip dari London Bullion Market Association (LBMA), yang merupakan harga patokan emas global. Secara historis, harga referensi yang ditetapkan oleh Kementerian ESMD sejalan dengan harga LBMA yang dijadikan acuan, namun beberapa kali juga menunjukkan adanya delay satu hingga dua bulan. Sementara itu, harga emas dalam satuan Rp/gram yang umum digunakan di segmen perhiasan pergerakannya lebih resiliensi karena dipengaruhi oleh nilai tukar Rupiah terhadap Dollar AS.

**Exhibit 56. Gold price return in USD/ounce vs. IDR/**


Source: World Gold Council, Bahana FI Research

## KEY INVESTMENT RISKS

We highlight a number of key factors that would lead to the achievement of HRTA to maintain its financial performance growth in the long-run:

- **The company achieves its production targets.** As the characteristics of gold prices fluctuate like those of other commodity prices in the next few years, it's crucial that the company is able to meet its production targets. Missing production targets, notably by a wide margin, would result in substantial earnings projection misses and a potential downgrade of its credit rating.
- **The company controls annual production costs' inflation at a reasonable level.** Given the fact that HRTA's main product is gold jewelry and gold bars, the company has no control over its selling prices. Hence, the only variable that the company has some control would be its production costs. More efficient production would mitigate the impact of lower gold prices itself to maintain a stable profit margin.
- **Gold prices not dipping well below the current level.** As the company's earnings are highly geared to gold prices movement, substantially lower gold prices would considerably reduce the company's profitability.

## RISIKO UTAMA INVESTASI

Kami menyoroti sejumlah faktor utama yang akan menopang pencapaian HRTA dalam mempertahankan pertumbuhan kinerja keuangannya dalam jangka panjang:

- **Perusahaan mencapai target produksinya.** Mengingat karakteristik harga emas yang berfluktuasi seperti halnya harga komoditas lainnya dalam beberapa tahun ke depan, maka penting bagi perusahaan untuk mampu memenuhi target produksinya. Melesetnya target produksi, apalagi dengan selisih yang besar, akan mengakibatkan melesetnya proyeksi laba bersih secara signifikan dan potensi pemangkasan peringkat kredit perusahaan.
- **Perusahaan mengendalikan inflasi biaya produksi secara tahunan pada tingkat yang wajar.** Mengingat produk utama HRTA adalah perhiasan emas dan emas batangan, maka perusahaan tidak mempunyai kendali atas harga jualnya. Oleh karena itu, satu-satunya variabel yang dapat dikendalikan oleh perusahaan adalah biaya produksinya. Produksi yang lebih efisien akan mengurangi dampak penurunan harga emas itu sendiri untuk menjaga margin keuntungan yang stabil.
- **Harga emas tidak turun jauh di bawah level saat ini.** Seiring laba bersih perusahaan yang sangat bergantung pada pergerakan harga emas, maka penurunan harga emas secara signifikan akan memangkas keuntungan perusahaan.

