

#### 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
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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

### Streets are Paved with Gold

This corporate bond research report on PT Hartadinata Abadi Tbk (HRTA) is a short updated version of the previous initiation report with a more comprehensive and detail about the HRTA business model, SWOT analysis, and Altman Z-Score calculation, which attached at the following link: [bit.ly/HARTADINATA-ABADI](https://bit.ly/HARTADINATA-ABADI). In this research report, we show several investment theses that could serve as a solid foundation for investors to pick HRTA's corporate bonds as an attractive investment.

**HRTA recorded solid financial performance in 1H24.** From a top-line perspective, HRTA achieved substantial sales of IDR8.24 trillion, grew significantly by 33.46% YoY and represented 49.3% of HRTA's sales target for 2024FY of approximately IDR16.7 trillion. A combination of two factors supported this sales performance, i.e.,

- Sales Volume.** HRTA recorded gold sales volume growth of 19.22% YoY to 7.42 tons in 1H24, which was supported by robust domestic gold demand. The gold sales value on the retail segment rose to 16.88% of HRTA's total sales in 1H24 (vs. 12.64% in 1H23). The retail segment boasts superior pricing and margins compared to the wholesale segment.
- Average Selling Price (ASP).** HRTA recorded ASP growth of 12.02% YoY to IDR1,104,944/gram in 1H24, thanks to the upward trend in gold prices of 25.20% YoY in 1H24, which was triggered by expectations of Fed interest rate cuts in the near-term and escalating geopolitical tensions in the Middle East.

On the bottom-line side, HRTA recorded a net profit of IDR205.63 billion in 1H24, grew by 10.83% YoY, in-line with the growth on the top-line side and translating into a 58.5% of HRTA's net profit target for 2024FY of approximately IDR351.7 billion.

**A long-term promising growth from HRTA's two gold business segments.** We see that there are two main engines as a driver for HRTA's gold business expansion, to sustain long-term growth in gold sales volume and its market share, as well as strengthening cash flow to meet working capital needs, namely:

- Retail segment expansion.** HRTA aims to significantly boost its gold sales to the retail segment by approximately 30% of total sales in the long-run (vs. 17% in 1H24).

**Tailwinds:** (i) Providing higher pricing and margins in comparison to the wholesale segment, (ii) Growing the number of retail stores, forming franchise partnerships, collaborating with institutions, and expanding the e-commerce network (Omni-channel), (iii) "Pay gold with cash" scheme, bolstering cash flow to meet working capital needs, (iv) HRTA is beneficiary of the domestic gold demand shifting to gold bar from gold jewelry (HRTA holds ranking #2 in the gold bar segment and ranking #4 in the gold jewelry segment), (v) The buy and sell behavior of jewelry consumers in Indonesia, which frequently make transactions without accumulate onto their gold jewelry ownership for the long term, which works in favor of HRTA as a mid-to-downstream gold player.

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**Headwinds:** (i) The domestic gold demand volume was relatively stagnant in recent years, (ii) Diverse design preferences for the jewelry segment, (iii) Domestic gold sales particularly jewelry, are seasonality pattern sales, with peaks occurring ahead of religious festivals, (iv) Depends on the people purchasing power trend.

- (2) **Export market expansion.** HRTA aims to significantly boost its gold sales to the export segment by approximately 17%-23% of total sales in the long-run (vs. 15.7% in 1H24).

**Tailwinds:** (i) Prospective export market with a great potential demand for gold, supported by three main players i.e., China, India, and the Middle East, with gold demand volume per year of 909.7 tons, 747.5 tons, and 285.3 tons, respectively, in 2023, (ii) "Pay gold with cash" scheme with cash in advance policy, (iii) Achievable monthly gold demand volume for HRTA so far.

**Headwinds:** (i) Export sales margins are relatively low, typically by only around 3%-4%, (ii) Export sales contracts are typically a short-term basis, lasting only between 3 months to 1-year, which could pose a potential risk of fluctuations in gold sales if buyers do not make repeat orders to HRTA, (iii) Changes in government regulations in each country regarding gold imports.

Given the relatively low HRTA's gold mill utilization rate of 37.7% over the past five years, we believe that HRTA has plenty of room to execute its gold business expansion agenda in the long-run, for both the retail and export segments.

