

PT Multi Spunindo Jaya Tbk (MSJA)



Industrial Performance Recap

- Indonesia's textile and garment industry recorded a modest growth by 2.64% in 1Q24 YoY (vs -3.41% YoY in 4Q23). This year, textile and garment industry growth is expected to remain flat which reflected on the decreasing demand for labor. That was mainly due to slowing demand as higher interest rates and higher competition on cheap imported product from China. Meanwhile, the domestic non-wovens industry is currently under pressure due to oversupply and price competition.
- The demand for non-wovens product particularly from MSJA's main export destination countries such as Japan, China, and Europe is also experiencing a slowdown. According to the data from Nonwovens Industry report, Japan's demand for non-wovens in FY23 declined by -6.13% YoY to 446 thousand tons, which driven by normalization of demand for masks and medical needs after pandemic. Meanwhile, according to CNITA (China Nonwovens & Industrial Textiles Association), China's non wovens production merely grew by +0.1% YoY to 8,143 million tons in FY23.
- This year, we see that global demand for non-wovens to remain subdued which driven by: 1) slowing down on global economic growth, 2) Declining number of birth rate in Japan and China that will give an impact on non wovens demand for hygiene sector, 3) the crisis in China's property sector which has resulted on decreasing demand for nonwoven products for building and construction materials.
- The nonwoven industry is still challenging due to soaring raw material and energy costs. This situation is exacerbated by the volatility in oil prices driven by rising geopolitical tension. According to outlook report from World Bank in Apr-24, World Bank raise its projection to brent oil price to USD84 per barrel in FY24F from the previous projection of USD81/barrel in Oct-23 report.

1Q24: Pressure on Profit Due To Lower ASP

In 1Q24, MSJA recorded revenue of USD 17.36 million or -7.65% YoY, which driven by declining in each company's revenue contribution. Revenue from domestic sales decreased by -5.55% YoY to USD13 million, particularly due to lower ASP by -11.08% YTD amid intense competition on the back of oversupply in the market. Meanwhile, export sales declined by -8.78 YoY to USD4.35 million as lower consumption in Japan and shipping disruption in Europe which impacted by rising geopolitical tension. Moreover, gross profit margin tumbled to 16.58% in 1Q24 from 23.04% in 1Q23 due to lower sales but MSJA managed to keep costs stable, with COGS growing marginally by 0.10% year-over-year (YoY) in 1Q24. Meanwhile, net profit decrease to USD345 thousand or -88.07% YoY.

Bank Loans Declined 42,4% YTD

As of 1Q24, MSJA has realized IPO proceeds to repay its debt, which resulted in decreasing bank loans to USD9,69 million or -42,40% YTD. We expect this will positively impact asset quality of MSJA that reflected by declining on DER and DAR in 1Q24 to 0.35x and 0.26x respectively from 0.54x and 0.35x in FY23A. As the company continues to manage reducing its debt, we expect financial expense will decrease in the upcoming year, which resulting on higher net profit margin. We forecast, the company's net profit margin will expand to 5.35% in FY25F compare to our forecast in FY24F of 3.40%.

Expect Lower FY24F Growth Due To Weak Business Activity

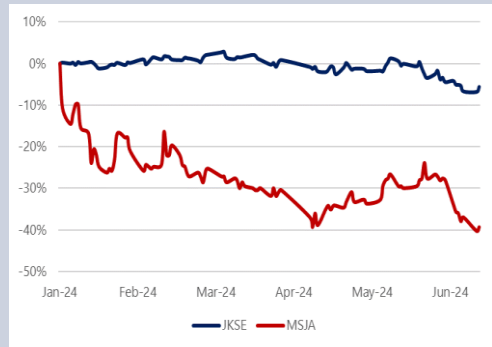
We revised down our top and bottom line forecast in FY24F to USD 62.47 million and USD 2.13 million respectively, as below than expected sales volume and ASP. We foresee that the demand for hygiene and medical segments to remain stable, while the industrial segment is expected to decrease amidst weak automotive and construction sectors. Higher interest rates have also an impact on automotive sector, as GAIKINDO reported a decline on car wholesales and 4W production. As of 4M24, 4W wholesales posted of 264 thousand units or declined -22.80% YoY, while car production dropped by -21.32% YoY to 358 thousand units.

