

Not Rated

N/A

Darma Henwa

Key takeaways from meeting

An integrated coal mining company

Darma Henwa (DEWA) engages in energy sector services ranging from, mining-related activities comprising of; excavation, stripping, land relocation and civil construction. The company was established since 1991 and is affiliated with Bumi Resources (BUMI). DEWA's clients are mostly its affiliated companies, namely Kaltim Prima Coal (KPC), Arutmin Indonesia, Dairi Prima Mineral (DPM) that all of three are BUMI's subsidiaries.

Improving financial performance in 9M19

DEWA has seen a significant improvement in its financial performance in 9M19 compared the same period last year, which was highlighted by a considerable growth in its earnings of 44% YoY to USD1.2 mn. This was mainly attributable to higher coal delivery and operational efficiency. The company posted solid revenue growth (+26% YoY), backed by strong operational performance on improving coal delivery in 9M19 by 22% YoY to 11.4 mn tons. DEWA produced 82.7 mn bcm of overburden (OB) removal in 9M19, or increased by 6.92 mn bcm (9.1%) compared to 9M18 figures. Furthermore, DEWA's ability to maintain operational efficiency and cost saving policy was evident in its gross profit growing by almost 3-fold (+162% YoY) leading to operating profit to post a turnaround of USD8.3 mn from an operating loss of USD0.7 mn from the previous year.

Focusing on operational excellence

The company have seen a considerable operational improvement in 9M19, where there was an increase of 22% YoY in coal delivery to 11.4 mn tons, which produced an efficient 82.7 mn bcm of overburdened removal on 9M19, achieving only 65.7% of the companies target of 125.7 mn bcm for FY19. The result more than justified its significant machinery and equipment capex spending amounting to USD98.8 mn in 2019 which was financed from its USD115 mn loan from Bank Rakyat Indonesia.

Strengthening its non-coal business with ANTM Garut project

DEWA has recently won a contract from ANTM worth Rp14.7 bn to work at ANTM's gold mining project in Garut, West Java. The work will mainly involve the infrastructure, mining and gold processing works, giving DEWA a mining contract volume of 95,000 bank cubic meters (bcm) consisting of 67,000 bcm waste and 28,000bcm ore with 60% recovery to become gold. This adding to two of its existing non-coal project which is now under construction projects namely; PT Dairi Prima Mineral which focuses zinc and lead mining plus PT Citra Palu Minerals which focuses in gold mining, which will diversify the company's portfolio.

BMRS production start could be another boost from non-coal project

We see strong possibility that company would increase revenue from potential metal related project owned by its affiliated company BRMS. BRMS's subsidiary Citra Palu Mineral, Gorontalo Mineral and Dairi Prima mineral will start production in 1H20 to 2H21 respectively. This could potentially add a stable revenue stream and more non-coal project for DEWA. The scope of work from would range from earthworks, civil and installation work at mining, procuring the area, waste and ore Mining as well as heap leaching.

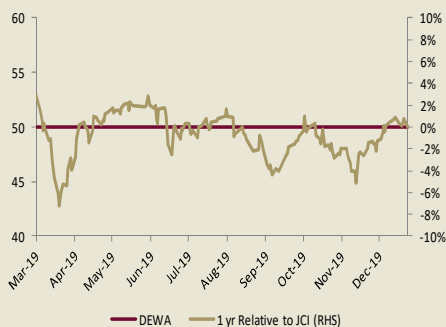
Valuation

Annualizing its 9M19 profits, DEWA is trading at high PER 48.7x and PBV of 0.33x, while currently it has no analyst coverage. The company's stock price has hovered in the Rp50 a share since March of 2018. In our view however, with improving financial, operational performance and diverse portfolio, things could improve significantly in the 2020 period and may give positive sentiment to the share price.

Sector	Mining
Bloomberg Ticker	DEWA

Share Price Performance

Last price	50		
Avg. daily T/O (Rpbn/USDmn)	n/a		
	3m	6m	12m
Absolute (%)	0	0	0
Relative to JCI (%)	0	0	0
52w High/Low price	50/50		



Outstanding shrs (mn)	21,853
Mkt. Cap (Rpbn/USDmn)	1,093
Estimated free float (%)	71.0