Furthermore, we believe that HRTA can balance its gold sales composition between the retail segment as a margin driver and the export market as a prospective volume growth driver, while also maintaining its wholesale segment market share. For the next five years, HRTA is targeting its revenue mix with composition for wholesale, retail, and export segments approximately 50%, 30%, and 20%, respectively.

**HRTA's business model builds a healthy balance sheet structure.** We believe that investing in HRTA corporate bonds possesses a low risk of default, as HRTA has a very healthy balance sheet structure thanks to its business model which implemented a "pay gold with gold" payment scheme. Against this backdrop, HRTA's total asset is dominated by highly liquid assets in the form of cash, as well as raw materials, inventory, pawn outstanding, and receivables which are all valued in gold grammage, which are corroborated by the presence of gold assets itself on the current asset side, establishing a robust balance sheet structure.

In the past 5-years, a significant portion of HRTA's total assets consisted of current assets, accounting for an average of 94.2% of the total assets. Interestingly, HRTA's receivables can serve as collateral for several debts. 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.

**Gold price prospect: On-fire projection in the medium term.** The global gold prices skyrocketed recently, reaching an all-time-high level of USD 2,350/ounce or grew by 31.8% YoY and 22.9% YTD. Meanwhile, the Bloomberg consensus continues to have a bullish view on the future trajectory of global gold prices, expecting a potential increase to USD3,000/ounce by 2025.

We see several positive catalysts to underpin gold prices prospect, i.e., interest rate cut prospect in the near-term, robust global gold demand particularly from central banks, lingering uncertainty on the global economic growth coupled with geopolitical tensions in the Middle East, and gold supply tightness owing to global gold miners' method transition period from open pit to underground mining, as well as increased production costs from labor and fuel.

As a direct proxy for gold's demand growth, especially gold jewelry and gold bars, 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 ASP, and improved profit margins.

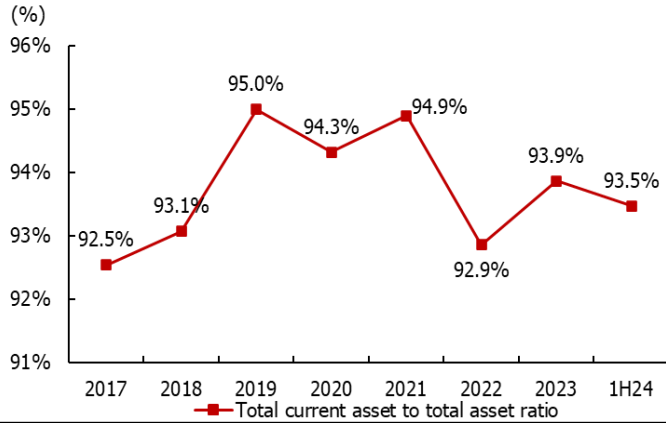
On the flip side, if the average gold price falls, it can adversely affect HRTA's financial performance. Nevertheless, as long as the decline in the average gold price remains within 10% or is not greater than HRTA's gross margin of gold sales in one time of inventory period, thus HRTA can still enjoy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

**Key investment risks:**

- (1) Downward trend in the global gold prices.
- (2) Limited supply of domestic gold Dore.
- (3) Gold production targets not achieved.
- (4) Lower in gold demand.
- (5) Higher-than-expected production costs.

