

07 SEPTEMBER 2017

INITIAL PUBLIC OFFERING

THE IPO STRUCTURE

No of Share

New shares issued	Max 300,000,000
Total shares post IPO	1,450,000,000

Shareholders post IPO

PT Inti Nusa Damai	78.52%
PT Trisula Insan Tiara	0.79%
Employees	2.07%
Public	18.62%

IPO Schedule – Tentative

Book building period	6-8 September 2017
Effective date	18 September 2017
Offering period	20-22 September 2017
Allotment date	26 September 2017
Distribution date	27 September 2017
Listing at IDX	28 September 2017

The use of IPO Proceeds

Purchase of Machines	70%
Working Capital	30%

Underwriter

PT Lotus Andalan Sekuritas

Source: Preliminary Prospectus

TRISULA'S TRADEMARK



Source: Company data

PT TRISULA TEXTILE INDUSTRIES TBK

INVESTMENT HIGHLIGHTS

PT Trisula Textile Industries Tbk (TTI or the company) was founded in 1968 by Mr Tirta Suherlan and started its business as a textile mill in Bandung. In 1981, the company established the "Bellini" brand and in 1986, the company acquired PT Southern Cross Textile Industry (SCTI) as its second textile mill as well as established "Caterina" brand. Today, TTI is currently operating 19 texturizing machineries, 181 twisting machineries, 8 sizing machineries, 159 weaving machineries and 61 dyeing finished machineries located in Cimahi, West Java with total land area of 13.4 ha.

Supported by its vast coverage of owned marketing agents

In fabric retail segment, the sales and marketing are mostly carried by its six subsidiaries, acting as its retail fabric distributor to capture local market coverage. In addition to the six distributor agents, the company owned 99% shares of PT Mido Indonesia, which mainly focused on providing custom uniform wear (corporate wear). In the last couple of years, the company has increased focus on higher-margin custom uniform business, the strategy has yielded good results as the uniform business currently contributes >40% of total revenue.

Production capacity expansion to support sales

As part of the IPO plan, Trisula will acquire 12 new machines in 3Q17 and 2018, respectively and has started its capacity expansion in 3M17 in weaving machines by increasing its production capacity to 8.64 million greige per year (+10.7%). This expansion will continue in 3Q17 and 2018 and the total production capacity is projected to increase to 11.04 million greige per year in 2018.

Revenue to increase 7.3% p.a. CAGR

We estimate that the company's total revenue to grow by 7.3% p.a. CAGR in 2017F-2019F supported by solid quantities of repeating orders from its loyal retail customer and solid marketing team in Indonesia to capture new customers. Moreover, through MIDO, in addition to repeat orders from existing customers, the company has eyed for a several new tenders particularly to state owned and public companies to provide the uniform needs.

Margins are set to improve gradually

We project the company's GPM to gradually improve to the level of 21.6%-22.7% in 2017F-2019F due to 1) higher contribution from MIDO's uniform business 2) efficiencies from new installed weaving machines and 3) new added value product. In line, EBITDA is projected to grow by 11.3% p.a CAGR from Rp44.4 billion in 2017F to Rp55.0 billion in 2019F on the back of higher contribution of its high value added uniforms provided by MIDO's strong marketing channel in government's institution and private company. On the bottom line, we forecast that Trisula will record a net profit of Rp23.7 billion in 2019F from 2017F Rp17.6 billion on the back of 16% p.a. CAGR, with net margin at the level of 3.7-4.3%.

Relies on crude oil commodity price

The company main raw materials include polyester fiber which is a derivative product of crude oil. By observing the price trend during 2016, we expect the trend to remain low and stable at around US \$ 50 - 55 per barrel (compared to its high position in 2014 which reached US \$ 100 / barrel).

Fair Equity value ranging between Rp205.8 billion – Rp392.5 billion

We obtain Trisula's equity value ranging between Rp205.8 billion to Rp392.5 billion which translates into 2018F PER of 10.01x-19.08x and 2018F EV/EBITDA of 5.94x-7.69x. The target shares price will come in at Rp142/share to Rp270/share.

Financial Summary

(in Thousand US\$)	2015A	2016A	2017F	2018F	2019F
Revenue	547,877	416,162	479,083	526,453	551,602
EBITDA	49,973	35,467	44,431	51,063	55,020
Net profit	32,771	7,683	17,646	20,572	23,726
EPS (Rp)	53.29	6.68	12.17	14.19	16.36
PER (x)	5.08	40.52	22.24	19.08	16.54
BVPS (Rp)	300.14	166.65	166.93	181.94	197.34
PBV (x)	0.90	1.62	1.62	1.49	1.37
EV/EBITDA (x)	1.92	2.40	10.78	9.63	8.77
RoE (%)	20.61	4.08	8.14	8.13	8.63