Not Rated

Ticker Code:	MSJA
Sector:	Consumer Non-Cyclicals
Sub Sector:	Personal Care Products
Current Price:	Rp296
Shares:	5.88bn
Market Cap:	Rp1.75tn

Shereholder:	
PT Maju Selaras Jayamerta	53,21%
Harry Herjanto	12,72%
Hartanto Herjanto	6,36%
Lunardi Basuki	6,36%
Sasongko Basuki	6,36%
Public	15,00%

Relative Performance vs IHSG:



Brief Company Profile:

PT Multi Spunindo Jaya Tbk is a leading non-woven fabric manufacturer in Indonesia. MSJ's factory is located in Sidoarjo, Central Java, producing spunbond, meltbond, and needlepunch non-woven fabrics. In 2022, MSJ had an installed production capacity of 54,250 metric tons per year.

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Long-Term Gain Boost by SAP (Super Absorbent Polymer) Sheet

Despite, we lowered our projection this year, however in our view non-woven industry will give a positive impact to company's performance going forward as the products are still needed in various industries. Besides, MSJA aims to finalize the SAP (Super Absorbent Polymer) sheet machine by end of this year and expected to operate in 1Q25. We foresee, this will boost company's performance by adding new revenue stream and enhancing the company's capability to produce non-woven fabric with more various specifications. The total capacity of SAP sheet machine to reach 13.2 thousand tons per year, as such we forecast a 20% increase in revenue contribution from selling SAP sheet. The company's revenue is also expected to grow by 12.19% CAGR in 2024F-28F.

Valuation

Based on blended valuation (DCF method, P/E, PBV and EV/EBITDA) We project MSJA's equity value to be USD 99.29 million assuming a WACC of 12.33%. Our projections for P/E and PBV ratios are 46,71x and 1,15x respectively for FY24F, and 24,17x and 1,12x for FY25. Currently, MSJA is trading at a P/E of 52.85x. Risks on our recommendation: 1) Lower demand, 2) Price competition, 3) Increased geopolitical tensions, and 4) Increase in oil price.

Valuation	Base Value (USD k)	Target Multiple (x)	Value (USD k)	Weight (%)	Equity Value (USD k)
DCF	88,971		88,971	25%	22,243
P/E	2,126	45	95,657	25%	23,914
PBV	86,039	1	111,850	25%	27,963
EV/EBITDA	7,456	14	100,673	25%	25,168
Equity Value (USD k)					99,288
Equity Value (IDR k)					1,538,960,104
Shares					5,882,352,900
Fair Price (IDR)					262
Current Price (IDR)					296
Potential Upside (%)					-11.61%

Figure 1: 1Q24 Financial Result

USD Ribu	1Q23	1Q24	% YoY	FY24F	Run Rate
Revenue	18,795	17,357	-7.65%	62,473	27.78%
Gross profit	4,331	2,878	-33.54%	9,371	30.71%
Operating profit	2,767	1,385	-49.95%	3,630	38.14%
Net profit	2,896	345	-88.07%	2,126	16.25%
GPM	23.04%	16.58%	-6.46%	15.00%	
OPM	14.72%	7.98%	-6.74%	5.81%	
NPM	15.41%	1.99%	-13.42%	3.40%	

Source: Company, Reli Research



Figure 2: Earning Revision

USD k	Current		Previous		Chg (%)	
	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Revenue	62,473	76,333	86,994	99,079	-28.19%	-22.96%
Gross profit	9,371	12,213	21,269	22,796	-55.94%	-46.42%
Operating profit	3,630	5,121	12,624	12,624	-71.25%	-59.43%
Net profit	2,126	4,082	10,460	10,125	-79.68%	-59.68%
Asset	114,544	118,786	118,350	127,397	-3.22%	-6.76%
Liabilities	28,505	30,638	18,993	23,146	50.08%	32.37%
Equity	86,039	88,148	99,356	104,251	-13.40%	-15.45%
GPM	15.00%	16.00%	24.45%	23.01%	-9.45%	-7.01%
OPM	5.81%	6.71%	14.51%	12.74%	-8.70%	-6.03%
NPM	3.40%	5.35%	12.02%	10.22%	-8.62%	-4.87%