## FINANCIAL HIGHLIGHTS

### INCOME STATEMENT

Year end Dec 31 (IDR bn)	2017	2018	2019	2020	2021	2022	2023
<b>Revenue</b>	<b>2,482.8</b>	<b>2,745.6</b>	<b>3,235.5</b>	<b>4,138.6</b>	<b>5,237.9</b>	<b>6,918.5</b>	<b>12,857.0</b>
COGS	(2,257.2)	(2,487.5)	(2,919.7)	(3,716.9)	(4,665.3)	(6,175.6)	(11,910.3)
<b>Gross Profit</b>	<b>225.6</b>	<b>258.1</b>	<b>315.8</b>	<b>421.7</b>	<b>572.6</b>	<b>742.8</b>	<b>946.7</b>
Selling Expenses	(12.5)	(17.0)	(20.5)	(13.3)	(11.6)	(23.1)	(23.3)
General Expenses	(21.7)	(33.9)	(38.3)	(53.3)	(135.3)	(171.6)	(215.8)
Other Expense	0.2	0.7	0.9	1.0	-	-	-
<b>EBIT</b>	<b>191.6</b>	<b>207.9</b>	<b>258.0</b>	<b>356.1</b>	<b>425.7</b>	<b>548.1</b>	<b>707.7</b>
<b>EBITDA</b>	<b>212.7</b>	<b>215.7</b>	<b>266.4</b>	<b>368.4</b>	<b>439.3</b>	<b>563.3</b>	<b>726.6</b>
Other Income/Charges	1.0	0.3	3.4	2.7	0.2	2.8	(6.7)
Interest Expense	(45.4)	(42.3)	(61.3)	(141.0)	(177.8)	(224.7)	(304.8)
<b>EBT</b>	<b>147.2</b>	<b>165.8</b>	<b>200.1</b>	<b>217.8</b>	<b>248.2</b>	<b>326.2</b>	<b>396.2</b>
Income Tax	(36.9)	(42.4)	(50.1)	(47.1)	(53.7)	(72.1)	(89.9)
Non-Controlling Interest	-	0.0	0.1	0.1	(0.5)	(0.6)	(0.5)
<b>Net Profit</b>	<b>110.3</b>	<b>123.4</b>	<b>150.1</b>	<b>170.8</b>	<b>194.0</b>	<b>253.5</b>	<b>305.8</b>

### BALANCE SHEET

Year end Dec 31 (IDR bn)	2017	2018	2019	2020	2021	2022	2023
Cash and Cash Equivalents	86.9	13.6	419.4	50.4	62.5	106.0	292.6
<b>Trade Receivables</b>	<b>661.1</b>	<b>798.9</b>	<b>813.6</b>	<b>941.1</b>	<b>1,032.1</b>	<b>805.1</b>	<b>907.4</b>
<b>Inventories</b>	<b>558.7</b>	<b>611.7</b>	<b>952.1</b>	<b>1,482.2</b>	<b>1,915.6</b>	<b>2,339.7</b>	<b>3,169.0</b>
Other Current Asset	6.0	6.3	10.4	196.1	290.4	323.2	351.5
<b>Current Assets</b>	<b>1,312.6</b>	<b>1,430.5</b>	<b>2,195.4</b>	<b>2,669.8</b>	<b>3,300.5</b>	<b>3,574.0</b>	<b>4,720.4</b>
Fixed Asset	95.2	91.9	96.2	133.7	141.4	204.0	232.9
Other Non-Current Asset	10.6	14.6	19.5	27.1	36.2	71.1	76.1
<b>Non-Current Assets</b>	<b>105.8</b>	<b>106.5</b>	<b>115.8</b>	<b>160.9</b>	<b>177.6</b>	<b>275.0</b>	<b>309.0</b>
<b>Total Assets</b>	<b>1,418.4</b>	<b>1,537.0</b>	<b>2,311.2</b>	<b>2,830.7</b>	<b>3,478.1</b>	<b>3,849.1</b>	<b>5,029.5</b>
Short Term Debt	285.0	285.0	161.5	161.5	648.8	882.8	1,887.5
Trade Payables	2.0	6.8	9.4	5.5	6.7	4.3	4.6
Other Current Liability	60.1	96.2	47.1	42.4	52.9	64.4	243.8
<b>Current Liability</b>	<b>347.1</b>	<b>388.0</b>	<b>218.0</b>	<b>209.3</b>	<b>708.4</b>	<b>951.5</b>	<b>2,135.9</b>
Long Term Debt	71.0	52.1	876.4	1,255.3	1,242.7	1,160.4	899.7
Other Non-Current Liability	3.8	4.2	5.5	9.1	11.5	14.7	21.3
<b>Non-Current Liability</b>	<b>74.9</b>	<b>56.3</b>	<b>882.0</b>	<b>1,264.5</b>	<b>1,254.2</b>	<b>1,175.0</b>	<b>921.0</b>
Total Financial Debt	356.0	337.1	1,037.9	1,416.8	1,891.4	2,043.2	2,787.1
<b>Total Liability</b>	<b>421.9</b>	<b>444.3</b>	<b>1,099.9</b>	<b>1,473.7</b>	<b>1,962.5</b>	<b>2,126.5</b>	<b>3,056.9</b>
Total Equity	996.5	1,092.7	1,211.2	1,356.9	1,515.6	1,722.6	1,972.6
<b>Total Liability &amp; Equity</b>	<b>1,418.4</b>	<b>1,537.0</b>	<b>2,311.2</b>	<b>2,830.7</b>	<b>3,478.1</b>	<b>3,849.1</b>	<b>5,029.5</b>