Source: Company data and Lotus Andalan Research

Rendy Candra

rendy.candra@lotussekuritas.com

(+62-21) 5785 1818 ext. 2069

COMPANY PROFILE IN BRIEF

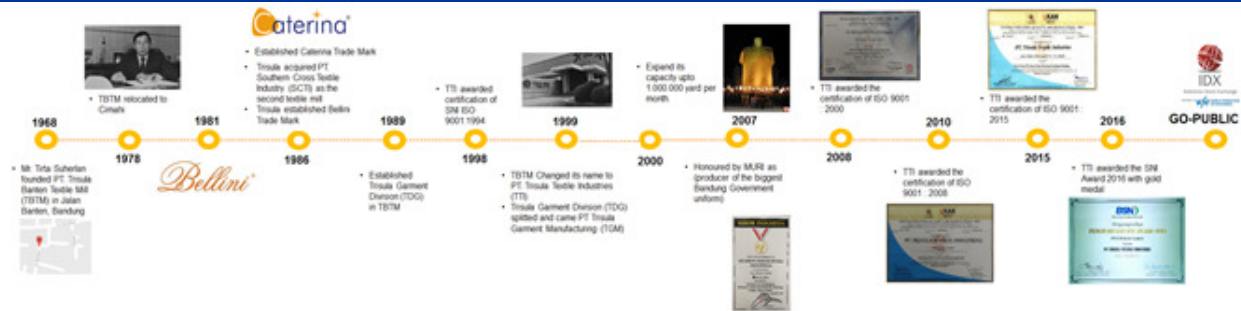
Integrated Textile Company

Founded by Mr Tirta Suherlan in 1968, PT Trisula Textile Industries Tbk (TTI or the company) started its business as a textile mill named PT Trisula Banten Textile Mill (TBTM) in Jalan Banten, Bandung. In 1981, the company established the “Bellini” brand and in 1986, company acquired PT Southern Cross Textile Industry (SCTI) as its second textile mill as well as established “Caterina” brand. Later in 1999, TBTM changed its name to PT Trisula Textile Industries and expanded its production capacity up to 1,000,000 yard per month. The company has 4 main product types e.g:

- 1) 100% polyester;
- 2) Polyester Rayon;
- 3) Polyester Cotton;
- 4) Corporate Uniform.

Today, as the integrated textile manufacturer which produce from raw material to the fabric yarn, TTI is currently operating 19 texturizing machineries, 181 twisting machineries, 8 sizing machineries, 159 weaving machineries and 61 dyeing finished machineries located in Cimahi, West Java with total land area of 13.4 ha.

The Milestone

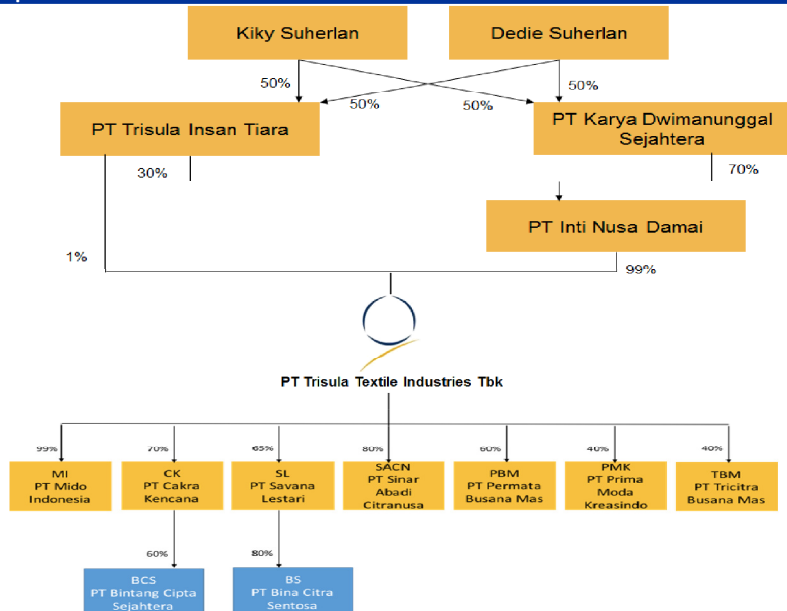


Source: Company data

Corporate Structure

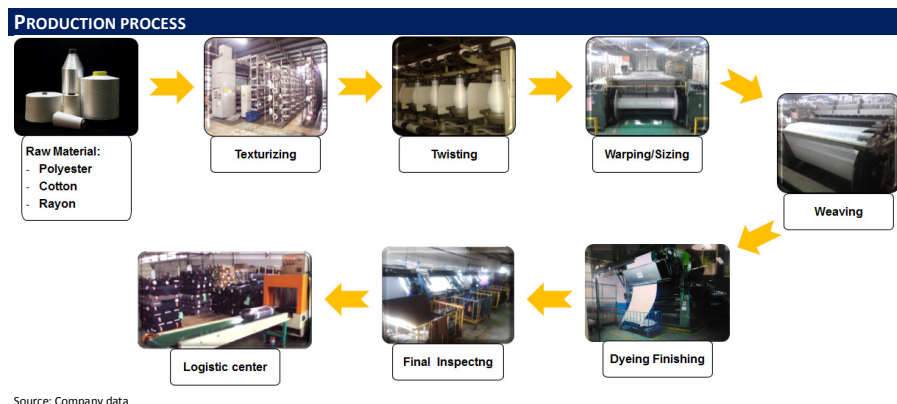
The company is ultimately owned by Mr Kiky Suherlan and Mr Dedie Suherlan as the main shareholders of the Trisula Group. TTI has 6 subsidiaries acting as the marketing agent to sell its fabric product to end user and sub agent. The company also owns PT Mido Indonesia, which is engaged in the providing of customized uniform wear mainly for military, police, airlines, banking, public and government's institution.

Corporate Structure



Source: Company data

Production process overflow



- Texturizing process

Trisula's texturizing process is supported by 19 machines and produce more than 320,000 ring-spindles imported. Machineries are operated on a 24 hours throughout the entire year and stop only on its maintenance schedule. The output of its division is yarn with total production capacity of 2,050,000 kg of yarn per year. Raw materials of polyester, cotton and rayon are mostly sourced locally.

- Twisting process

The company operates 181 twisting machines with high speed looms. Twisting process strengthen the yarn with a certain twist value (twist per meter/TPM). In this process, there are two categories, low twist (<450 TPM) and high twist (>450 TPM). The company has a capacity production of 2,762,400 kg of yarn per year.

- Sizing process

This process provides a film coating on the yarn to increase the yarn's resistance to friction in the weaving process. There are three main processes in sizing stage, warping, sizing and beaming. The company has 8 machines with total production capacity of 11,880,000 meters / year.

