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## NEUTRAL P

**Target** IDR450  
**Previous** IDR480  
**Price** IDR395

### Tinplate Manufacturing

NIKL is a tinplate manufacturer with a 52% share of the domestic market. Its customers are mostly can manufacturers and food companies.

### Stock Statistics

	NIKL IJ
Bloomberg Ticker	NIKL IJ
Share Capital (m)	2,523
Market Cap (IDRbn)	997
52 week H L Price (IDR)	510   230
3mth Avg Vol ('000)	16,779
YTD Returns (%)	-8.1
Beta (x)	1.1

### Major Shareholders (%)

Nippon Steel Corp	35.0
Krakatau Steel	20.1
Mitsui & Co	10.0
Nippon Steel Trading	5.0
Metal One Corp	5.0

### Share Performance (%)

Month	Absolute	Relative
1m	2.4	-2.9
3m	5.1	-6.5
6m	-5.9	-12.8
12m	21.2	-9.6

### 6M Share Price Performance



## 1Q11 Results Review

# Pelat Timah Nusantara

## Not Good; Yet Revamping Remains Intact

NIKL booked a 90% y-o-y slump on its 1Q11 net profit amounting to IDR3bn, which is less than 4% of our full year and consensus estimate. The main reason for this poor result is mainly stemmed from 1.) Lower sales volume (-15% y-o-y), 2) Increase in raw material price (especially tin price), 3) NIKL's inability to pass on the raw material increase its consumers, which leads to a net margin of 1%.

**Currently facing a tough situation.** NIKL 1Q11 sales volume increased 12% q-o-q and declined 15% y-o-y amounting to 25k tonnes. On a quarterly basis, the concern is more on selling price due to price pressures from China which depressed NIKL's profit margin. Raw material cost is another main concern. Tin cost which is 5-10% of NIKL's raw material has increased quite significantly (LME tin price has increased 19% ytd and 79% y-o-y). It is worth noting that raw material in 1Q11 is 94% to production cost, which is the highest on a quarterly basis since 2009.

**Operating profit is still facing towards a positive figure.** NIKL's booked an operating loss of IDR2bn on its 1Q11 from a positive IDR38bn in 1Q10. However, NIKL is better off compared to 4Q10 operating loss of IDR18bn. Although NIKL managed to increase its 1Q11 pre-tax profit to IDR4bn from IDR0.4bn loss in 4Q10, the company suffered an 11% q-o-q drop on its bottom line on the back of tax loss of IDR1bn compared to the previous quarter tax gain. It is worth noting that since November 2010, NIKL has build up inventory for preparation for NIKL's plant shutdown (30-45 days) this year for revamping purposes.

**Outlook.** We expect that NIKL sales volume and price will improve in subsequent quarters supported by higher sales volumes (along with rising economy) and easing off pressures from China. We revise our earnings forecast for 2011-12-13 to reflect the negative impact from the selling pressures and rising of raw material costs. We maintain a positive substantial growth in 2012 earnings upon the completion of its revamping project along with improving margins on the basis of ease selling pressures and increase in tinplates demand as the company will increase its production capacity to 160k tonnes from the current 130k tonnes.

**Valuation.** We downgrade our recommendation to NEUTRAL from BUY with a target price of IDR450 (previous was IDR480) along with lowering our earnings to adjust our view from NIKL's poor results. NIKL is currently trading at 12.8x and 10.2x 2011-12F PE.

FYE December (IDR bn)	2009	2010	2011E	2012E	2013E
Revenue	1,180	1,362	1,449	1,707	1,976
Net profit	42	75	78	98	132
% chg y-o-y	(42.2)	77.5	4.1	26.3	34.7
EPS (IDR)	28	30	31	39	52
DPS (IDR)	21	6	10	11	14
Dividend yield (%)	5.4	1.5	2.5	2.7	3.4
ROAE (%)	12.2	16.3	15.1	17.1	20.0
ROAA (%)	6.0	9.8	8.5	10.2	12.4
PER (x)	14.1	13.4	12.8	10.2	7.5
PBV (x)	1.4	2.0	1.8	1.6	1.4
EV/EBITDA (x)	12.0	11.1	10.8	8.1	5.5