### CASH FLOW

Year end Dec 31 (IDR bn)	2017	2018	2019	2020	2021	2022	2023
<b>Operating Activities</b>	<b>(148.2)</b>	<b>(21.9)</b>	<b>(224.9)</b>	<b>(646.8)</b>	<b>(398.6)</b>	<b>31.2</b>	<b>(394.2)</b>
Investing Activities	(20.4)	(4.8)	(15.7)	(60.6)	(23.9)	(84.6)	(58.2)
<b>Financing Activities</b>	<b>234.4</b>	<b>(46.6)</b>	<b>646.3</b>	<b>338.4</b>	<b>434.5</b>	<b>96.9</b>	<b>639.0</b>
Increase/(Decrease)	65.8	(73.3)	405.8	(369.0)	12.1	43.5	186.6
<b>Beginning Cash</b>	<b>21.1</b>	<b>86.9</b>	<b>13.6</b>	<b>419.4</b>	<b>50.4</b>	<b>62.5</b>	<b>106.0</b>
<b>End Cash</b>	<b>86.9</b>	<b>13.6</b>	<b>419.4</b>	<b>50.4</b>	<b>62.5</b>	<b>106.0</b>	<b>292.6</b>

Source: Company Data, Bahana FI Research

## FINANCIAL HIGHLIGHTS

### MARGIN & GROWTH

(%)	2017	2018	2019	2020	2021	2022	2023
<b>Gross Margin (%)</b>	<b>9.09</b>	<b>9.40</b>	<b>9.76</b>	<b>10.19</b>	<b>10.93</b>	<b>10.74</b>	<b>7.36</b>
EBIT Margin (%)	7.72	7.57	7.97	8.60	8.13	7.92	5.50
<b>EBITDA Margin (%)</b>	<b>8.57</b>	<b>7.86</b>	<b>8.23</b>	<b>8.90</b>	<b>8.39</b>	<b>8.14</b>	<b>5.65</b>
<b>Net Profit Margin (%)</b>	<b>4.44</b>	<b>4.49</b>	<b>4.64</b>	<b>4.13</b>	<b>3.70</b>	<b>3.66</b>	<b>2.38</b>
Revenue Growth (%)	13.01	10.59	17.84	27.91	26.56	32.08	85.84
<b>Net Profit Growth (%)</b>	<b>(35.70)</b>	<b>11.88</b>	<b>21.64</b>	<b>13.76</b>	<b>13.59</b>	<b>30.70</b>	<b>20.62</b>