- Weaving process

In this stage, this process weave the yarn with a certain length and width direction to become a raw fabric or called "greige". The company has 159 machines with total maximum production capacity of 8,830,000 yards per year.

- Dyeing Finishing

Through this process, the greige are printed into finished fabric with desirable patterns and designs which produce its trade mark of Bellini and Caterina. In this stage, there three main process, washing, dyeing and finishing. The company has 61 continuous-dyeing production lines with total production capacity of 12,600,000 yard / year.

- Logistic Centre

This is the final process for the storage preparation such as put seal on the yarn with the "Bellini" and "Caterina" brands, wrap the yarn with wrapping plastic and delivery to the customer.

Products	Product Trade Mark	Seller	Customer
Local Textile		Agents	Retailer
Export Textile		Company	Japan, USA, South America, Middle East, Australia and Vietnam
Corporate Uniform		PT MIDO Indonesia	SOE and Private Company

Source: Company data

Shifting focus to higher margin MIDO's uniform products

In the last couple of years, the company has increased focus on higher-margin custom uniform business, the strategy has yielded good results as the uniform business currently contributes >40% of total revenue. However, this strategy does not deter the effort to keep promoting its higher value-added fabric products particularly on its two main brand, Bellini and Caterina.

Revenue Breakdown							
(in million Rupiah)							
	2014A	2015A	2016A	2017F	2018F	2019F	CAGR*
Revenue Breakdown per segment							
Fabric	273,664	330,893	285,540	280,214	286,702	293,870	0.96%
Uniform	100,651	216,984	130,622	198,869	239,751	257,732	25.42%
Total Revenue	374,315	547,877	416,162	479,083	526,453	551,602	
Portion							
Fabric	73%	60%	69%	58%	54%	53%	
Uniform	27%	21%	43%	42%	44%	45%	
Total	100%	100%	100%	100%	100%	100%	

*)2016A-2019F

Source: Company data

Meanwhile, the majority (92%) of the revenue still come from domestic market. Majority of export revenue are based on contract basis which dominated with USD. Although export sales contribution are relatively low, but it helps to hedge some of its raw material USD cost.

Domestic Vs Export Sales				
Sales (in million Rupiah)				
	2014A	2015A	2016A	3M17A
Domestic	345,065	508,015	381,524	104,359
Export	29,250	39,862	34,638	6,986
Total	374,315	547,877	416,162	111,345
Portion				
Domestic	92%	93%	92%	94%
Export	8%	7%	8%	6%
Total	100%	100%	100%	100%

Source: Company data

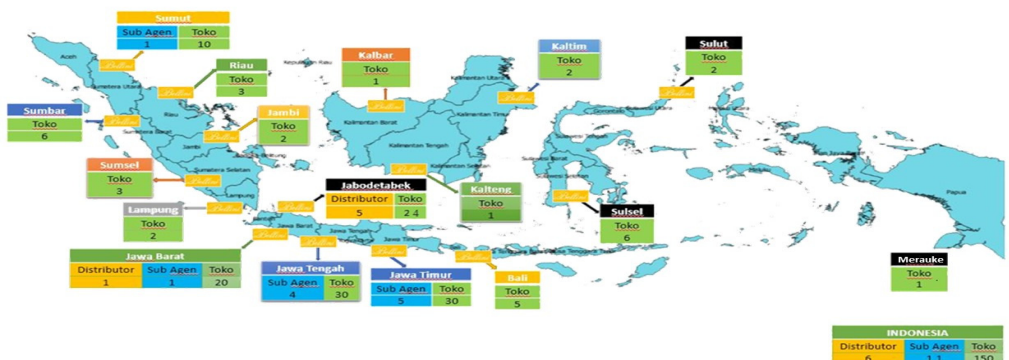
Supported by its vast coverage of owned marketing agents

In fabric retail segment, the sales and marketing are mostly carried by its six subsidiaries such as PT Cakra Kencana (CK), PT Savana Lestari (SL), PT Sinar Abadi Citranusa (SACN), PT Permata Busana Mas (PBM) and affiliated company, PT Prima Moda Kreasindo (PMK), PT Tricitra Busana Mas (TBM). These subsidiaries are acting as retail distributor to cover the whole Indonesia textile market.

Meanwhile, uniform business segment is mainly handled by its subsidiaries, PT Mido Indonesia (MIDO), providing the custom uniform needs for banking, airline, hospitality police, military, government institution, and other corporate sectors.

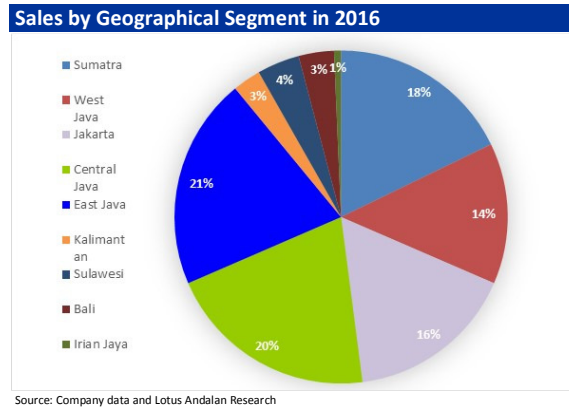
Today, the company products can be found in 150 retail shops under its 6 internal distributors and 11 sub-agents spread in 17 provinces all over Indonesia.

Company's Distribution Mapping, as of 2016



Source: Company data and Lotus Andalan Research

On geographical basis, company's sales mix is so far dominated by Central and East Java (around 21%), followed by Sumatera, Jakarta and West Java by 18%, 16% and 14%, respectively and less than 5% spread in Sulawesi, Kalimantan, Bali and Irian Jaya. The management stated that in near term, they will increase their penetration particularly in Kalimantan and East Indonesia through the increase of its distribution network and adequate sales force in those area as well as create brand awareness of Bellini and Caterina by establishing the tailors club.



