

BUY | TP : IDR560
HRTA Stock Price Data

Last Price	:	IDR388
52wk High	:	IDR456
52wk Low	:	IDR199
Share Out	:	4.61bn
Market Cap	:	IDR1.7tn

HRTA Stock Price Performance

1-Day	:	-2.96%
1-Week	:	-2.48%
1-Month	:	+4.79%
3-Month	:	+82.41%
Year-to-Date	:	+95.05%

Shareholders

PT Terang Anugrah Abadi	:	70.84%
Asabri	:	4.48%
Public (<5%)	:	24.68%

**Jewellery Manufacturer
The new hot-seller in India**
HRTA's prospect glistens even more; credits due to India's demand

- Since our last report, HRTA has secured two additional export contracts with eager tenders from India, one of the world's largest gold jewellery market, namely Bright Metal Refiners and L P Commodities Pvt. Ltd.
- The exported products come in the form of 91,6% pure gold (22 karat) jewelleryes.
- HRTA's export market portfolio as of now is portrayed in exhibit 1.

Exhibit 01. HRTA's current export market dominated by India

Tenders	Location	Volume	Potential revenue
Kundan Care Product Ltd	India	~0.5 tons/month	IDR450bn
Bright Metal Refiners	India	~2 tons/year	IDR1.6tn
L P Commodities Pvt. Ltd.	India	~3 tons/year	IDR2.5tn

Sources : Company

- If the above contracts proceed as intended, we project HRTA's FY23E revenue stream to potentially get an additional IDR3.5tn boost on top of our previous estimate.
- The costs pertaining to shipping is incurred to the tenders from India, leaving more room for HRTA's margins potential (FY23E's NPM is estimated to be at 2.7-2.8).
- Faced with ample new demands in such a short time, the company must be vigilant in order to obtain adequate supply of raw materials. Once the materials are secured, HRTA should have no problem procuring for the new demand without additional capex as their total factory utilization rate as of 1Q23 is still at 44%.
- Aside from the commendable milestone achieved, based on the AGMS's consensus, HRTA will distribute dividends of IDR12/share, implying a payout ratio of 21.8% or in-line with estimates and a yield of 2.1%.

1Q23 Recap

- HRTA scored a revenue of IDR2.1tn in 1Q23, or grew +53.8% YoY (vs IDR1.4tn in 1Q22), reflecting a run-rate of 23.3% from MNCS's FY23E forecast.
- The gross profit and operating profit for 1Q23 came in at IDR205bn/IDR156bn, each reflecting a 21.2%/21.8% run-rate, and improved vastly from 1Q22's (+33.5%/31.5% YoY growth, respectively).
- This bore fruit to HRTA's net profit of IDR70bn in 1Q23, easily outshining 1Q22's IDR51bn or grew by +37.8% with a run-rate of 21.2%.
- Despite new quarterly-earning heights, we observe a noticeable decrease in the margins as the GPM/OPM/NPM in 1Q23 slid to 9.7%/7.4%/3.3% compared to 1Q22's 11.2%/8.6%/3.7%.
- We anticipated the spread in the run-rate from our estimate due to HRTA's seasonality pattern in which their sales would peak during 2Q through 3Q, so we can expect an overperformance in the subsequent quarters' run-rates, especially with the new Indian demands coming up to Nov-23's Diwali celebration.

BUY Recommendation for HRTA

Our recommendation remains **BUY** for HRTA with the same target price (TP) of IDR560 (44% upside) as our previous call (refer to: <https://tinyurl.com/MNCS-HRTA-26Apr23>), revising the implied PE to 7.5x/6.3x and the PBV to 1.3x/1.1x for FY23E/FY24F, as we project the earnings to benefit from the newly secured export deals with a total of three jewellery companies from India. Risks to our call include: 1) delay/default of the export contracts, 2) gold/raw materials supply constraints and 3) higher-than-expected costs.

Key Financial Highlight (IDR bn)	FY20	FY21	FY22	FY23E	FY24F
Revenue	4,138.63	5,237.91	6,918.45	12,276.11	14,225.31
EBITDA	368.46	439.29	563.40	697.06	797.76
Net Income	171.17	193.98	253.73	342.05	407.66
ROA (%)	6.05	5.58	6.59	8.06	8.67
ROE (%)	12.60	12.80	14.73	17.33	17.79
PE (x)	5.54	4.89	3.74	7.54	6.33
PBV (x)	0.70	0.63	0.55	1.31	1.13
EPS (IDR)	37.17	42.12	55.10	74.27	88.52

Sources : Bloomberg, MNCS Research


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Exhibit 02. Quarterly performance and MNCS's run rate

in Billion IDR	1Q23	1Q22	% YoY	4Q22	% QoQ	% MNCS	% Consensus
Revenue	2,118.23	1,376.88	53.8%	1,814.91	16.7%	17.3%	-
COGS	(1,913.07)	(1,223.16)		(1,648.16)			
Gross Profit	205.15	153.71	33.5%	166.75	23.0%		
Gross Margin	9.7%	11.2%		9.2%			
Operating Profit	156.07	118.67	31.5%	115.64	35.0%	21.7%	-
Operating Margin	7.4%	8.6%		6.4%			
Pre-Tax Profit	90.79	62.72		61.0	48.8%		
Net Profit	69.84	50.68	37.8%	47.25	47.8%	23.0%	-
Net Margin	3.3%	3.7%		2.6%			