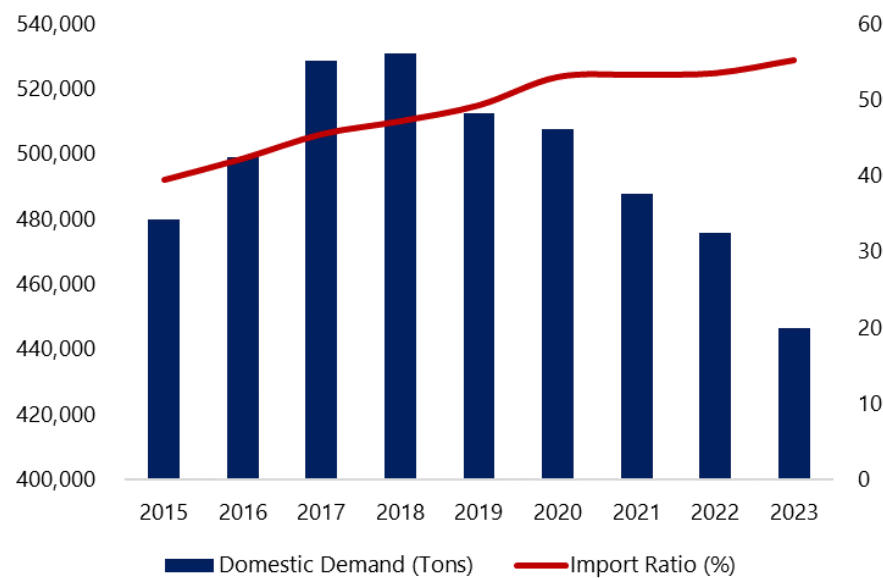
Source: Company, Reli Research

Figure 3: IPO Proceeds Realization

New Shares (Share)	882,352,900				
IPO Price (IDR)	300				
IPO Proceeds (IDR)	264,705,870,000				
IPO Costs (IDR)	10,369,308,257				
Net IPO Proceeds (IDR)	254,336,561,743				
Use of Fund	Presentase (%)	Total (IDR)	Realization (IDR)	Presentase (%)	
Capital Expenditure	40%	101,734,624,697	-	0%	
Purchase of SAP Sheet Machines	75%	76,300,968,523	-	0%	
Construction of SAP Sheet Factory	25%	25,433,656,174	-	0%	
Working Capital	30%	76,300,968,523	76,300,968,523	100%	
Loan Repayment	30%	76,300,968,523	76,300,968,523	100%	

