

**BUY | TP : IDR560**
**HRTA Stock Price Data**

Last Price	:	IDR420
52wk High	:	IDR580
52wk Low	:	IDR200
Share Out	:	4.61bn
Market Cap	:	IDR1.88tn

**HRTA Stock Price Performance**

1-Day	:	+0.00%
1-Week	:	+5.53%
1-Month	:	-16.00%
3-Month	:	-3.23%
Year-to-Date	:	+107.92%

**Shareholders**

PT Terang Anugrah Abadi	:	71.00%
Public (<5%)	:	29.00%

**PT Hartadinata Abadi Tbk (HRTA IJ)**
**New Partnership Opportunities, New Products**
**Global market entry point: one of the largest jewellery exhibitions in the world**

- While the previous export contracts with India was established with the buyers having made the first approach, HRTA has taken the step further to increase their exposure to the global jewellery market by participating in Jewellery & Gem WORLD Hong Kong 2023 (JGW 2023). This particular step was critical for two main reasons: 1) this is one of the largest business-matching and exhibition event for the jewellery industry globally, and 2) it coincided with the function's 40<sup>th</sup> anniversary, which naturally would make the event merrier and more opportune. The event spanned 5 days back-to-back from 20 – 24 Sep, 2023, held in one of Hong Kong's largest exhibition center, HKCEC. Surely enough, the expo amassed ~54k buyers (in-line with 2019's number of attendees) originating from 142 countries, credits due to the normalization post-Covid. From the supply-side, over 3.4k suppliers presented at the event, with 62% or ~2.1k suppliers hailing from various countries, ranging from Belgium, Brazil, China, Colombia, France and Germany, to name a few.
- This event yielded a visitor-to-exhibitor ratio of 15.8x. Assuming an anecdotal meaningful interaction multiplier of 3 times each visitor has during the period of the expo, that would give each exhibitor, including HRTA, a scale of opportunity as big as ~47 leads from the event. Compared to other top exhibitions around the world, this particular one tops them all out in terms of number of attendees, though the scale of opportunity is relatively diluted due to the also higher number of exhibitors. It isn't outlandish to say there is a great chance new partnerships have been secured from this expo, expanding HRTA's export market outreach from India. The previous prospective overseas market expansion is one of the catalyst that put HRTA on non resident investors' radar, and saw HRTA shares enjoying a 9,729% YTD gain of foreign ownership, hence securing more export contracts surely bodes well for the company's value.

**Additional growth faucets through inventive segments**

- HRTA doubles down on their mission of penetrating the middle-upper segment, in particular the largely untapped millennial and possibly Gen-Z cohort, this time by launching a new brand, ARDORE. This brand presents several line of products including earrings, rings and necklaces, designed to appeal to the younger generations with its luxurious, modish designs whilst priced to reach the low-to-high segment. It is through this product that HRTA aims to widen their margins.
- HRTA also attempts to step up their appeal to the domestic Muslim populace by launching sharia pawn services (Rahn). Albeit the pawnshop segment historically contributing only up to around 1% of HRTA's total revenue, we see this to simultaneously be a marketing strategy that could crank up the company's brand awareness by demonstrating their devotion towards the sharia market segment.

**Capex in place for more production capacity**

The company has set in place c. IDR65bn of capex for procurements of additional machinery to ramp up their production activity. Considering HRTA's recent aggressive expansionary maneuvers, this reflects the company's firm confidence that their marketing strategy will lead to established partnerships. Therefore it would be natural for the company to set in place more room for production capacity. We adjusted HRTA's capex for FY23E to better reflect the upcoming EBITDA.