Sources : Company, MNCS Research

Exhibit 03. HRTA is currently trading near its 5-year P/E mean



Sources : Bloomberg, MNCS Research

Exhibit 04. Financial projections

Income Statement						Balance Sheet					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F	in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Revenue	4,138.63	5,237.91	6,918.45	12,276.11	14,225.31	Cash & Equivalents	50.40	62.48	106.02	127.41	172.78
COGS	(3,716.93)	(4,665.33)	(6,175.63)	(11,331.08)	(13,158.48)	Trade Receivables	941.33	1,032.28	806.35	1,013.37	1,110.74
Gross Profit	421.70	572.58	742.82	945.03	1,066.83	Inventory	1,482.24	1,915.56	2,339.72	2,232.07	2,429.81
Selling Expense	(13.27)	(11.55)	(23.12)	(46.67)	(59.61)	Others Current Assets	195.86	290.20	321.95	547.53	629.60
G&A Expense	(52.94)	(135.30)	(171.60)	(220.40)	(230.35)	Total Current Assets	2,669.84	3,300.52	3,574.04	3,920.37	4,342.93
Other Income (Expense)	1.00	0.49	0.72	0.92	1.04	Fixed Assets - net	133.75	141.37	203.96	221.78	241.92
Op. Profit	356.49	426.22	548.82	678.88	777.91	Other Non-Current Assets	27.10	36.19	71.09	103.84	115.76
Finance Income (Expense)	(110.33)	(150.10)	(214.92)	(224.81)	(237.08)	Total Non-Current Assets	160.85	177.56	275.04	325.62	357.68
Other Income (Expense)	(27.96)	(27.96)	(8.11)	(14.98)	(17.51)	TOTAL ASSETS	2,830.69	3,478.07	3,849.09	4,245.99	4,700.62
PBT	218.20	248.17	325.79	439.09	523.31	Trade Payables	5.47	6.66	4.28	9.31	12.98
Tax Income (expenses)	(47.12)	(53.73)	(72.06)	(97.04)	(115.65)	ST Debt	162.83	649.47	885.25	983.14	1,030.33
Minority Interest	0.09	(0.46)	-	-	-	Other Current Liabilities	40.98	52.23	61.95	83.91	91.90
Net Income	171.17	193.98	253.73	342.05	407.66	Total Current Liabilities	209.28	708.36	951.48	1,076.37	1,135.21
EPS (IDR)	37.17	42.12	55.10	74.27	88.52	LT Debt	1,254.80	1,243.25	1,163.35	1,174.98	1,249.49
						Other LT Liabilities	8.48	10.91	11.68	20.73	24.02
						Total LT-Liabilities	1,263.27	1,254.16	1,175.03	1,195.71	1,273.51
						Total Equity	1,358.13	1,515.55	1,722.57	1,973.92	2,291.89
						TOTAL LIABILITY & EQUITY	2,830.69	3,478.07	3,849.09	4,245.99	4,700.62
Cash Flow						Ratios					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F	FY20	FY21	FY22	FY23E	FY24F	
Net Income	171.17	193.98	253.73	328.81	410.04	Revenue Growth (%)	27.91	26.56	32.08	77.44	15.88
D&A	11.97	13.07	14.58	18.18	19.85	Operating Profit Growth (%)	38.17	19.56	28.77	23.70	12.89
Changes in WC	(661.20)	(523.07)	(200.61)	(220.35)	(310.00)	Net Profit Growth (%)	14.03	13.32	30.81	34.81	14.59
Others	(184.42)	(82.66)	(22.92)	(82.00)	(87.96)	Current Ratio (%)	1,275.72	465.94	375.63	364.22	382.57
Operating CF	(662.47)	(398.69)	44.78	44.64	31.93	Quick Ratio (%)	567.46	195.52	129.73	156.85	168.53
Capex	(49.48)	(20.69)	(77.19)	(36.00)	(40.00)	Receivable Days (x)	83.02	71.93	42.54	30.13	28.50
Others	(7.58)	(9.08)	(34.90)	(13.19)	(14.15)	Inventory Days (x)	145.56	149.87	138.28	71.90	67.40
Investing CF	(57.06)	(29.78)	(112.09)	(49.19)	(54.15)	Payable Days (x)	0.54	0.52	0.25	0.30	0.36
Dividend Paid	(36.84)	(36.84)	(46.25)	(82.20)	(90.21)	DER (x)	1.04	1.25	1.19	1.09	0.99
Net Change in Debt	380.52	475.08	155.89	109.52	121.71	DAR (x)	0.50	0.54	0.53	0.51	0.49
Equity Fund Raised	3.96	0.39	0.43	(5.20)	-	Gross Profit Margin (%)	10.19	10.93	10.74	7.70	7.50
Others	2.93	1.90	0.79	3.64	3.91	Operating Profit Margin (%)	8.61	8.14	7.93	5.53	5.47
Financing CF	350.57	440.54	110.86	25.76	35.40	EBITDA (IDR Bn)	368.46	439.29	563.40	697.06	797.76
Cash at Beginning	419.37	50.40	62.48	106.02	127.23	EBITDA Margin (%)	8.90	8.39	8.14	5.68	5.61
Cash at Ending	50.40	62.48	106.02	127.23	140.42	Net Income Margin (%)	4.14	3.70	3.67	2.79	2.87
						BVPS (IDR)	294.91	329.09	374.04	428.62	497.67

Sources : Company, MNCS Research

MNC Research Industry Ratings Guidance

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
 - **SELL** : Share price may fall by more than 10% over the next 12 months
 - **Not Rated** : Stock is not within regular research coverage

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