### KEY CREDIT METRICS

(X)	2017	2018	2019	2020	2021	2022	2023
<b>Cash Ratio (X)</b>	<b>0.25x</b>	<b>0.04x</b>	<b>1.92x</b>	<b>0.24x</b>	<b>0.09x</b>	<b>0.11x</b>	<b>0.14x</b>
Current Ratio (X)	3.78x	3.69x	10.07x	12.76x	4.66x	3.76x	2.21x
<b>Debt to Equity Ratio (X)</b>	<b>0.42x</b>	<b>0.41x</b>	<b>0.91x</b>	<b>1.09x</b>	<b>1.29x</b>	<b>1.23x</b>	<b>1.55x</b>
Debt to Asset Ratio (X)	0.30x	0.29x	0.48x	0.52x	0.56x	0.55x	0.61x
LT Debt to Equity (X)	0.07x	0.05x	0.72x	0.93x	0.82x	0.67x	0.46x
<b>Net Gearing Ratio (X)</b>	<b>0.36x</b>	<b>0.31x</b>	<b>0.86x</b>	<b>1.04x</b>	<b>1.25x</b>	<b>1.19x</b>	<b>1.41x</b>
EBITDA to Interest Expense (X)	4.68x	5.09x	4.35x	2.61x	2.47x	2.51x	2.38x
<b>Total Debt to EBITDA (X)</b>	<b>1.67x</b>	<b>1.56x</b>	<b>3.90x</b>	<b>3.85x</b>	<b>4.31x</b>	<b>3.63x</b>	<b>3.84x</b>

### OTHER FINANCIAL METRICS

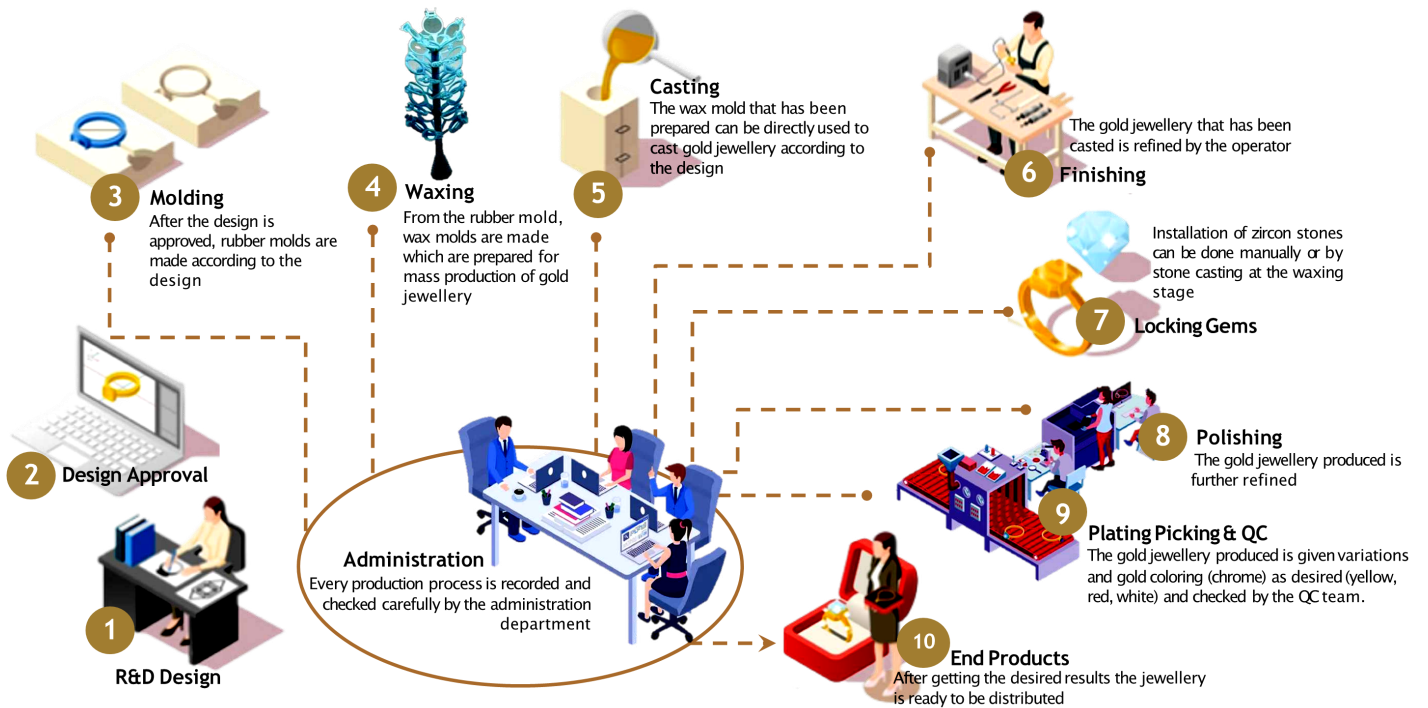
(%) (X) (tons) (days)	2017	2018	2019	2020	2021	2022	2023
<b>Total inventory to total asset ratio (%)</b>	<b>39.4</b>	<b>39.8</b>	<b>41.2</b>	<b>52.4</b>	<b>55.1</b>	<b>60.8</b>	<b>63.0</b>
Total Equity to total asset ratio (%)	70.3	71.1	52.4	47.9	43.6	44.8	39.2
<b>Total Inventory Days</b>	<b>73.7</b>	<b>85.9</b>	<b>97.8</b>	<b>119.5</b>	<b>132.9</b>	<b>125.8</b>	<b>89.0</b>
