

May 20, 2013

Initial Public Offering

Textile

Sri Rejeki Isman (Sritex)

IPO

Clothing the World

Offering Price Rp230-285
Number of Shares 5.6 bn
Target Proceeds Rp1.3-2.2 tn

Indicative Timetable

Book Building 20 – 28 May 2013
Pricing 28 May 2013
Effective Statement 5 Jun 2013
Offering Period 10, 11&12 Jun 2013
Allotment 13 Jun 2013
Distribution & Refund 14 Jun 2013
Listing 17 Jun 2013

Use of Proceeds (%)

Business Expansion 85.0
Working Capital 15.0

Shareholders Pre IPO (%)

Huddleston Indonesia 80.24
H.M. Lukminto 0.07
Estrada Trading 19.69
Public 0.00

Company Background

PT Sri Rejeki Isman Tbk (publicly well-known as Sritex) founded by H.M. Lukminto as traditional trading company in Pasar Klewer, Solo, in 1966. Expanding the business, the company opened its first printing factory that produce bleached and dried fabrics in Solo in 1968. The year after, it established its first weaving mills (1982) and expanded factories of its four product lines, marking it as integrated textile company. Recently, the company has an integrated vertical textile – garment plants which consist of 9 spinning plants, 3 weaving plants, 3 drying/printing plants, and 7 garment plants at an area of 50 Ha in Sukoharjo, Solo, Central Java, with total employees of approximately 16,000 people.

Wide Variety Product with Diversified Market

The company products divided into four categories; yarn, greige, fabrics, and apparel that are sold to textile producers as well as retailers. Beside marketed locally, the company has been able to penetrate into 94 markets in 55 countries. The company also provides uniform products for corporate as well as military. Currently, it covers military uniforms and supporting products for over 30 countries. It is also designated to be official partner outside Europe to produce military uniform for NATO.

Strong Financial Performance

The company demonstrates growing revenue as registering a CAGR of 12.8% during 2008-2012. Strong contribution from export market (covers 54% of total FY12 revenue vs 50% in FY11) was addressed on the solid revenue performance. It also helps the company eliminating forex risk on the raw materials, which basically commodity-based. As a result, gross profit and net income rose significantly with a CAGR of 27% during 2010-2012 with rising margin (from 17% and 6.4% in 2010 to 22% and 8.0% in 2012 respectively).

Offering 30% Stake at Rp230-385/Share

The company is planning to offer up to 5.6 bn new shares to public, which represents 30.12% of enlarged capital. With a nominal value of Rp100/share, offering price of the company's share ranging from Rp230-385/share. Total proceeds of approximately Rp1.29-2.16 tn will be used to increase production capacity, particularly in spinning and garment plants from 287k bale of yarn/year and 8 mn pieces of apparel/year currently to 700k bale of yarn/year and 16 mn pieces of apparel/year. Acting as underwriter is PT Bahana Securities. Using historical 27% CAGR in net income in the past three years, FY13 net income may reach around Rp291 bn (EPS: Rp15.6/share). Therefore, the offering price reflects PER'13 of 14.7-24.6x.

Financial Summary (Rp billion)

FYE Dec	2010	2011	2012
Revenue	2,214	2,318	2,851
Gross Profit	382	461	618
Operating Income	271	360	462
Net Income	142	161	229
Current Asset	903	1,054	1,489
Total Asset	2,116	2,747	3,554
Current Liabilities	1,253	1,108	1,373
Total Liabilities	1,409	1,653	2,230
Equity	706	1,094	1,323