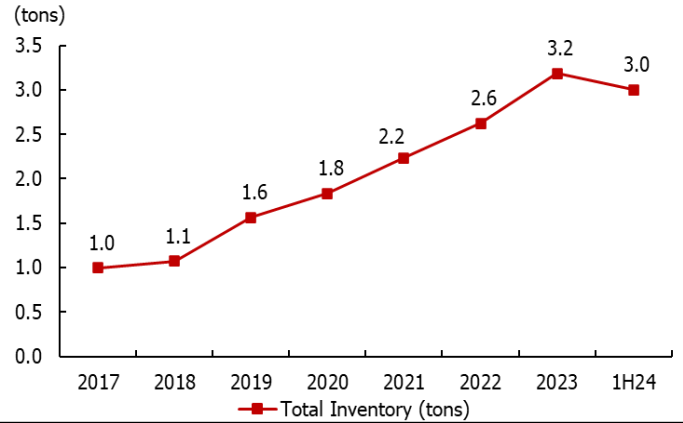
## APPENDIX

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



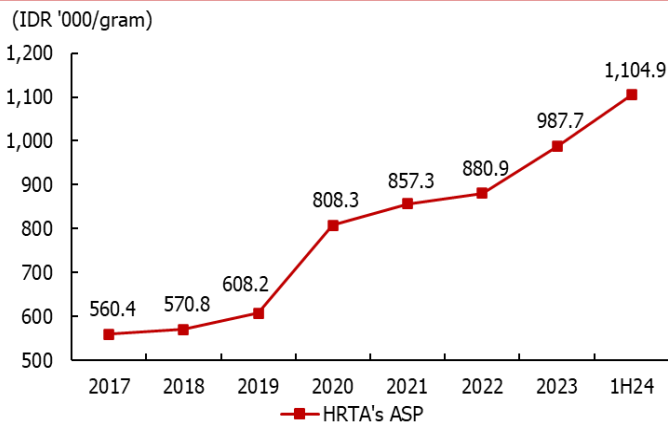
Source: Company Data, Bahana FI Research

**Exhibit 2. Gold inventory trend**



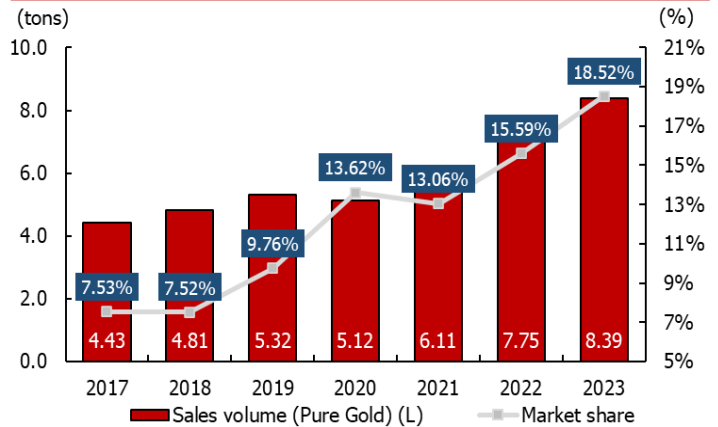
Source: Company Data, Bahana FI Research

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



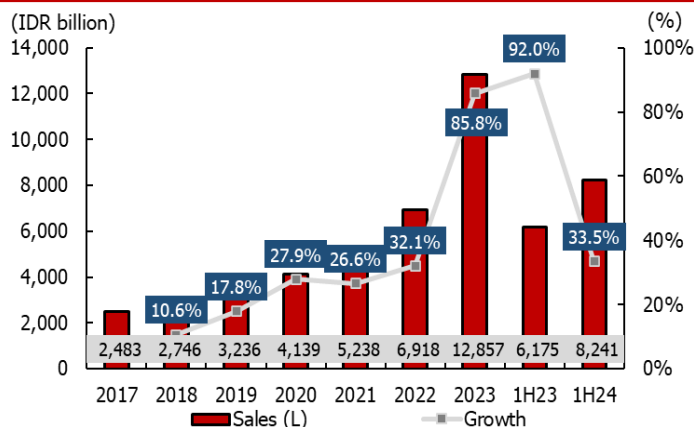
Source: Company Data, Bahana FI Research

**Exhibit 4. Sales volume and market share trend**



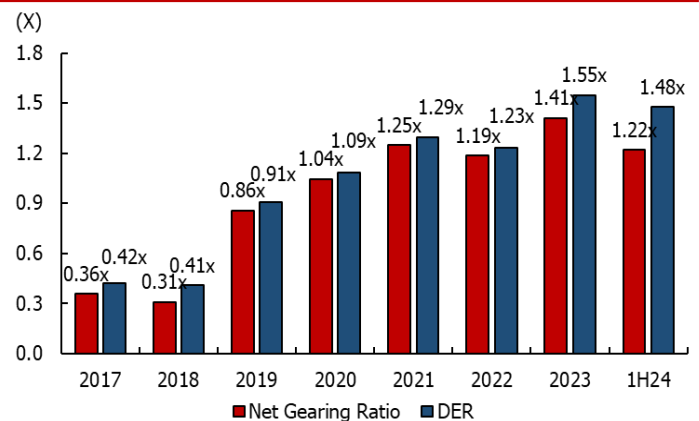
Source: Company Data, Bahana FI Research