MIDO's customer grew by 5.6% YoY

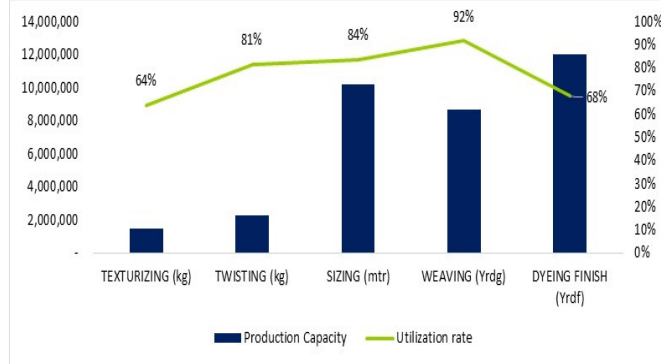
As mentioned earlier, the company has increased the contribution of custom uniform sales and it can be seen in MIDO's new customer growth of by 5.6% from 2015 to 2016. We believe that the company's ability to produce customize design fabric to each individual clients will increase sales. However, it is worth noted that, orders from government institution such as police and military are larger value, but tends to be on a cyclical basis. On the other hand, we learned that some of its corporate clients repeat their order on a yearly basis.

The company has succeeded to obtain SOE's clients such as State Electricity Company, PT Wijaya Karya Tbk (WIKAL), Jasa Raharja, Pertamina, Ministry of Health, Indonesia Police & Military and public & private company such as Garuda Indonesia, Air Asia, Bank Central Asia, Bank Danamon, Bank Mandiri, Bank CIMB Niaga, Transmart, Sharp, Holcim, Traktor Nusantara, Berca and many others.

Production capacity expansion to support sales

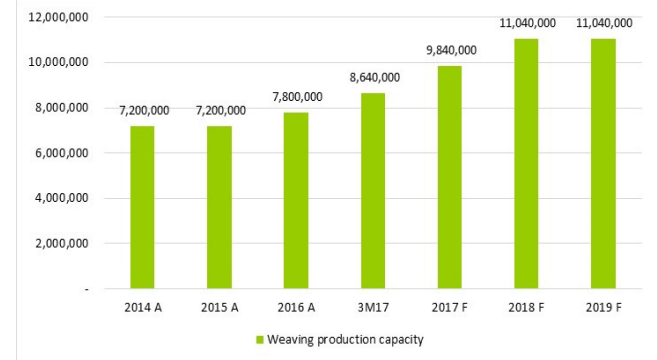
As part of the IPO plan, Trisula will acquire 12 new machines in 3Q17 and 2018, respectively, in order to increase the production capacity while at the same time replace its old weaving machine. The company has started its capacity expansion in 3M17 in weaving machines by increasing its production capacity to 8.64 million greige per year (+10.7%). This expansion will continue in 3Q17 and 2018 and the total production capacity is projected to increase to 11.04 million greige per year in 2018.

Current Production Capacity & Utilization Rate



Source: Company data

Weaving production capacity expansion plan



Source: Company data, Lotus Andalan Research

Corporate uniform (export market)



Source: Company data

Corporate Uniform (Local Market)



Source: Company data

FINANCIAL ANALYSIS

Overcome the weaving's production bottleneck

As the company is planning to gradually increase production capacity and decrease the bottleneck in weaving production in order to support the company's higher-margin uniform by MIDO, we expect the full impact of the production expansion to take place in the midst of 2019 after all machineries have been installed and operate fully. Thus, we estimate that the company's total revenue to grow by 7.3% p.a. CAGR in 2017F-2019F supported by solid quantities of repeating orders from its loyal retail customer and solid marketing team in Indonesia to capture new customers. Moreover, thru MIDO, the company has prepared a new tender to several State Owned Enterprises and public companies to provide the uniform needs to all of its employees.

Key Assumption & Revenue Breakdown

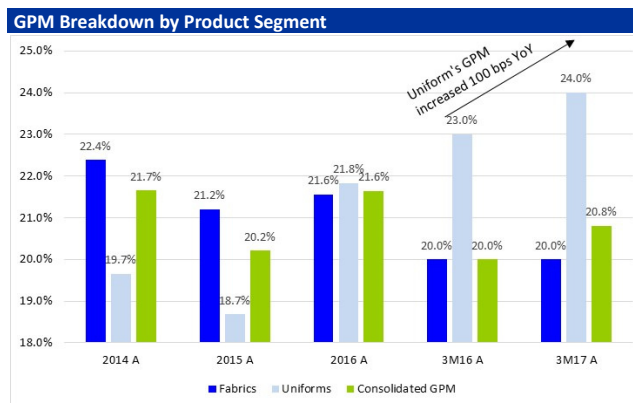
	2014A	2015A	2016A	2017F	2018F	2019F	CAGR*
Production Volume							
DF's Production Capacity (Yard)	12,000,000	12,000,000	12,600,000	12,000,000	13,000,000	13,000,000	
DF's Production volume (Yard)	8,797,232	9,313,732	7,300,012	7,800,000	8,970,000	9,100,000	8.0%
Utilization Rate	73.3%	77.6%	60.8%	65%	69%	70%	
ASP/ yard (Rp)	31,108	35,527	39,115	39,327	39,523	40,511	1.50%
Per segment (in million Rupiah)							
Fabric	273,664	330,893	285,540	280,214	286,702	293,870	
Uniform	100,651	216,984	130,622	198,869	239,751	257,732	
Total Revenue	374,315	547,877	416,162	479,083	526,453	551,602	7.3%
Portion							
Fabric	73%	60%	69%	58%	54%	53%	
Uniform	27%	21%	43%	42%	44%	45%	
Total	100%	100%	100%	100%	100%	100%	