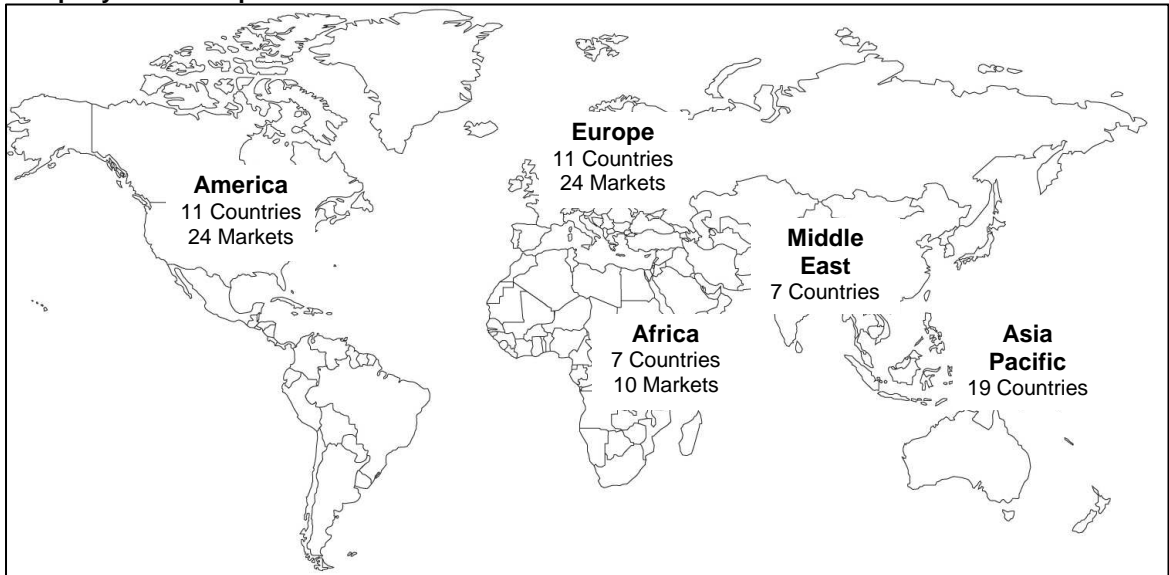
Source : Company Prospectus

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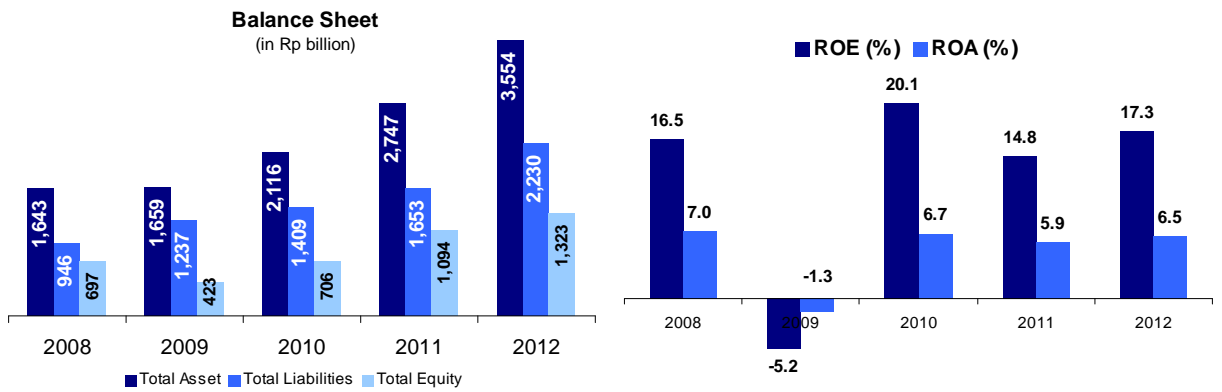
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Company Market Map



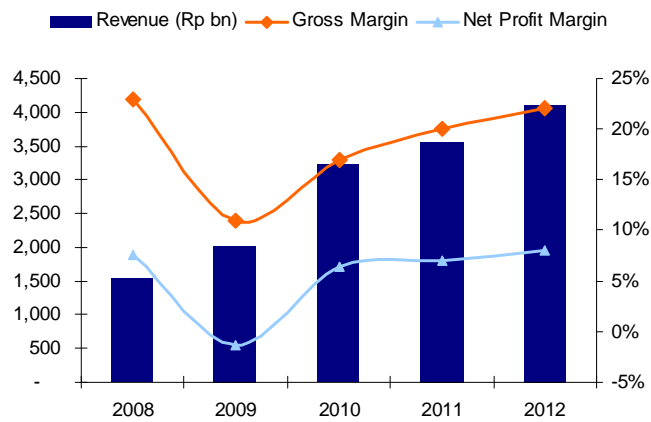
Source: Company

Company Balance Sheet and Profitability



Source: Company Presentation

Company Revenue Trend and Margins



Source: Company Presentation

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- Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.
Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.
Underweight : We expect the industry to underperform the primary market index (JCI) over the next 12 months.

Ratings for Stocks

- Buy : We expect this stock to give return (excluding dividend) of above 10% over the next 12 months.
Hold : We expect this stock to give return of between -10% and 10% over the next 12 months.
Sell : We expect this stock to give return of -10% or lower over the next 12 months.

Analyst Certification

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