**BUY Recommendation for HRTA**

All in all, we see the corrections in HRTA' share price to reach its limit and hence call **BUY** for HRTA to rebound to its fundamental target price (TP) of IDR560 (33% upside), implying a PE of 7.6x/6.0x and PBV of 1.3x/1.1x for FY23E/FY24F (see our previous HRTA report: [tinyurl.com/MNCS-HRTA-2Aug23](https://www.tinyurl.com/MNCS-HRTA-2Aug23)). HRTA's future growth gets its catalysts from potential market abroad and expansions in domestic market outreach. While the company is set to boost future growth through abroad market expansions, it would concurrently increase the exposure to USD's volatility as the reference price currency.

Key Financial Highlights	FY20	FY21	FY22	FY23E	FY24F
Revenue (IDR bn)	4,138.63	5,237.91	6,918.45	12,350.52	14,820.62
EBITDA (IDR bn)	368.46	439.29	563.40	735.40	873.44
Net Income (IDR Bn)	171.17	193.98	253.73	337.63	431.82
ROA (%)	6.05	5.58	6.59	7.94	9.13
ROE (%)	12.60	12.80	14.73	17.05	18.63
PE (x)	5.54	4.89	3.74	5.57	4.35
PBV (x)	0.70	0.63	0.55	0.95	0.81
EPS (IDR)	37.17	42.12	55.10	73.31	93.77

Sources : Bloomberg, MNCS Research


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New partnership opportunities are likely to originate from the Asian market due to the historically higher proportion of visitors from Hong Kong, China and India compared to other regions, and the lowered attendance from the Europe and American continents as airline capacities from those regions was still in recovery.

### Exhibit 01. The exhibition HRTA attended to was one of the largest within the global jewellery industry

Exhibition	Country	Visitors	Exhibitors	V/E Ratio* (x)	Assumed meaningful interactions (x)	No. of Leads/ Exhibitor	Last Held
Jewellery & Gem WORLD Hong Kong	Hong Kong	53,879	3,417	15.8	3	47.3	2023
India International Jewellery Show	India	50,000	1,850	27.0	3	81.1	2023
International Jewellery Show	England	50,000	1,790	27.9	3	83.8	2022
Istanbul Jewelry Show	Turkey	36,500	1,250	29.2	3	87.6	2022
Dubai International Jewellery Show	UAE	20,000	500	40.0	3	120.0	2019
Las Vegas JCK show	USA	18,000	1,900	9.5	3	28.4	2023
Bangkok Gems & Jewelry Fair	Thailand	10,000	900	11.1	3	33.3	2023

Sources : Jewellery Outlook, Jewellerynet, Forbes, Hosts' Websites  
\*Visitor-to-Exhibitor Ratio

### Exhibit 02. HRTA's exhibition stand in JGW 2023



Sources : Company, MNCS Research

### Exhibit 03. Brand new ARDORE, officially launched in Sep 1, 2023



Sources : Company, MNCS Research

Wide array of designs and varieties to cater to the taste and style of young millennials and possibly Gen-Z.

**Exhibit 04. ARDORE's products includes a line of earrings...**



Sources : Company, MNCS Research

**Exhibit 05. ...rings...**



Sources : Company, MNCS Research

**Exhibit 06. ...as well as bracelets and necklaces**



Sources : Company, MNCS Research

**HRTA's production factory site visit note**

**A trip to Indonesia's prominent global gold player's processing facility**

On Sep 2, 2023, we had the opportunity to visit HRTA's Sukamenak Factories situated in Kopo, where we were walked through the company's manufacturing process, including jewellery processing, gold bar processing, and gold refining, further elaborated in exhibits 10 to 12. They were the two out of HRTA's five factories in total (exhibit 08). During the site visit we also attended one of the exhibition events of ARDORE which had officially launched in Sep 1, 2023.