**Exhibit 5. Sales trend**



Source: Company Data, Bahana FI Research

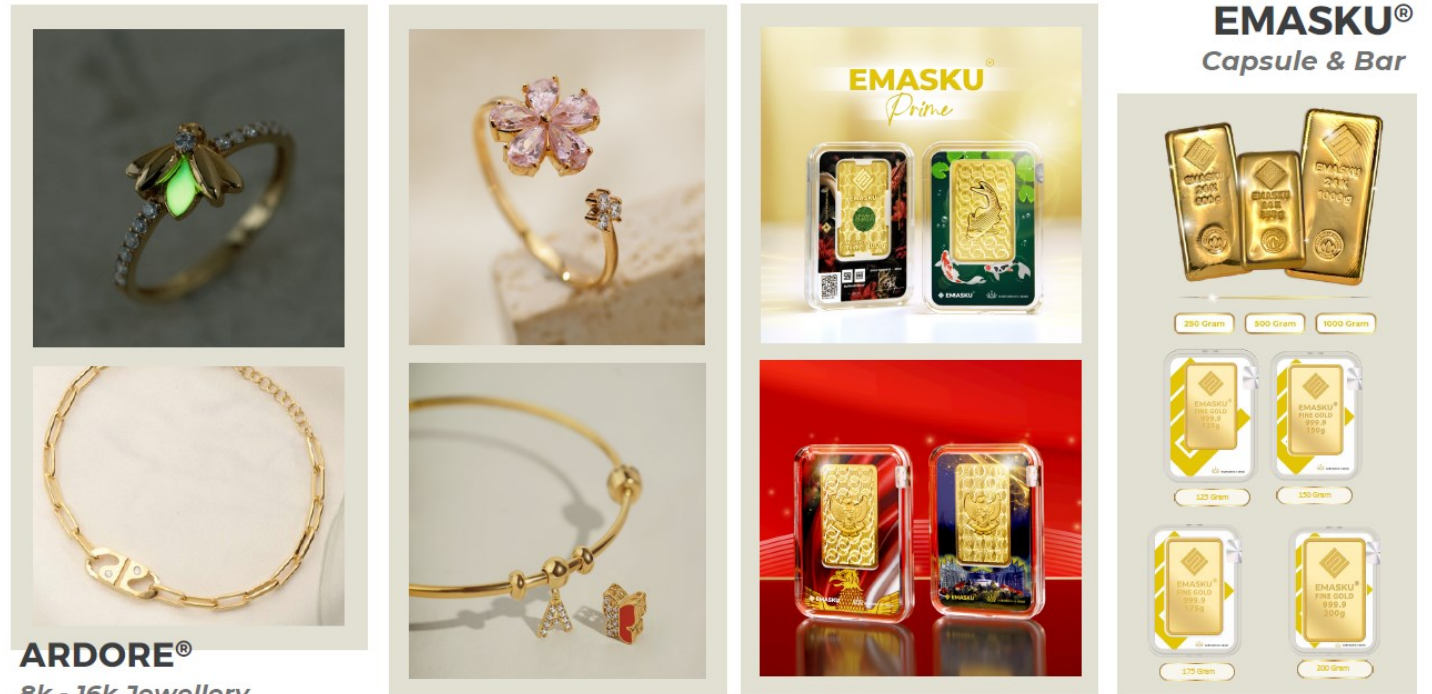
**Exhibit 6. Net gearing ratio and DER trend**