*)2017F-2019F

Source: Company data and Lotus Andalan Research

Margins are set to improve gradually

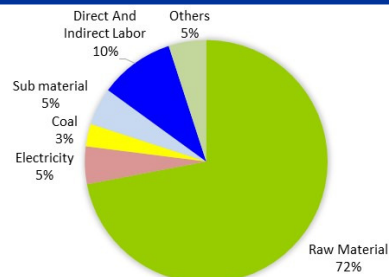
As said, we estimate the company's margins to gradually improve due to 1) higher contribution from MIDO's uniform business 2) efficiencies from new installed weaving machines and 3) new added value product such as new pattern and special function fabric (UV protector, anti-bacterial, quick dry and etc.). 1Q17 GPM improved slightly by 50 bps YoY to 20.8% as the company started to focus on value added uniform products and savings on the energy usage by utilizing new technology. Hence, we forecast that the company will improve its consolidated gross margin to the level of 21.6%-22.7% in 2017F-2019F.



Source: Company data and Lotus Andalan Research

The company's COGS are consisted of raw materials (72%), electricity (5%), fuel; coal (3%), other materials (5%), direct & indirect labor (10%) and others (5%). Main raw materials include polyester, polyester cotton and polyester rayon to produce a range of types of textile products. In 2016, approx. 82% of raw materials came from local supplier on rupiah currency and the rest raw material are imported from China, Taiwan and Korea which mainly dominated in USD. To export sales are a natural naturally hedge to the USD cost.

COGS Breakdown as of 3M17

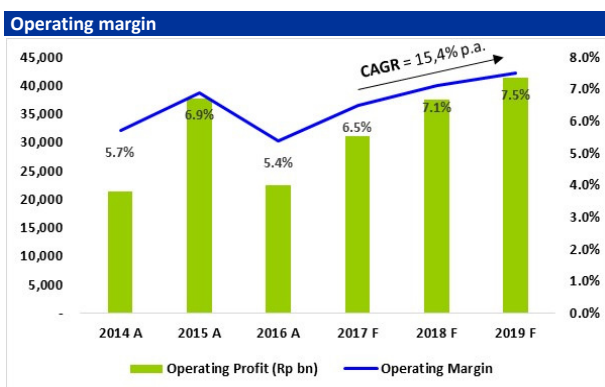


Source: Company data

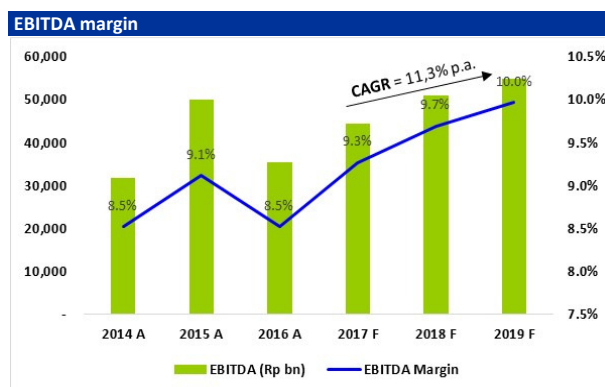
EBITDA grow 11.3% p.a. CAGR

During 3M17, the company booked a significant increase of 98.9% YoY in operating profit to Rp6.8 billion which resulted from increase in uniform's gross profit and a slower transport and promotion expense. Opex grew at average pace by 16% YoY to Rp16.3 billion, mainly due to increased commission expense of 273% YoY during the period as the consequences of higher uniform sales by MIDO's sales force. Going forward, we estimate operating profit to increase by 15.4% p.a. CAGR from Rp31.1 billion in 2017F to Rp41.5 billion in 2019F.

In line, EBITDA is projected to grow by 11.3% p.a. CAGR from Rp44.4 billion in 2017F to Rp55.0 billion in 2019F. In all, we continue to be exuberant on its profitability outlook as it foresees margin expansion both on GPM and OPM levels from higher contribution of its high value added uniforms provided by MIDO's strong marketing channel in government's institution and private company.



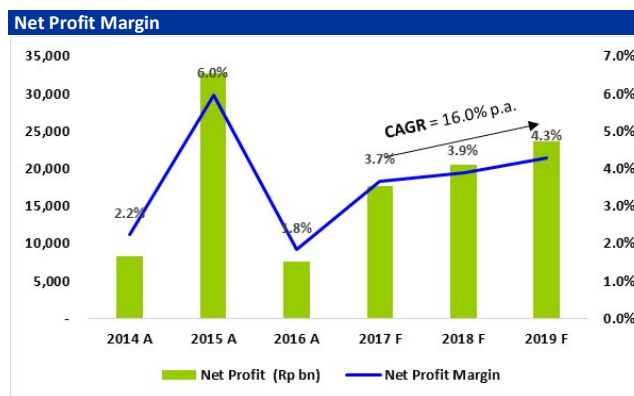
Source: Company data and Lotus Andalan Research



Source: Company data and Lotus Andalan Research

Optimistic outlook due to strong operating profile

Given its stronger operating profile, we forecast that Trisula will record a net profit of Rp23.7 billion in 2019F from 2017F Rp17.6 billion on the back of 16% p.a. CAGR, with net margin at the level of 3.7-4.3%. Furthermore, the EBIT and EBITDA margins are projected to maintain at the level of 6.5% and 7.5% and 9.3% and 10%, respectively in 2017F-2019F.



However, we consider to these few main risks regarding the company's Margins as following:

- **Synthetic polymer price fluctuation**
The company dominantly uses polyester as its raw materials. This implies the synthetic polymer price is quite sensitive to the overall GPM. The crude oil price trend is usually in line with synthetic polymer price as one of its derivative products.
- **Higher than expected increase in regional minimum wage**
Direct labour cost accounted for 10% to total COGS, as of 2016A. We view that higher-than-expected increase in regional minimum wage will affected the GPM. We estimate the 10% increase in annual salary cost per unit into our account.

