

**Target Price:
Rp 41,500/Share**

PT Indo Tambangraya Megah Tbk (ITMG)

Mining Sector

STOCK OVERVIEW

Current Price (21/04/10)	Rp 38,350
Issued Share (Thousands)	1,129,925
Current Market Cap (Millions)	43,276,127.5
52wk Range	Rp 13,700 Rp 39,450
Shareowners:	
- Banpu Minerals Pte, Ltd	73.72%
- Public	26.28%

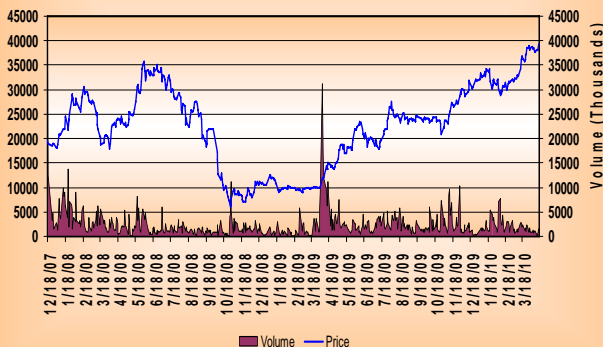
Company Highlights

- PT Indo Tambangraya, tbk was established in 2 September 1987. ITMG focuses on coal mining which it carries out through five subsidiaries: PT. Indominco Mandiri, PT. Trubaindo Coal Mining, PT. Jorong Barutama Greston, PT. Kitadin and PT Bharinto Ekatama. The company went public on 18 December 2007.

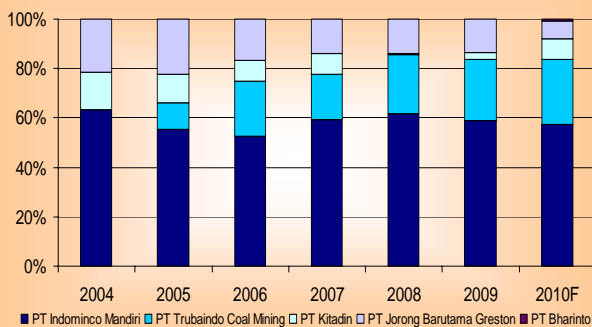
Financial Highlights

- In 2009 PT. ITMG, tbk, generated a 14.53% growth in coal sales revenue which was achieved by an 18% increase in the production level. Sales increased to 2.41 Mt compared to 17.7 Mt in 2008. By increasing sales volume, the company was able to overcome the price decline occurred in 2009 (ITMG's average coal price fell by 3% from US\$73.9 in 2008 to US\$71.5 in 2009). PT ITMG also booked a 28.18% increase in Net Income, to the level of US\$ 355 millions. Thus, improving the company's profit margin by 4.41% to the level of 22.25%.
- PT ITMG, tbk expects a further 9.5% growth in production level to the level of 23 Mt per year to be achieved in 2010. In the first quarter of 2010, the company has reported a 5.9 Mt production of coal. To achieve its targets, PT ITMG tbk has allocated \$110 million capital expenditure in 2010 for the purpose of developing the infrastructure of its currently existing mines. Furthermore, the newly acquired PT Bharinto Ekatama is expected to start operating in the fourth quarter of 2010, with a targeted production level of 200,000 tons. The mine is expected to be able to produce 2 Mt of coal per year in the coming years. In addition, PT Kitadin Tandung Mayang which stopped producing in 2005 is expected to start operating again in early 2011. Last, PT ITMG, tbk has secured 86% of the targeted 23 Mt sales. Overall, we are confident in IMTG's ability to achieve its targets in 2010.
- In order to maintain its reserves, the company has announced its plan to acquire a new mine. The company has yet to announce the budget prepared for the acquisition. However, Mr. Edward Manurung, Senior Vice President and Finance Director of PT ITMG, tbk has stated that the company is looking for a mine that would last for at least 15 years with a production capacity of 3 – 5 million tons per year. With the current production capacity of 21Mt p.a., the company has enough reserves to sustain production for the next 14 years. If the company managed to increase production level to 23 Mt p.a., its reserves may hold for the next 12 years. Through acquisition of such mine mentioned before, the company will be able to maintain the targeted production level for at least 17 years. Maintaining the cost efficiency through infrastructure sharing, we expect the to-be acquired mine will be located in the eastern/southern region of the Borneo Island, where the other mines are located. Considering the current cash position of ITMG, the company will find no difficulty to finance the acquisition. Our analysis shows that the current long term debt to equity ratio to be approximately 20%. Quite a low number compared to the rest of the companies in the industry. Thus, we predict that if the company needed additional cash to fund the acquisition, issuance of a new long term debt would be the option preferred by ITMG.
- We applied the Free Cash Flow to Firm method to valuate PT ITMG, tbk. We arrive at the conclusion that the intrinsic price of the company's shares should be approximately **Rp 41.500 per share**.