**Exhibit 07. The site visit team group photo**



Sources : Site visit documentation, MNCS Research

**Exhibit 08. ...as well as bracelets and necklaces**

Factories	Established	Area	Capacity	Utilization Rate	Product lines
Sukamenak 1 Factory	2003	3,600	7.5	53.30%	Gold Jewellery
Sukamenak 2 Factory	2006	750	6.0	41.70%	Gold Jewellery
Sukamenak 5 Factory	2021	1,146	4.5	55.60%	Gold Jewellery
EMA (Refinery) Factory	2022	N/A	10.0	N/A	99.99% Gold
Sapphire Factory	2015	7,200	12.0	56.70%	<ul style="list-style-type: none"> <li>99.99% Gold</li> <li>Jewellery &amp; Fine Gold Bar</li> </ul>

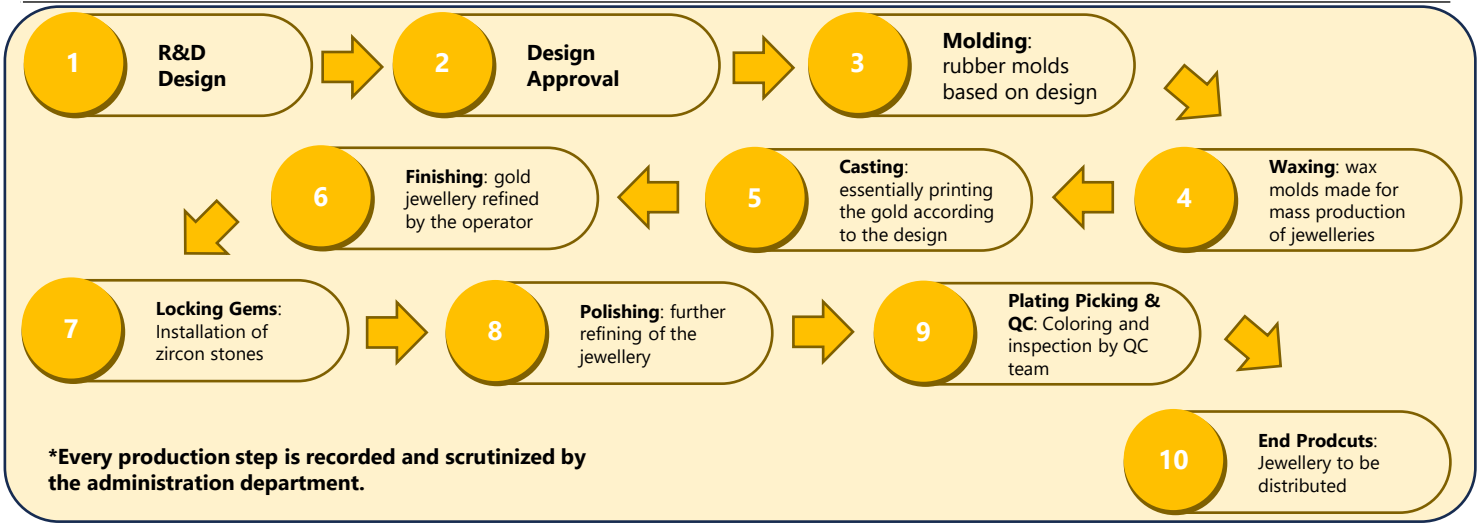
Sources : Company, MNCS Research

**Exhibit 09. EMASKU and ARDORE product line on display at the site visit**



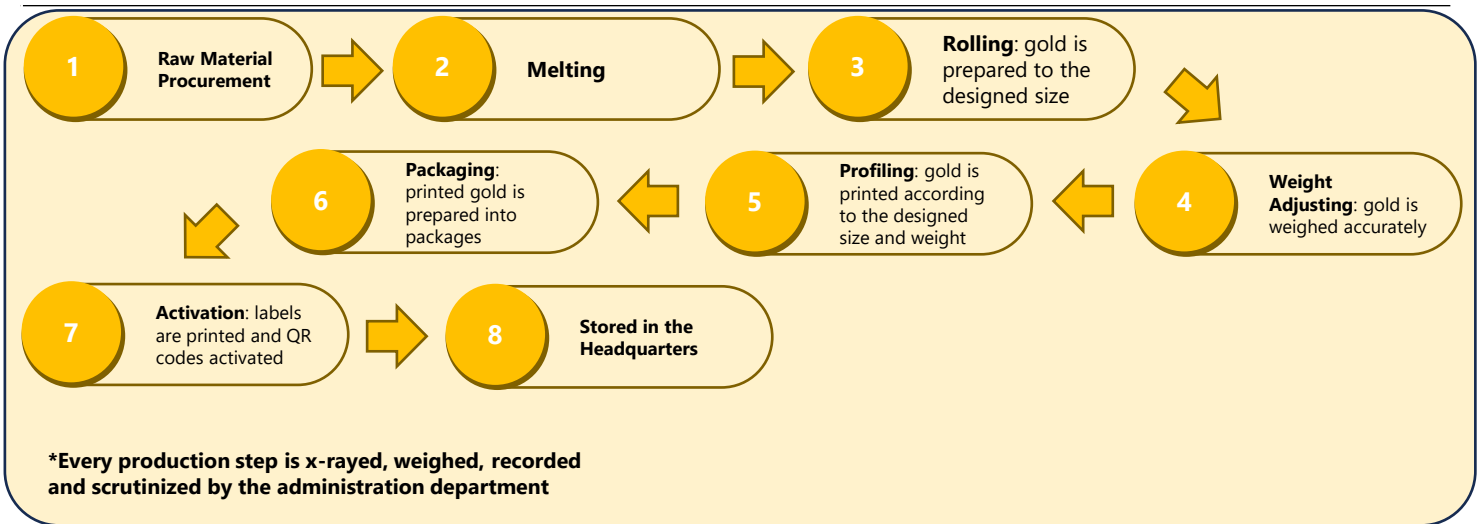
Sources : Site visit documentation, MNCS Research