Inventory Turnover (x)	4.95x	4.25x	3.73x	3.05x	2.75x	2.90x	4.10x
<b>Total current asset to total asset ratio (%)</b>	<b>92.5</b>	<b>93.1</b>	<b>95.0</b>	<b>94.3</b>	<b>94.9</b>	<b>92.9</b>	<b>93.9</b>
Total receivables to total asset ratio (%)	46.6	52.0	35.2	33.2	29.7	20.9	18.0
<b>Total Inventory (tons)</b>	<b>1.0</b>	<b>1.1</b>	<b>1.6</b>	<b>1.8</b>	<b>2.2</b>	<b>2.6</b>	<b>3.2</b>
ASP (Rp '000/gram)	560.4	570.8	608.2	808.3	857.3	880.9	987.7
<b>Gold sales Volume (ton)</b>	<b>4.43</b>	<b>4.81</b>	<b>5.32</b>	<b>5.12</b>	<b>6.11</b>	<b>7.75</b>	<b>12.93</b>
Total Receivables Days	97.2	106.2	91.8	83.0	71.9	42.5	25.8
<b>Receivables Turnover (X)</b>	<b>3.76x</b>	<b>3.44x</b>	<b>3.98x</b>	<b>4.40x</b>	<b>5.08x</b>	<b>8.59x</b>	<b>14.17x</b>
Total Payables Days	1,155.0	366.7	311.6	679.5	700.2	1,442.3	2,580.6
<b>Payables Turnover (X)</b>	<b>0.32x</b>	<b>1.00x</b>	<b>1.17x</b>	<b>0.54x</b>	<b>0.52x</b>	<b>0.25x</b>	<b>0.14x</b>
Gold production volume (ton)	8.97	9.84	10.82	9.63	10.35	13.10	16.48
<b>Utilization Rate (%)</b>	<b>29.89</b>	<b>31.60</b>	<b>36.06</b>	<b>32.08</b>	<b>34.51</b>	<b>43.67</b>	<b>42.24</b>
Cash Conversion Cycle Days	170.9	192.1	189.5	202.5	204.8	168.2	114.8