Major shareholders

Goldwave Capital Ltd.	17.46%
Zurich Assets International	11.50%
Public	71.04%

EPS Consensus

	Ciptadana	Cons.	% Diff
2019F	n/a	n/a	n/a
2020F	n/a	n/a	n/a
2021F	n/a	n/a	n/a

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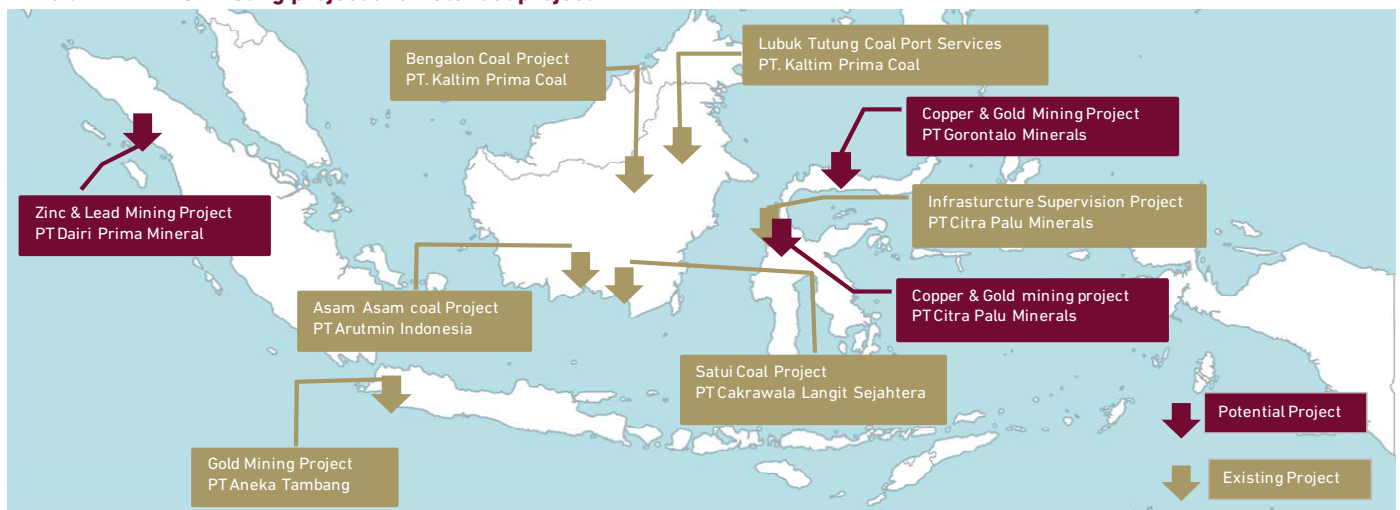
<http://www.ciptadana.com>

Exhibit 1: Financial Highlight

USD mn	9M19	9M18	YoY
Revenue	237.9	188.9	26.0%
Cost of revenue	-220.6	-182.3	21.0%
Gross profit (loss)	17.3	6.6	162.2%
<i>Gross margin (%)</i>	7.3%	3.5%	3.8%
Operating expenses	-9.0	-7.3	23.2%
Operating profit (loss)	8.3	-0.7	n/a
<i>Operating margin (%)</i>	3.5%	-0.4%	3.9%
Other Income/Exp	-4.9	2.7	n/a
Pre-tax profit	3.3	2.0	66.9%
Tax	-2.1	-1.2	83.6%
Net profit (loss)	1.2	0.8	43.6%
<i>Net margin</i>	0.5%	0.4%	0.1%

Source: DEWA

Exhibit 2: DEWA's Existing project and Potential project



Source : DEWA

Exhibit 3: DEWA board members

President Commissioner:	Muhammad Lufti
Vice Commissioner:	Saudi Atma
Commissioner:	Gories Mere
	Endang Ruchijat
	kanaka Puradiredja
	Saudi Atma
	Hannibal S. Anwar
President Director:	Saptari Hoedaja
Director:	Faisal Firdaus
	Ivi Sumama Suryana
	Agus Efendi
	Djajeng Pristiwan Andalaswanto

Source: DEWA

Exhibit 4: BRMS board members

President Commissioner:	Saptari Hoedaja
Commissioner:	Gories Mere
	Winston Jusuf
President Director:	Suseno Kramadibrata
Director:	Muhammad Sulthon
	Fuad Helmy
	Herwin Wahyu Hidayat
	Febriansyah Marzuki

Source: DEWA

Exhibit 5: BUMI board members

President Commissioner:	Nalinkant Amratial Rathod
Commissioner:	R. Eddie Junianto Subari
	Thomas Myer Kearney
	Wen Yao
	Anton Setianto Soedarsono
	kanaka Puradiredja
	Y.A. Didik Cahyanto
President Director:	Saptari Hoedaja
Director:	Andrew C. Beckham
	R.a Sri Dharmayanti
	Linjun Zhang
	Xuefeng Ruen
	Yingbin Ian He
	Dileep Srivastava

Source: DEWA

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