

**Hold**

Last price	Rp 284
Target price	Rp 306

**General Information**

Ticker	ISSP
Sector	Basic Materials
52-week range	228 - 320
Year-to-date return	15.5 %
Last price (Jul 28, 2023)	284
Target price	306
Shares outstanding	7,065,340,735
Market cap.	2,006,556,768,740
Free float	2,388,790,050
Earnings per share (Jun 2023, ann.)	56.56

Source: company, Profindo research

**Shareholder structure**

PT Cakra Bhakti Para Putra	56.90 %
DBS Bank Ltd	7.08 %
Ahli Waris Alm. The Tjahjono Tedjo Koesoemo	1.79 %
Pandu Lokiswara Salam	0.43 %
Public (each less than 5% interest)	33.81 %
<b>Total</b>	<b>100.00 %</b>

Source: company, Profindo research

**Company Overview**

PT Steel Pipe Industry of Indonesia Tbk (ISSP) merupakan perusahaan yang bergerak di bidang produksi pipa baja dengan kapasitas produksi terbesar di Indonesia dan berpengalaman dalam memproduksi berbagai macam pipa baja/tabung dan berbagai produk terkait lainnya. Saat ini Perseroan memiliki 6 fasilitas manufaktur dengan total 38 lini produksi yang masing-masing dapat dikalibrasi untuk menghasilkan berbagai jenis pipa.

**Company Update**

Hingga kuartal II tahun 2023, Perseroan mencatatkan penjualan dan pendapatan jasa sebesar Rp 3.1 triliun. Penjualan dan pendapatan jasa tersebut mengalami penurunan (-2.3%) dibanding periode yang sama tahun sebelumnya.

*Adjusted* EBIT Perseroan pada periode ini mengalami penurunan (-0.3%) dibanding periode yang sama tahun sebelumnya. Pada periode ini, *adjusted* EBIT Perseroan tercatat sebesar Rp 300.6 miliar dengan margin *adjusted* EBIT 9.7%.

Perseroan mencatatkan laba bersih sebesar Rp 203.2 miliar dengan margin laba bersih 6.6% pada periode ini, dimana nilai laba bersih tersebut meningkat 6.5% dibanding periode yang sama tahun sebelumnya.

**Valuation**

Saat ini, harga saham Perseroan berada pada level 0.47x *price-to-book value*. Berdasarkan metode valuasi relatif, Perseroan memperoleh rekomendasi HOLD dengan target harga Rp 306. Rekomendasi ini didasarkan pada *average price-to-book value ratio* historis Perseroan sebesar 0.51x.

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<i>(in ldr. mn.)</i>					
Simplified income statement	2020A	2021A	2Q22	2022A	2Q23
Revenues	3,775,530	5,378,808	3,172,817	6,255,945	3,098,516
Cost of revenues	(3,217,408)	(4,258,794)	(2,733,374)	(5,497,334)	(2,630,739)
<b>Gross profit</b>	<b>558,122</b>	<b>1,120,014</b>	<b>439,443</b>	<b>758,611</b>	<b>467,777</b>
Selling, general and administrative expenses	(241,782)	(387,028)	(138,012)	(262,554)	(167,214)
<b>Adj. EBIT</b>	<b>316,340</b>	<b>732,986</b>	<b>301,431</b>	<b>496,057</b>	<b>300,563</b>
Other operating income /(expenses)	(161,272)	(73,584)	(56,343)	(102,826)	(39,031)
<b>EBT</b>	<b>155,068</b>	<b>659,402</b>	<b>245,088</b>	<b>393,231</b>	<b>261,532</b>
Tax expenses	20,767	(173,341)	(54,284)	(87,382)	(58,338)
<b>EAT</b>	<b>175,835</b>	<b>486,061</b>	<b>190,804</b>	<b>305,849</b>	<b>203,194</b>