Source: Company Data, Bahana FI Research

**APPENDIX**

**Exhibit 57. Jewellery production flow**

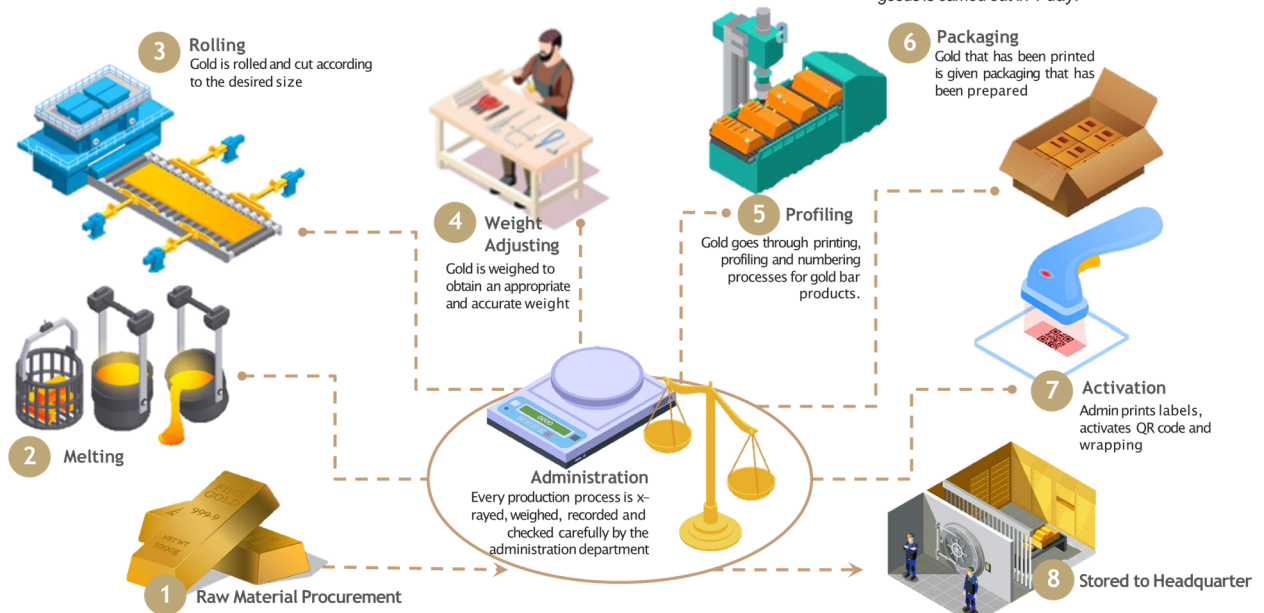
*Jewellery production from raw materials to finished goods takes around 3 days.*



Source: Company Data, Bahana FI Research

**Exhibit 58. Gold bar production flow**

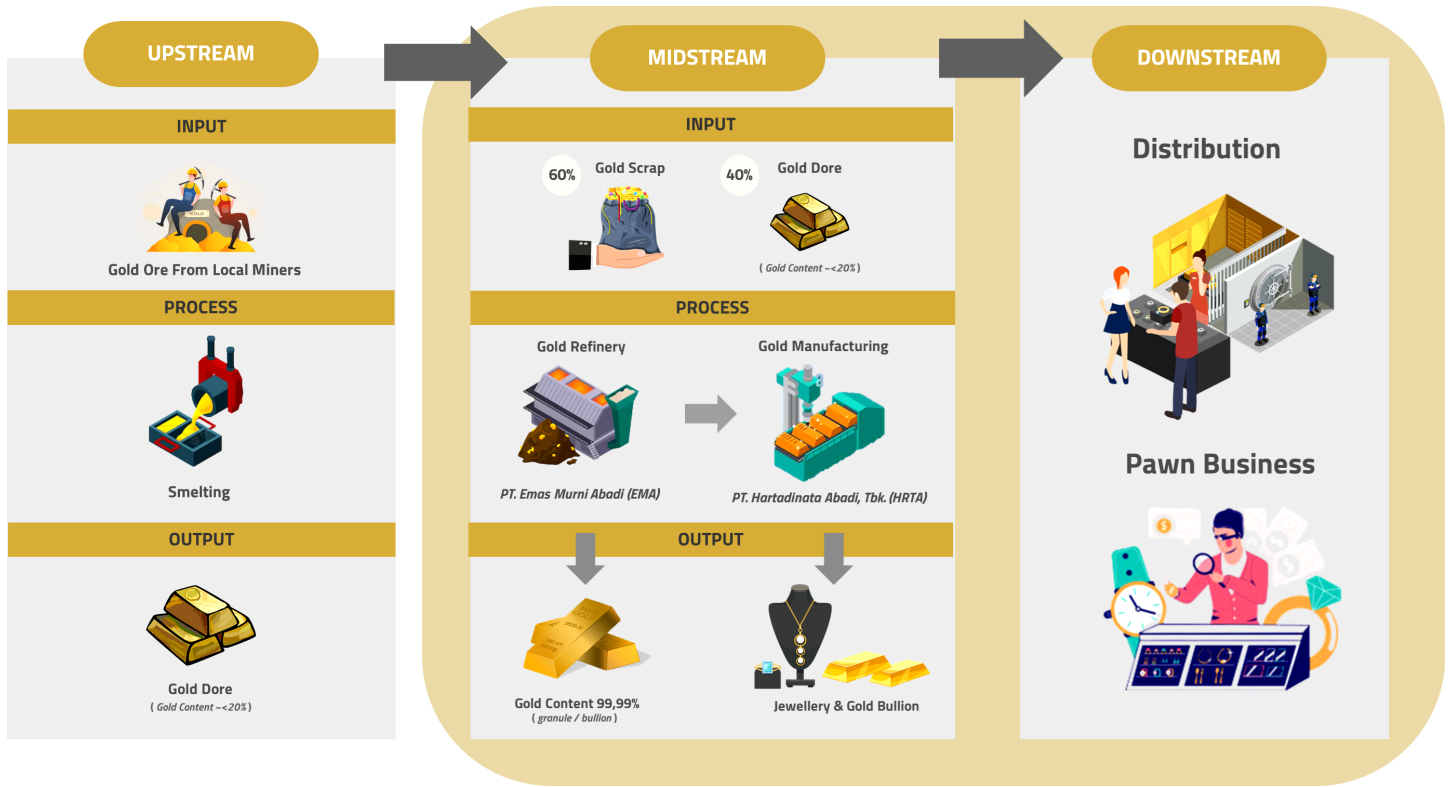
*Production from raw materials to finished goods is carried out in 1 day.*