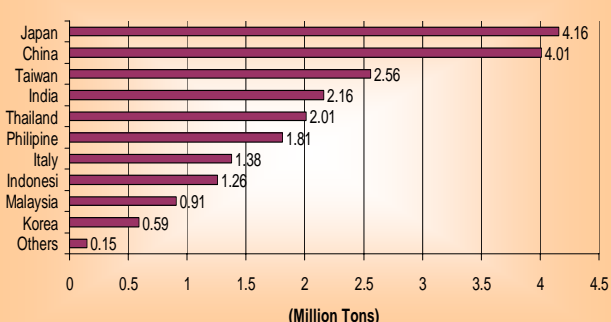
ITMG SHARE PERFORMANCE



CONTRIBUTION OF MINES TO TOTAL PRODUCTION



ITMG 2009 Export Destinations



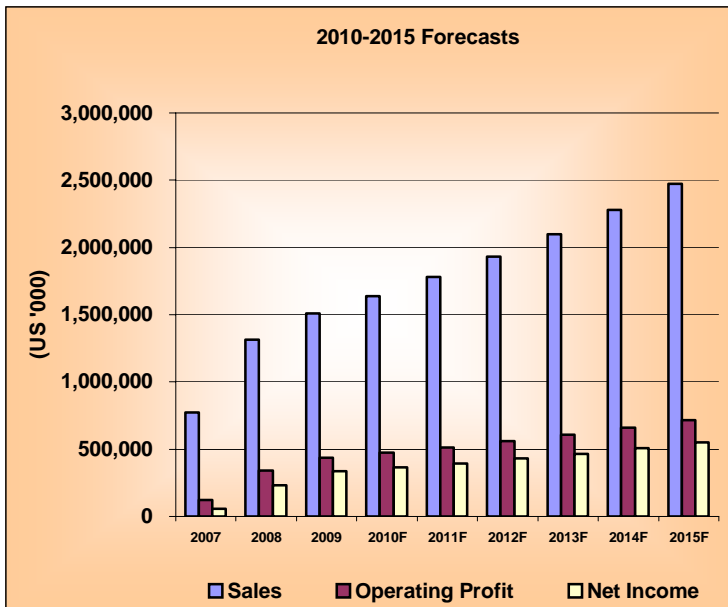
Analysts :

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-PT Finansial Bisnis Informasi-**

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FORECASTS AND VALUATION



Resources and Reserves As at 31 December 2009 (Million Tons)	Resources		Reserves	
	Measured	Indicated	Proved	Probable
Indominc-West Block	232	16	25	
Indominc-East Block	315	141	74	24
Indominc-Underground	41	8		12
Kitadin-Embalut	102	51	9	8
Kitadin-Td Mayang	13			10
Jorong	135	12	8	
Trubaindo	218	79	55	23
Bharinto	184	115	10	36
Total	1240	422	181	113

Source: PT Indo Tambangraya Megah, Tbk

Ratios	2007	2008	2009	2010F	2011F	2012F	2013F	2014F	2015F
EPS	946.36	2276.64	2791.49	3031.30	3291.70	3574.48	3881.54	4214.98	4577.07
PER	19.97	4.61	11.39	12.37	13.43	14.59	15.84	17.20	18.68
ROE	12.14%	38.49%	42.61%	42.61%	42.61%	42.61%	42.61%	42.61%	42.61%
ROA	7.21%	23.99%	28.00%	24.41%	25.15%	25.92%	26.73%	27.48%	28.25%
Gross Margin	26.86%	36.28%	37.82%	37.82%	37.82%	37.82%	37.82%	37.82%	37.82%
Debt to Equity Ratio	0.68	0.60	0.52	0.54	0.54	0.54	0.54	0.54	0.54
Current Ratio	1.59	1.49	1.98	2.11	2.09	2.07	2.06	2.06	2.06
Interest Coverage Ratio	6.82	70.23	723.27	506.81	349.96	241.74	167.09	115.58	80.05

Source: PT FBI - Research Department

PROFORMA INCOME STATEMENT	2007	2008	2009	2010F	2011F	2012F	2013F	2014F	2015F
	US '000	US '000	US '000	US '000	US '000	US '000	US '000	US '000	US '000
Sales	771,817	1,316,981	1,508,359	1,637,935	1,778,641	1,931,436	2,097,355	2,277,529	2,473,180
Gross Profit	207,289	477,811	570,404	619,405	672,615	730,395	793,140	861,275	935,263
Operating Expenses	(85,294)	(137,799)	(134,589)	(146,151)	(158,706)	(172,340)	(187,144)	(203,221)	(220,679)
Operating Profit	121,995	340,012	435,815	473,254	513,909	558,056	605,996	658,054	714,584
Other Income	(1,452)	(1,776)	(903)	(981)	(1,065)	(1,156)	(1,256)	(1,363)	(1,481)
Income Before Taxes	89,410	345,683	456,475	495,688	538,271	584,511	634,723	689,249	748,459
Net Income	56,769	234,925	335,551	364,377	395,678	429,669	466,580	506,661	550,186

Source: PT FBI - Research Department

PROFORMA BALANCE SHEET	2007	2008	2009	2010F	2011F	2012F	2013F	2014F	2015F
	US '000	US '000	US '000	US '000	US '000	US '000	US '000	US '000	US '000
Current Assets	380,692	498,228	673,004	795,630	855,782	922,118	995,068	1,080,550	1,173,374
Non Current Assets	380,692	498,228	673,004	697,166	717,772	735,343	750,328	763,107	774,004
Total Assets	761,384	996,456	1,346,008	1,492,797	1,573,554	1,657,461	1,745,396	1,843,656	1,947,378
Current Liabilities	238,986	334,144	340,267	377,798	410,253	445,496	483,766	525,324	570,452
Non Current Liabilities	80,359	34,551	70,818	83,747	90,941	98,754	107,237	116,449	126,453
Total Liabilities	319,345	368,695	411,085	461,546	501,195	544,250	591,004	641,774	696,905
Equity	467,738	610,370	787,486	855,135	928,595	1,008,366	1,094,990	1,189,055	1,291,201
Total Liability and Equity	787,083	979,065	1,198,571	1,316,681	1,429,790	1,552,616	1,685,994	1,830,829	1,988,106

Source: PT FBI - Research Department

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