Source: Company Data, Bahana FI Research

## APPENDIX

### Exhibit 7. Product innovations



Source: Company Data, Bahana FI Research

### Exhibit 8. Ecosystem Omni-Channels



Source: Company Data, Bahana FI Research

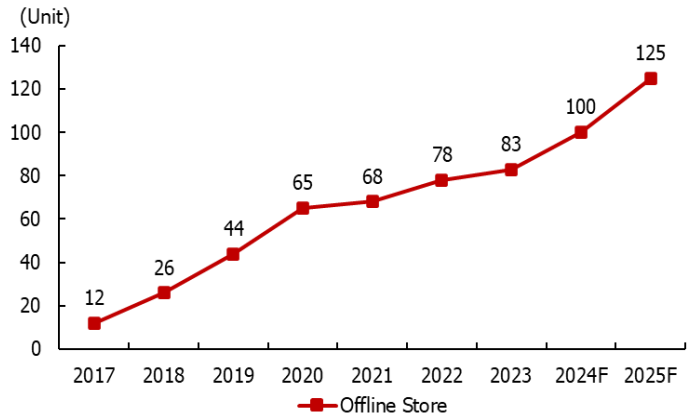
## APPENDIX

**Exhibit 9. Global gold prices trend**



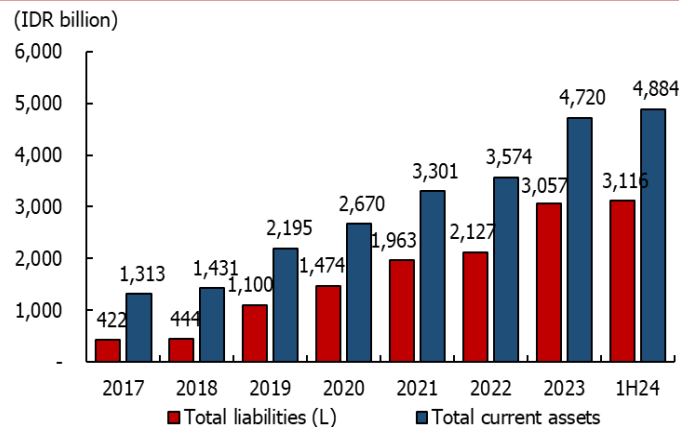
Source: Company Data, Bahana FI Research

**Exhibit 10. Offline store expansion trend**



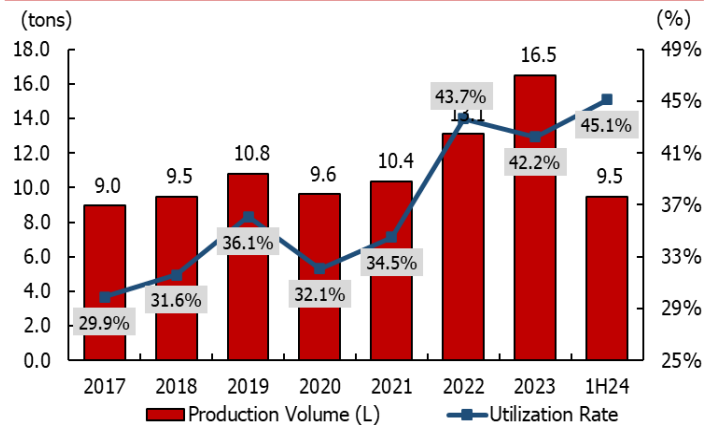
Source: Company Data, Bahana FI Research

**Exhibit 11. Total liabilities vs. total current assets**



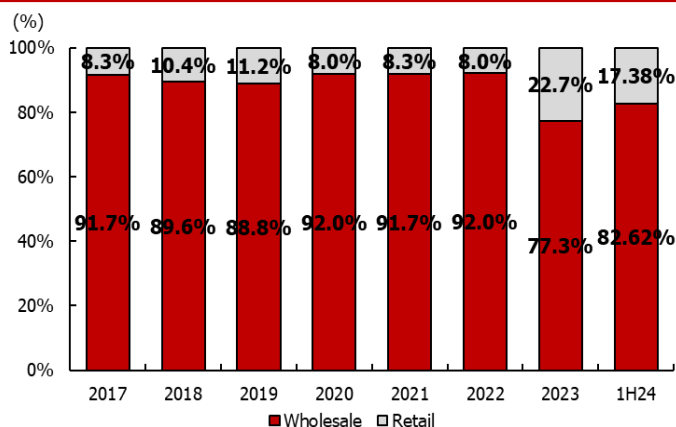
Source: Company Data, Bahana FI Research