**Exhibit 10. How jewellery production in HRTA goes as seen during the site visit:**



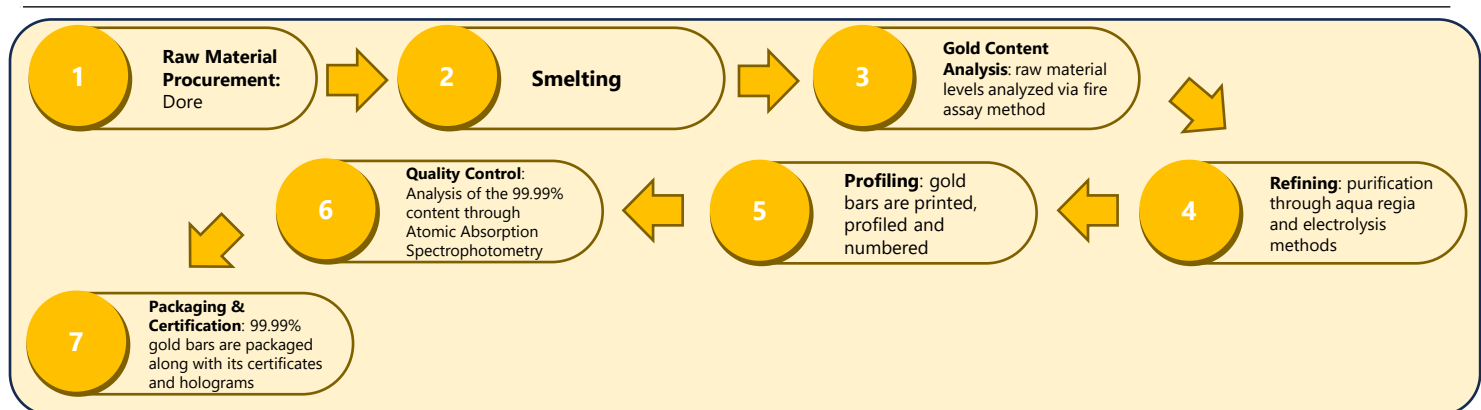
Sources : Company, MNCS Research

**Exhibit 11. And now, a closer look into the gold bar production process:**



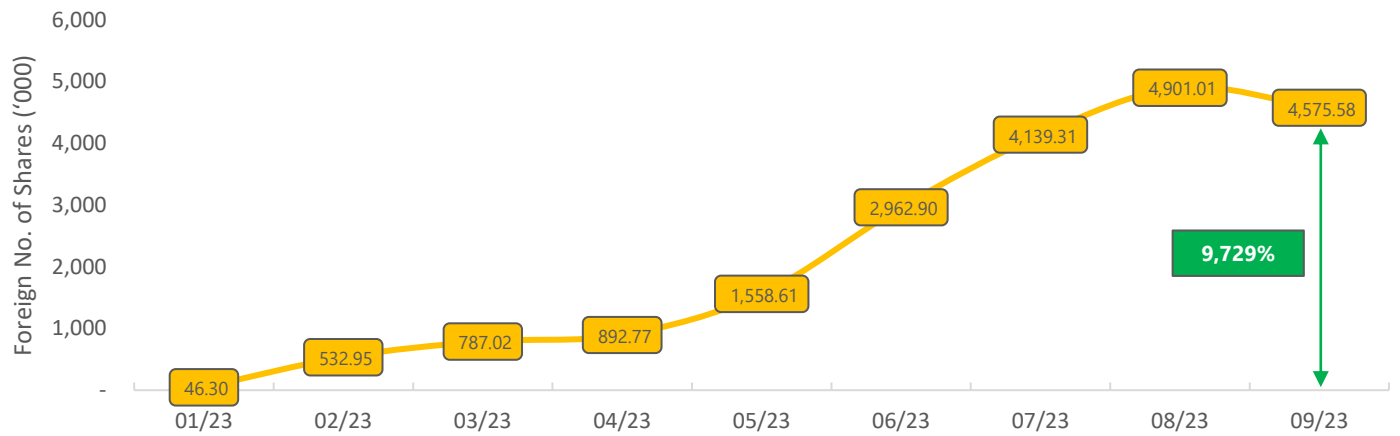
Sources : Company, MNCS Research

**Exhibit 12. The last category of the production process: gold refining**



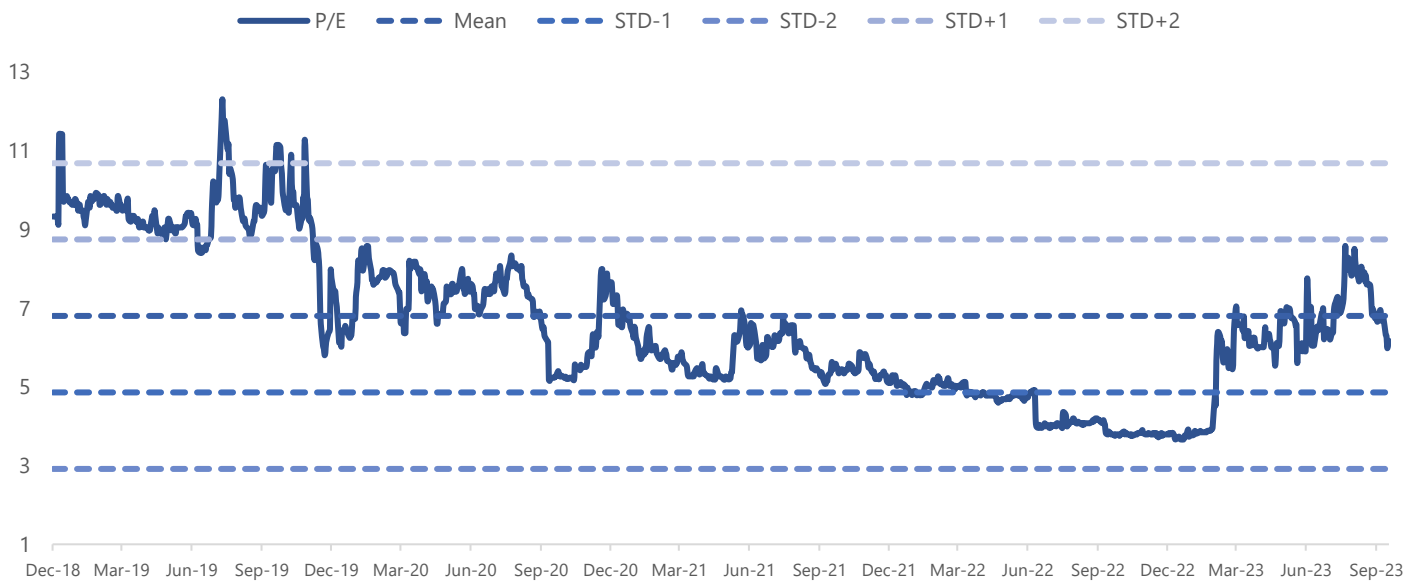
Sources : Company, MNCS Research

**Exhibit 13. Growth in HRTA's no. of foreign-held shares jumped significantly on a YTD basis**



Sources : Bloomberg, MNCS Research

**Exhibit 14. HRTA is currently trading below its 5-year P/E mean**



Sources : Bloomberg, MNCS Research

**Exhibit 15. Financial projections**

Income Statement						Balance Sheet					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F	in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
<b>Revenue</b>	<b>4,138.63</b>	<b>5,237.91</b>	<b>6,918.45</b>	<b>12,350.52</b>	<b>14,820.62</b>	Cash & Equivalents	50.40	62.48	106.02	713.74	416.66
COGS	(3,716.93)	(4,665.33)	(6,175.63)	(11,399.76)	(13,709.15)	Trade Receivables	941.33	1,032.28	806.35	1,151.57	1,381.89
<b>Gross Profit</b>	<b>421.70</b>	<b>572.58</b>	<b>742.82</b>	<b>950.76</b>	<b>1,111.48</b>	Inventory	1,482.24	1,915.56	2,339.72	2,245.60	2,531.50