<i>(in %)</i>					
Profit Margin	2020A	2021A	2Q22	2022A	2Q23
Gross profit margin	14.8 %	20.8 %	13.9 %	12.1 %	15.1 %
Adj. EBIT margin	8.4 %	13.6 %	9.5 %	7.9 %	9.7 %
Net profit margin	4.7 %	9.0 %	6.0 %	4.9 %	6.6 %

<i>(in ldr. mn.)</i>					
Simplified Balance Sheet	2020A	2021A	2Q22	2022A	2Q23
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	59,543	50,092	21,881	50,178	43,567
Trade receivables - third parties - net	830,077	972,698	1,124,596	1,121,111	1,058,748
Other current assets components	2,223,992	3,399,899	3,275,778	3,230,121	3,285,973
<b>Total current assets</b>	<b>3,113,612</b>	<b>4,422,689</b>	<b>4,422,255</b>	<b>4,401,410</b>	<b>4,388,288</b>
<b>Non-current assets</b>					
Fixed assets	2,197,790	2,214,814	2,195,429	2,471,517	2,430,174
Other non-current assets components	765,202	459,819	536,843	533,004	565,164
<b>Total non-current assets</b>	<b>2,962,992</b>	<b>2,674,633</b>	<b>2,732,272</b>	<b>3,004,521</b>	<b>2,995,338</b>
<b>Total assets</b>	<b>6,076,604</b>	<b>7,097,322</b>	<b>7,154,527</b>	<b>7,405,931</b>	<b>7,383,626</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Short-term bank loans	1,877,269	1,838,460	2,081,507	2,069,716	1,622,142
Trade payables - third parties	28,852	386,320	190,854	258,311	131,616
Finance leases - current maturity	3,175	9,846	9,914	22,532	16,957
Sukuk ijarah payable - current maturity	-	99,000	99,000	100,000	103,000
Bonds payable - current maturity	-	101,000	101,000	15,000	52,900
Bank loans - current maturity	174,436	154,064	143,839	88,330	22,132
Other current liabilities components	253,027	526,877	481,986	256,340	297,689
<b>Total current liabilities</b>	<b>2,162,323</b>	<b>2,761,503</b>	<b>2,764,261</b>	<b>2,606,899</b>	<b>2,068,404</b>
<b>Non-current liabilities</b>					
Finance leases - net of current maturity	3,429	20,912	17,053	39,351	34,819
Sukuk ijarah payable - net of current maturity	-	51,000	51,000	101,000	253,000
Bonds payable - net of current maturity	-	49,000	49,000	184,000	396,100
Bank loans - net of current maturity	243,102	89,038	22,132	708	-
Other non-current liabilities components	575,512	527,794	458,884	615,146	975,066
<b>Total non-current liabilities</b>	<b>578,941</b>	<b>548,706</b>	<b>475,937</b>	<b>654,497</b>	<b>1,009,885</b>
<b>Total liabilities</b>	<b>2,741,264</b>	<b>3,310,209</b>	<b>3,240,198</b>	<b>3,261,396</b>	<b>3,078,289</b>
<b>Equity</b>					
Retained earnings	1,050,006	1,493,676	1,620,892	1,735,948	1,896,767
Other equity components	2,285,334	2,293,437	2,293,437	2,408,587	2,408,570
<b>Total equity</b>	<b>3,335,340</b>	<b>3,787,113</b>	<b>3,914,329</b>	<b>4,144,535</b>	<b>4,305,337</b>
<b>Total liabilities &amp; equity</b>	<b>6,076,604</b>	<b>7,097,322</b>	<b>7,154,527</b>	<b>7,405,931</b>	<b>7,383,626</b>

<i>(in multiple)</i>					
Current & Debt to Equity Ratios	2020A	2021A	2Q22	2022A	2Q23
Current ratio	1.44 x	1.60 x	1.60 x	1.69 x	2.12 x
Debt to equity ratio	0.69 x	0.64 x	0.66 x	0.63 x	0.58 x

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