**Exhibit 12. Gold production volume vs. utilization rate**



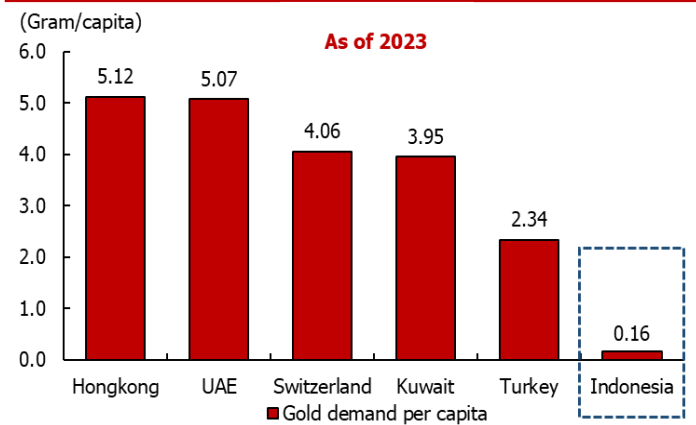
Source: Company Data, Bahana FI Research

**Exhibit 13. Wholesale vs. retail portion to total sales**



Source: Company Data, Bahana FI Research

**Exhibit 14. Indonesia's gold consumption per capita**



Source: Company Data, Bahana FI Research

## FINANCIAL HIGHLIGHTS

### INCOME STATEMENT

Year end Dec 31 (IDR bn)	2017	2018	2019	2020	2021	2022	2023	1H23	1H24
<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>	<b>6,175.3</b>	<b>8,241.4</b>
COGS	(2,257.2)	(2,487.5)	(2,919.7)	(3,716.9)	(4,665.3)	(6,175.6)	(11,910.3)	(5,671.3)	(7,722.5)
<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>	<b>504.0</b>	<b>518.9</b>
Selling Expenses	(12.5)	(17.0)	(20.5)	(13.3)	(11.6)	(23.1)	(23.3)	(8.4)	(6.1)
General Expenses	(21.7)	(33.9)	(38.3)	(53.3)	(135.3)	(171.6)	(215.8)	(104.6)	(104.1)
Other Expense	0.2	0.7	0.9	1.0	-	-	-	(4.5)	(2.3)
<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>386.5</b>	<b>406.4</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>	<b>415.5</b>	<b>440.7</b>
Other Income/Charges	1.0	0.3	3.4	2.7	0.2	2.8	(6.7)	1.0	1.0
Interest Expense	(45.4)	(42.3)	(61.3)	(141.0)	(177.8)	(224.7)	(304.8)	(147.1)	(142.3)
<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>	<b>240.3</b>	<b>265.1</b>
Income Tax	(36.9)	(42.4)	(50.1)	(47.1)	(53.7)	(72.1)	(89.9)	(54.6)	(59.2)
Non-Controlling Interest	-	0.0	0.1	0.1	(0.5)	(0.6)	(0.5)	(0.2)	(0.2)
<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>	<b>185.5</b>	<b>205.6</b>

### BALANCE SHEET

Year end Dec 31 (IDR bn)	2017	2018	2019	2020	2021	2022	2023	1H23	1H24
Cash and Cash Equivalents	86.9	13.6	419.4	50.4	62.5	106.0	292.6	286.8	286.8
<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>849.3</b>	<b>849.3</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>	<b>3,318.5</b>	<b>3,318.5</b>
Other Current Asset	6.0	6.3	10.4	196.1	290.4	323.2	351.5	429.2	429.2
<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>	<b>4,883.8</b>	<b>4,883.8</b>
Fixed Asset	95.2	91.9	96.2	133.7	141.4	204.0	232.9	267.3	267.3
Other Non-Current Asset	10.6	14.6	19.5	27.1	36.2	71.1	76.1	74.2	74.2
<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>341.5</b>	<b>341.5</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>	<b>5,225.2</b>	<b>5,225.2</b>
Short Term Debt	285.0	285.0	161.5	161.5	648.8	882.8	1,887.5	1,766.0	1,766.0
Trade Payables	2.0	6.8	9.4	5.5	6.7	4.3	4.6	4.8	4.8
Other Current Liability	60.1	96.2	47.1	42.4	52.9	64.4	243.8	517.0	517.0
<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>	<b>2,287.8</b>	<b>2,287.8</b>
Long Term Debt	71.0	52.1	876.4	1,255.3	1,242.7	1,160.4	899.7	806.4	806.4
Other Non-Current Liability	3.8	4.2	5.5	9.1	11.5	14.7	21.3	21.8	21.8
<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>	<b>828.2</b>	<b>828.2</b>
Total Financial Debt	356.0	337.1	1,037.9	1,416.8	1,891.4	2,043.2	2,787.1	2,572.4	2,572.4
<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>	<b>3,116.0</b>	<b>3,116.0</b>
Total Equity	996.5	1,092.7	1,211.2	1,356.9	1,515.6	1,722.6	1,972.6	2,109.2	2,109.2
<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>	<b>5,225.2</b>	<b>5,225.2</b>