Selling Expense	(13.27)	(11.55)	(23.12)	(16.82)	(22.25)	Others Current Assets	195.86	290.20	321.95	420.66	498.66
G&A Expense	<b>(52.94)</b>	<b>(135.30)</b>	<b>(171.60)</b>	<b>(209.22)</b>	<b>(226.44)</b>	<b>Total Current Assets</b>	<b>2,669.84</b>	<b>3,300.52</b>	<b>3,574.04</b>	<b>4,531.57</b>	<b>4,828.71</b>
Other Income (Expense)	1.00	0.49	0.72	(8.98)	(10.50)	Fixed Assets - net	133.75	141.37	203.96	249.30	300.39
<b>Op. Profit</b>	<b>356.49</b>	<b>426.22</b>	<b>548.82</b>	<b>715.74</b>	<b>852.29</b>	Other Non-Current Assets	27.10	36.19	71.09	104.30	119.40
Finance Income (Expense)	(110.33)	(150.10)	(214.92)	(282.32)	(281.74)	<b>Total Non-Current Assets</b>	<b>160.85</b>	<b>177.56</b>	<b>275.04</b>	<b>353.60</b>	<b>419.79</b>
Other Income (Expense)	<b>(27.96)</b>	<b>(27.96)</b>	<b>(8.11)</b>	-	-	<b>TOTAL ASSETS</b>	<b>2,830.69</b>	<b>3,478.07</b>	<b>3,849.09</b>	<b>4,885.17</b>	<b>5,248.49</b>
<b>PBT</b>	<b>218.20</b>	<b>248.17</b>	<b>325.79</b>	<b>433.42</b>	<b>570.54</b>	Trade Payables	5.47	6.66	4.28	9.37	13.52
Tax Income (expenses)	(47.12)	(53.73)	(72.06)	(95.79)	(126.09)	ST Debt	162.83	649.47	885.25	1,837.64	1,777.10
Minority Interest	0.09	(0.46)	-	-	-	Other Current Liabilities	40.98	52.23	61.95	84.22	94.34