VALUATION METHODOLOGIES

To generate Trisula's fair equity value, we applied both comparable company analysis and DCF valuation methodology as below.

PE Multiple Comparable

We based our comparable to regional textile related listed companies in Indonesia, China & Hong Kong, Japan, India, Thailand and Korea. As a rule of thumb, we apply 25% IPO discount to 2018FPER (as based valuation year) multiple which came in at 10.01x. Given the company's 2018F EBITDA of Rp51.1 billion, the target equity value of the company came in Rp205.8 billion.

Multiple Comparable Valuation (x)

Company Name	Ticker	Market Cap*	2018F		
			PER	EV/EBITDA	PBV
Indonesia					
PT Sri Rejeki Isman Tbk	SRIL IJ	515.42	8.26	6.63	1.48
PT Pan Brothers Tbk	PBRX IJ	223.27	16.98	9.64	1.08
PT Trisula International Tbk	TRIS IJ	20.09	n.a.	13.59	1.21
China & Hong Kong					
Jiangshu Liangfa Textile Ltd	002394 CH	687.59	11.69	n.a.	1.61
China Hengshi Foundation Co Ltd	1197 HK	311.80	8.37	6.47	1.68
Cabbeen Fashion Ltd	2030 HK	0.02	8.12	3.53	1.39
Pacific Textile Holding Co Ltd	1382 HK	1.46	11.81	8.09	1.62
Japan					
Toyobo Co Ltd	3101 JP	1.68	17.99	8.08	1.07
Kyowa Leather Cloth Co Ltd	3553 JP	0.21	9.17	3.12	0.80
Hagihara Industries Inc	7856 JP	0.22	12.69	3.75	1.26
Japan Wool Textile Co Ltd	3201 JP	0.74	15.21	5.68	0.84
Kurabo Industries Ltd	3106 JP	0.62	17.98	5.87	0.68
Nitto Boseki Co Ltd	3110 JP	1.03	13.90	7.15	1.46
India					
Kitex Garmens Ltd	KTG IN	0.02	18.48	11.20	3.50
Thailand					
Tri Ocean Textile Co Ltd	1472 TT	0.04	n.a.	57.72	3.32
Toung Loong Textile Co Ltd	4401 TT	0.03	17.81	12.85	4.02
Korea					
Hyosung Corporation Ltd	004800 KS	4.94	11.66	8.09	1.62
Average			13.34	10.72	1.68

Trisula Valuation based on PER Multiple

Applied discount to the market	25%
PER 2018F	10.01
Equity value - in billion Rp	205,841.4
EV/EBITDA 2018F	5.94
PBV 2018F	0.78

*) In billion USD

Closing price as of 31 August 2017

Source: Bloomberg and Lotus Andalan Research

DCF Valuation

Applying a WACC of 10.2% to a 5 year forecast period + terminal value based on EBITDA multiple of 5x, the DCF valuation came in at an equity value of Rp392.5 billion (which implies PER 2018F of 19.08x and EV/EBITDA 2018F of 7.69x).

DCF Methodology			
WACC Calculation		Valuation (x)	
Risk free rate	7.0%	Implied PER	
Market risk premium	3.8%	2017F	16.68
Beta	1	2018F	19.08
Cost of equity	10.8%	2019F	16.54
WACC	10.2%	Implied EV/EBITDA	
Equity Value (billion Rp)		2017F	8.83
Enterprise value	490,095	2018F	7.69
Net debt (cash)	97,620	2019F	7.13
Equity value	392,475		

Source: Lotus Andalan Research

Fair Equity value ranging between Rp205.8 billion – Rp392.5 billion

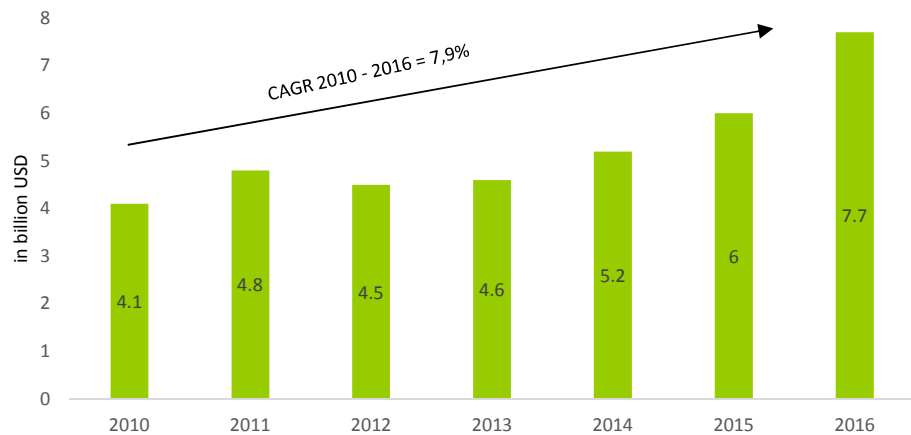
Based on the methodologies as above, we obtain Trisula's equity value ranging between Rp205.8 billion to Rp392.5 billion which translates into 2018F PER of 10.01x-19.08x and 2018F EV/EBITDA of 5.94x-7.69x.

Assuming new issuance of IPO shares is at 300 million shares or 20.6%, that translates into a total number of listed shares of 1.45 billion, which means, the target shares price will come in at Rp142/share to Rp270/share.

INDUSTRY ANALYSIS

Based on data from Central Bureau of Statistics, Indonesia is the fourth most populous country with a population of more than 250 million by 2016. This demography is a challenge as well as a prospect for the cloth fulfillment of the large population. In line with that, in 2017, Indonesia Textile Association (API) believes that the growth of textile industry will be better than previous years with compound annual growth rate (CAGR) from 2010 – 2016 of 7.9%.