### Exhibit 1: Results review

(IDR bn)	4Q10	1Q11	% q-o-q	1Q10	1Q11	% y-o-y
<b>Revenue</b>	<b>296</b>	<b>306</b>	<b>3.3</b>	<b>367</b>	<b>306</b>	<b>(16.5)</b>
Cost of revenue	<b>288</b>	286	(0.6)	297	286	(3.5)
<b>Gross profit</b>	<b>8</b>	<b>20</b>	<b>136.9</b>	<b>70</b>	<b>20</b>	<b>(71.7)</b>
<i>Gross margin (%)</i>	<i>2.8%</i>	<i>6.5%</i>		<i>19.1%</i>	<i>6.5%</i>	
Selling	6	3	(46.9)	7	3	(54.2)
G&A	20	18	(8.1)	24	18	(24.8)
<b>Total opex</b>	<b>26</b>	<b>22</b>	<b>(17.7)</b>	<b>32</b>	<b>22</b>	<b>(31.7)</b>
<b>Operating profit</b>	<b>(18)</b>	<b>(2)</b>	<b>(90.1)</b>	<b>38</b>	<b>(2)</b>	<b>(104.6)</b>
<i>Operating margin (%)</i>	<i>-6.0%</i>	<i>-0.6%</i>		<i>10.5%</i>	<i>-0.6%</i>	
Interest income	2	-	(100.0)	2	-	(100.0)
Forex GL	1	3	428.5	(2)	3	(280.1)
Interest expense	(1)	(1)	(49.5)	(2)	(1)	(52.1)
Other income (expense)	16	3	(78.9)	0	3	1,981.8
<b>Total other income/exp</b>	<b>17</b>	<b>6</b>	<b>(66.0)</b>	<b>(1)</b>	<b>6</b>	<b>(523.1)</b>
<b>Profit before tax</b>	<b>(0.403)</b>	<b>4</b>	<b>(1,131.8)</b>	<b>37</b>	<b>4</b>	<b>(88.8)</b>
Income tax	(3)	1	(140.6)	9	1	(84.2)
<b>Net income</b>	<b>3</b>	<b>3</b>	<b>(11.1)</b>	<b>28</b>	<b>3</b>	<b>(90.2)</b>
<i>Net margin (%)</i>	<i>1.0%</i>	<i>0.9%</i>		<i>7.6%</i>	<i>0.9%</i>	

Source: Company

### Exhibit 2: Earnings revisions

(IDR bn)	NEW			OLD			Changes		
	2011F	2012F	2013F	2011F	2012F	2013F	2011F	2012F	2013F
Revenue	1,449	1,707	1,976	1,488	1,745	2,021	-2.6%	-2.2%	-2.2%
Gross profit	193	244	306	203	255	319	-5.0%	-4.3%	-4.1%
<i>Gross margin</i>	<i>13.3%</i>	<i>14.3%</i>	<i>15.5%</i>	<i>13.6%</i>	<i>14.6%</i>	<i>15.8%</i>			
Operating profit	91	121	165	98	130	175	-7.4%	-6.4%	-5.6%
<i>Op. profit margin</i>	<i>6.3%</i>	<i>7.1%</i>	<i>8.4%</i>	<i>6.6%</i>	<i>7.4%</i>	<i>8.7%</i>			
Pre-tax profit	103	131	176	107	139	186	-3.3%	-6.0%	-5.4%
<i>Pre-tax margin</i>	<i>7.1%</i>	<i>7.7%</i>	<i>8.9%</i>	<i>7.2%</i>	<i>8.0%</i>	<i>9.2%</i>			
Net profit	78	98	132	80	104	140	-3.3%	-6.0%	-5.4%
<i>Net margin</i>	<i>5.4%</i>	<i>5.7%</i>	<i>6.7%</i>	<i>5.4%</i>	<i>6.0%</i>	<i>6.9%</i>			

Source: OSK Research

## OSK Research Guide to Investment Ratings

**Buy:** Share price may exceed 10% over the next 12 months

**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months

**Take Profit:** Target price has been attained. Look to accumulate at lower levels

**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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