<b>Net Income</b>	<b>171.17</b>	<b>193.98</b>	<b>253.73</b>	<b>337.63</b>	<b>444.45</b>	<b>Total Current Liabilities</b>	<b>209.28</b>	<b>708.36</b>	<b>951.48</b>	<b>1,931.23</b>	<b>1,884.96</b>
EPS (IDR)	37.17	42.12	55.10	73.31	96.51	LT Debt	1,254.80	1,243.25	1,163.35	962.48	1,021.23
						Other LT Liabilities	8.48	10.91	11.68	20.86	25.03
						<b>Total LT-Liabilities</b>	<b>1,263.27</b>	<b>1,254.16</b>	<b>1,175.03</b>	<b>983.34</b>	<b>1,046.26</b>
						<b>Total Equity</b>	<b>1,358.13</b>	<b>1,515.55</b>	<b>1,722.57</b>	<b>1,970.60</b>	<b>2,317.28</b>
						<b>TOTAL LIABILITY &amp; EQUITY</b>	<b>2,830.69</b>	<b>3,478.07</b>	<b>3,849.09</b>	<b>4,885.17</b>	<b>5,248.49</b>
Cash Flow						Ratios					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F	FY20	FY21	FY22	FY23E	FY24F	
Net Income	171.17	193.98	253.73	337.63	431.82	Revenue Growth (%)	27.91	26.56	32.08	78.52	20.00
D&A	11.97	13.07	14.58	19.66	21.16	Operating Profit Growth (%)	38.17	19.56	28.77	30.41	16.90
Changes in WC	(661.20)	(523.07)	(200.61)	(272.56)	(379.84)	Net Profit Growth (%)	14.03	13.32	30.81	33.07	19.08
Others	(184.42)	(82.66)	(22.92)	(76.44)	(67.88)	Current Ratio (%)	1,275.72	465.94	375.63	365.69	385.80