Textile Industry growth 2011 - 2017



Source: Indonesia Textile Association

The Ministry of Industry has released the amount of exports from each industry during 2016 which textile industry is the second largest export industry with a contribution of 10.8% of total exports in 2016.

Export by Industry (In Thousand USD)

	2015	2016	% in 2016
Food	26,448,093	26,274,668	23.90%
Textile and Textile product	12,317,859	11,872,620	10.80%
Chemical	9,008,431	10,246,411	9.30%
Metal	8,607,003	8,241,642	7.50%
Rubber and its product	7,156,423	6,855,377	6.20%
Processing tools	5,307,747	6,131,400	5.60%
Computer and electricity	6,404,332	5,861,701	5.30%
Vehicle	4,757,035	5,141,422	4.70%
Pulp and paper	5,383,853	5,066,742	4.60%
Leather and its product	4,853,691	5,014,492	4.60%
Electricity tools	4,522,722	4,572,011	4.20%
Wood and wooden products	3,897,777	3,748,440	3.40%
Machinery and its spare parts	2,871,829	2,986,831	2.70%
Others	6,980,174	7,783,545	7.10%
Total	108,516,969	109,797,302	100%

Source : Ministry of Industrial

Refer to the data from API, the total value of world textile trade is approximately of USD 711 billion and Indonesia held a market share of 3.1% of the total trade value. Indonesia's textile industry also has an important role in Southeast Asia which has reached more than 30% of Southeast Asian's total export industry in 2016. That value is equivalent to Vietnam which also controls 30% of Southeast Asian export value. However, the Indonesian textile industry remains superior because it is one of three textile industry countries that have been integrated from upstream to downstream, beside China and India.

Positive catalyst in Indonesian Labor

Labor cost wise, compare to China and other Southeast Asia countries, Indonesia offers an attractive wages with an average minimum wages of US\$ 175 per month. Although minimum wages in Cimahi (location of TTI's factory) is higher than Bangladesh, Pakistan and India. Yet, the company offered best quality of product without issues of over worked labor, child and sweatshop labor that high branded fashion companies avoid.

Regional Minimum Wages

Country	Daily minimum wage (US\$)	Monthly minimum wage (US\$)
Malaysia	6.92 - 7.52	207.49 - 230.33
Thailand	8.5	259.52
China	4.84 - 10.61	101 - 333.6
Indonesia	2.87 - 7.74	86.14 - 232.19
Cimahi	6.56	197.1
Vietnam	4.52 - 5.10	136.51 - 153.11
Pakistan	3.15 - 3.79	94.64 - 113.56
Bangladesh	2.19	68
Cambodia	4.67	140

Source: Trading Economics and Lotus Andalan Research

Benefitted by USA's withdrawal from Trans Pacific Partnership

In 2017, the company projected textile industry going forward with some positive catalysts: 1) Impact of China's economic downturn since 2016 which will give local player more room to compete in global market, 2) Indonesian minimum wage is still favorable compare to other country in ASEAN and Asia Pasific region, 3) Government's policy to cut 30% electricity bill for upstream textile industry; 4) Opportunities for Indonesia to reenter the US market post USA withdrawal from Trans Pacific Partnership.

USA's withdrawal from TPP

Trans-Pacific Partnership

12 Pacific rim nations agree to create world's largest free trade area



Source: Lotus Andalan Research and many sources

Government Incentives on Labor intensive industries

Government of Indonesia has made several economy-package policies to accelerate labor intensive industries, which we think will impacted Indonesia textile industry such as electricity & gas tariff cut, Regional minimum wages adjustment and discount to employee's tax income. Below some economic stimulus which will directly benefited the industry:

Government's incentives in textile industry

Economic package no.	Incentives	Implementation
III	Electricity tariff cut for the usage hour at 11 pm to 8 am	Applied in West Java province
IV	Favorable increasing wages formula	The company relies on the update regional annual minimum wages
VII	Discount of Income tax article 21 for the employees	Decreasing tax amount for the labors
VII	gas tariff cut	Gas tariff has decrease more than 30% to US\$ 9 per MMBtu

Sumber : Ministry of National Development Planning and Lotus Andalan Research

Relies on crude oil commodity price

The Company is relying on raw material of polyester fiber which this raw material is a derivative product of crude oil commodity. It's difficult to predict the world's crude oil prices, however by observing the price trend during 2016, we expect the trend remains low and stable at around US \$ 50 - 55 per barrel compared to its high position at the end of 2014 which reached US \$ 100/barrel. Some of the drivers of world crude oil prices are 1) OPEC production policy; 2) geopolitical issues in Middle East and North Korea.