### CASH FLOW

Year end Dec 31 (IDR bn)	2017	2018	2019	2020	2021	2022	2023	1H23	1H24
<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>	<b>(365.9)</b>	<b>148.6</b>
Investing Activities	(20.4)	(4.8)	(15.7)	(60.6)	(23.9)	(84.6)	(58.2)	(28.8)	(52.3)
<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>	<b>749.2</b>	<b>(102.1)</b>
Increase/(Decrease)	65.8	(73.3)	405.8	(369.0)	12.1	43.5	186.6	354.5	(5.8)
<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>106.0</b>	<b>292.6</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>	<b>460.5</b>	<b>286.8</b>

Source: Company Data, Bahana FI Research

## FINANCIAL HIGHLIGHTS

### MARGIN & GROWTH

(%)	2017	2018	2019	2020	2021	2022	2023	1H23	1H24
<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>	<b>8.16</b>	<b>6.30</b>
EBIT Margin (%)	7.72	7.57	7.97	8.60	8.13	7.92	5.50	6.26	4.93
<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>6.73</b>	<b>5.35</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>	<b>3.00</b>	<b>2.50</b>
Revenue Growth (%)	13.01	10.59	17.84	27.91	26.56	32.08	85.84	91.96	33.46
<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>	<b>39.24</b>	<b>10.83</b>

### KEY CREDIT METRICS

(X)	2017	2018	2019	2020	2021	2022	2023	1H24
<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>	<b>0.13x</b>
Current Ratio (X)	3.78x	3.69x	10.07x	12.76x	4.66x	3.76x	2.21x	2.13x
<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>	<b>1.48x</b>
Debt to Asset Ratio (X)	0.30x	0.29x	0.48x	0.52x	0.56x	0.55x	0.61x	0.60x
LT Debt to Equity (X)	0.07x	0.05x	0.72x	0.93x	0.82x	0.67x	0.46x	0.38x
<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>	<b>1.22x</b>
EBITDA to Interest Expense (X)	4.68x	5.09x	4.35x	2.61x	2.47x	2.51x	2.38x	3.10x
<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>	<b>5.84x</b>

### OTHER FINANCIAL METRICS

(%) (X) (tons) (days)	2017	2018	2019	2020	2021	2022	2023	1H24
<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>	<b>63.5</b>
Total Equity to total asset ratio (%)	70.3	71.1	52.4	47.9	43.6	44.8	39.2	40.4
<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>	<b>147.0</b>
Inventory Turnover (x)	4.95x	4.25x	3.73x	3.05x	2.75x	2.90x	4.10x	2.48x
<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>	<b>93.5</b>
Total receivables to total asset ratio (%)	46.6	52.0	35.2	33.2	29.7	20.9	18.0	16.3
<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>	<b>3.0</b>
ASP (Rp '000/gram)	560.4	570.8	608.2	808.3	857.3	880.9	987.7	1,104.9
<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>	<b>7.42</b>
Total Receivables Days	97.2	106.2	91.8	83.0	71.9	42.5	25.8	37.6
<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>	<b>9.70x</b>
Total Payables Days	1,155.0	366.7	311.6	679.5	700.2	1,442.3	2,580.6	1,606.6
<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>	<b>0.23x</b>
Gold production volume (ton)	8.97	9.84	10.82	9.63	10.35	13.10	16.48	9.48
<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>	<b>45.13</b>
Cash Conversion Cycle Days	170.9	192.1	189.5	202.5	204.8	168.2	114.8	184.6

Source: Company Data, Bahana FI Research



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