<b>Operating CF</b>	<b>(662.47)</b>	<b>(398.69)</b>	<b>44.78</b>	<b>8.29</b>	<b>5.26</b>	Quick Ratio (%)	567.46	195.52	129.73	154.66	165.52
Capex	(49.48)	(20.69)	(77.19)	(65.00)	(37.05)	Receivable Days (x)	83.02	71.93	42.54	34.03	32.03
Others	(7.58)	(9.08)	(34.90)	4.54	(7.55)	Inventory Days (x)	145.56	149.87	138.28	72.75	66.75
<b>Investing CF</b>	<b>(57.06)</b>	<b>(29.78)</b>	<b>(112.09)</b>	<b>(60.46)</b>	<b>(44.60)</b>	Payable Days (x)	0.54	0.52	0.25	0.30	0.36
Dividend Paid	(36.84)	(36.84)	(46.25)	(74.28)	(95.00)	DER (x)	1.04	1.25	1.19	1.09	0.98
Net Change in Debt	380.52	475.08	155.89	109.52	121.71	DAR (x)	0.50	0.54	0.53	0.51	0.48
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	9.17	4.17	Operating Profit Margin (%)	8.61	8.14	7.93	5.80	5.75
<b>Financing CF</b>	<b>350.57</b>	<b>440.54</b>	<b>110.86</b>	<b>39.22</b>	<b>30.88</b>	EBITDA (IDR Bn)	368.46	439.29	563.40	735.40	873.44
Cash at Beginning	419.37	50.40	62.48	106.02	93.07	EBITDA Margin (%)	8.90	8.39	8.14	5.95	5.89
<b>Cash at Ending</b>	<b>50.40</b>	<b>62.48</b>	<b>106.02</b>	<b>93.07</b>	<b>84.61</b>	Net Income Margin (%)	4.14	3.70	3.67	2.73	2.91
						BVPS (IDR)	294.91	329.09	374.04	430.10	503.24

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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