WTI Crude Oil Price Trend 2010 - 2017

Source: Bloomberg and Lotus Andalan Research

Financial Highlights of PT Trisula Textile Industries Tbk

In Million Rupiah											
BALANCE SHEET						INCOME STATEMENT					
	2015A	2016F	2017F	2018F	2019F		2015A	2016F	2017F	2018F	2019F
Cash & cash equivalents	16,760	13,084	16,560	13,942	35,430	Revenue	547,877	416,162	479,083	526,453	551,602
Accounts receivable	114,901	94,274	109,817	120,675	126,440	COGS	(437,167)	(326,109)	(375,717)	(407,515)	(426,146)
Inventories - net	149,590	151,896	176,021	190,918	199,647	Gross profit	110,710	90,053	103,366	118,938	125,456
Other current assets	31,143	23,236	29,145	30,448	32,086	Operating expenses	(72,891)	(67,566)	(72,243)	(81,414)	(83,985)
Total current assets	312,394	282,490	331,543	355,983	393,603	Operating profit	37,818	22,487	31,124	37,524	41,471
Fixed assets	89,285	95,084	92,262	106,800	111,300	EBITDA	49,973	35,467	44,431	51,063	55,020
Other non-current assets	9,095	10,407	10,301	11,075	12,420	Interest expense	(17,982)	(14,634)	(12,998)	(15,769)	(15,781)
Total Noncurrent assets	98,381	105,491	102,563	117,875	123,720	Other income (expenses)	18,393	3,837	5,403	5,674	5,945
TOTAL ASSETS	410,774	387,981	434,106	473,858	517,322	Total other income/(expenses)	412	(10,797)	(7,595)	(10,095)	(9,836)
LIABILITIES & EQUITY						Income before tax	38,230	11,690	23,528	27,429	31,635
Short term loans	99,034	89,742	90,497	98,749	107,575	Tax expense	(5,460)	(4,007)	(5,882)	(6,857)	(7,909)
Accounts payable	64,007	35,532	41,174	44,659	46,701	Net profit before minority interest	32,771	7,683	17,646	20,572	23,726
Other payables	36,266	47,939	36,947	42,927	49,145	Minority interest	-	-	-	-	-
Total Current Liabilities	199,306	173,213	168,619	186,335	203,421	Net profit	32,771	7,683	17,646	20,572	23,726
Total Non-Current Liabilities	26,880	23,116	23,435	23,708	27,762	EPS (US\$)	53.3	6.7	12.2	14.2	16.4
Capital Stock	61,500	115,000	155,000	155,000	155,000	KEY FINANCIAL RATIOS					
Other items	10,017	10,018	10,018	10,018	10,018						
Non-controlling interest	29,535	34,110	28,783	34,386	38,127	Growth (%)					
RE	83,536	32,525	48,251	64,411	82,994	Sales	46.4	(24.0)	15.1	9.9	4.8
Total Equity	184,588	191,653	242,052	263,816	286,139	Gross profit	36.6	(18.7)	14.8	15.1	5.5
TOTAL LIABILITIES & EQUITY	410,774	387,981	434,106	473,858	517,322	Operating Profit	76.6	(40.5)	38.4	20.6	10.5
						EBITDA	56.7	(29.0)	25.3	14.9	7.8
						Net Profit	291.2	(76.6)	129.7	16.6	15.3
						Profitability (%)					
						Gross margin	20.2	21.6	21.6	22.6	22.7
						Operating margin	6.9	5.4	6.5	7.1	7.5
						EBITDA margin	9.1	8.5	9.3	9.7	10.0
						Net Profit margin	6.0	1.8	3.7	3.9	4.3
						ROA	8.5	1.9	4.3	4.5	4.8
						ROE	20.6	4.1	8.1	8.1	8.6
						Solvency (x)					
						Current ratio	1.6	1.6	2.0	1.9	1.9
						Quick ratio	0.8	0.8	0.9	0.9	1.0
						DER	0.6	0.5	0.4	0.4	0.4
						EBITDA coverage	2.8	2.4	3.4	3.2	3.5
						Net debt to equity	0.5	0.4	0.4	0.4	0.3
CASH FLOW STATEMENT											
Net profit	32,771	7,683	17,646	20,572	23,726						
Depreciation & Amortization	12,154	12,980	13,308	13,539	13,549						
Change in WC	(15,504)	(10,154)	(34,025)	(22,270)	(12,452)						
Others	(10,606)	20,856	(14,167)	4,676	4,581						
Net Operating Cash Flow	18,816	31,364	(17,238)	16,516	29,404						
Change in fixed assets - net	(13,765)	(18,779)	(10,485)	(28,077)	(18,049)						
Others	(524)	(1,312)	106	(774)	(1,345)						
Net Investing Cash Flow	(14,289)	(20,091)	(10,380)	(28,851)	(19,394)						
Change in borrowings - net	(16,762)	(14,763)	5,090	9,780	12,428						
Change in equity	41,508	58,076	34,673	5,603	3,740						
Change in other liabilities	(599)	431	(6,749)	(1,255)	452						
Dividend payment	-	(2,483)	(1,921)	(4,412)	(5,143)						
Adjustment	(23,143)	(56,211)	-	-	-						
Net Financing Cash Flow	1,003	(14,950)	31,093	9,716	11,478						
Change in cash	5,530	(3,676)	3,476	(2,618)	21,488						
Cash at the beginning period	11,230	16,760	13,084	16,560	13,942						
Cash at the ending period	16,760	13,084	16,560	13,942	35,430						

Source: Company data and Lotus Andalan Research

PT Lotus Andalan Sekuritas

Wisma KEIAI 15th Floor
Jl. Jendral Sudirman Kav. 3
Jakarta 10220
Tel : +6221 5785 1818
Fax : +6221 5785 1717

BRANCH OFFICE

Pluit

Kawasan CBD Pluit Blok A No.20
Jl. Pluit Selatan Raya No.1
Jakarta 14440
Tel : +6221 66675345
Fax : +6221 66675234

Kelapa Gading

Sentra Bisnis Artha Gading
Jl. Boulevard Artha Gading Blok A6B No. 7
Jakarta Utara 14240
Tel : +6221 45856402
Fax : +6221 45873961

Bandung

Komplek Paskal Hyper Square Blok C No. 15
Jl. Pasir Kaliki No. 25 - 27
Bandung 40181
Tel : +6222 86061027
Fax : +6222 86060684

Puri

Rukan Grand Taman Aries Niaga
Jl. Taman Aries – Kembangan Blok G 1 No. 1 I
Jakarta Barat 11620
Tel : +6221 2931 9515
Fax : +6221 2931 9516

Surabaya

Jl. Diponegoro 48D-E
Surabaya 60264
Tel : +6231 562 2555
Fax : +6231 567 1398

Medan

Jalan Kartini No.5
Medan 20152
Tel : +6261 451 8855
Fax : +6261 451 6836

Medan

Kampus STMIK-STIE MIKROSKILL
Jl. Thamrin No 140
Medan 20152

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