Source: Company Data, Bahana FI Research

## APPENDIX

Exhibit 59. Gold value chain



Source: Company Data, Bahana FI Research

Exhibit 60. 2024 business strategy



Source: Company Data, Bahana FI Research

### Debt Research Team

**Ariawan**

Head of Fixed Income Research  
ariawan.hargianto@bahana.co.id  
ext. 3618

**Firman Hidayat**

Fixed Income Analyst  
firman.hidayat@bahana.co.id  
ext. 3619

### Debt Capital Market Team

groupbsfixedincome@bahana.co.id  
Telp: +62 21 2505105, Fax: +62 21 5225889

**Agus Aslichan**

Head of Debt Capital Market  
agusasli@bahana.co.id  
ext. 2587

**Ibnu Jatmiko**

Fixed Income Sales  
Ibnu.jatmiko@bahana.co.id  
ext. 2584

**Andi Michaella Edgina**

Fixed Income Sales  
michaella@bahana.co.id  
ext. 2573

**Lidhyana Debora**

Fixed Income Sales  
lidhyana.debora@bahana.co.id  
ext. 2583

**Siti Salamah**

Fixed Income Administration  
siti.salamah@bahana.co.id  
ext. 3974

**Head Office**

Graha Niaga, 19th Floor  
Jl. Jend. Sudirman Kav. 58  
Jakarta 12190  
Indonesia  
Tel. 62 21 250 5081  
Fax. 62 21 522 6049

**Surabaya Branch**

Sinarmas Land Plaza, 7th Floor - Room 717-718  
Jl. Pemuda 60-70  
Surabaya 60271  
Indonesia  
Tel. 62 31 535 2788  
Fax. 62 31 546 1157



**DISCLAIMER**

The information contained in this report has been taken from sources which we deem reliable. However, none of PT Bahana Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of PT Bahana Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a results of acting in reliance upon the whole or any part of the contents of this report and neither PT Bahana Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or misstatements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission there from which might otherwise arise is hereby expresses disclaimed.

The information contained in this report is not be taken as any recommendation made by PT Bahana Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regards to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.