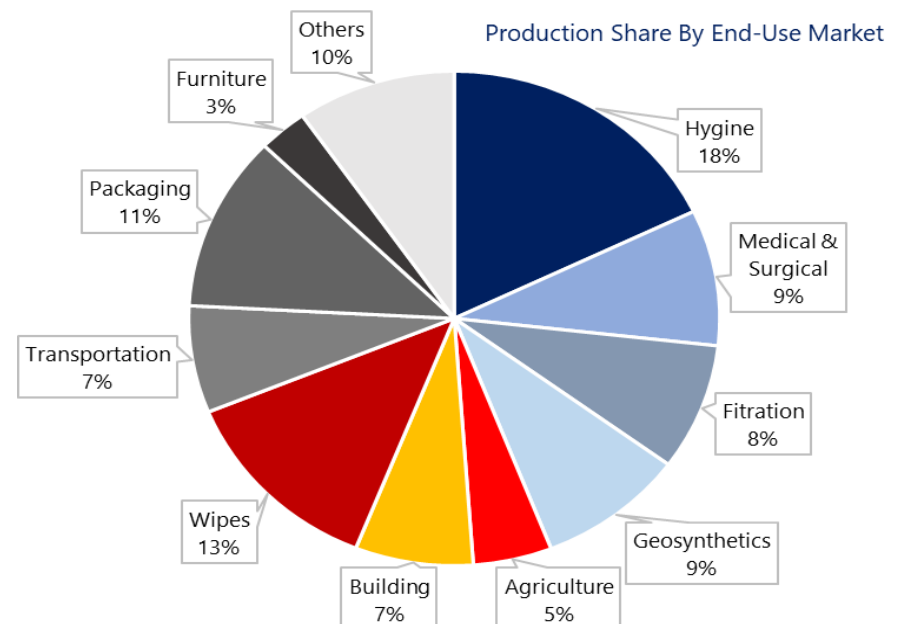
Source: Company

Figure 4: Japan's Non-wovens Demand



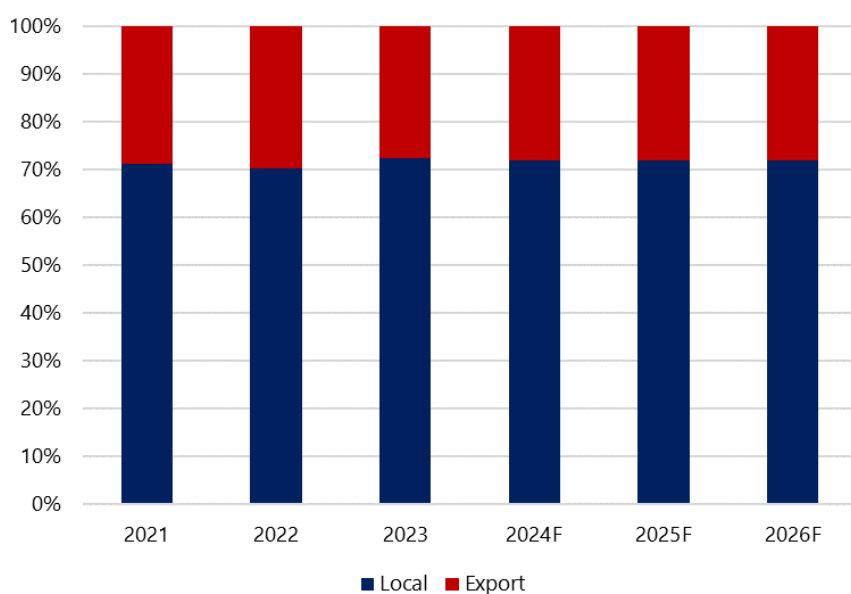
Source: Nonwovens Industry

Figure 5: China Non-wovens Production 2023



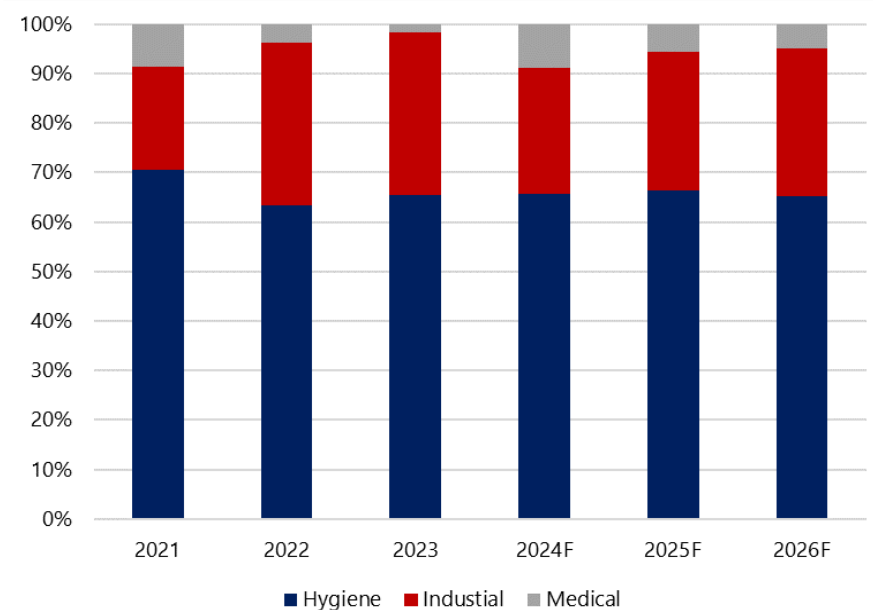
Source: CNTA, Nonwovens Industry

Figure 6: MSJA's Revenue by Market



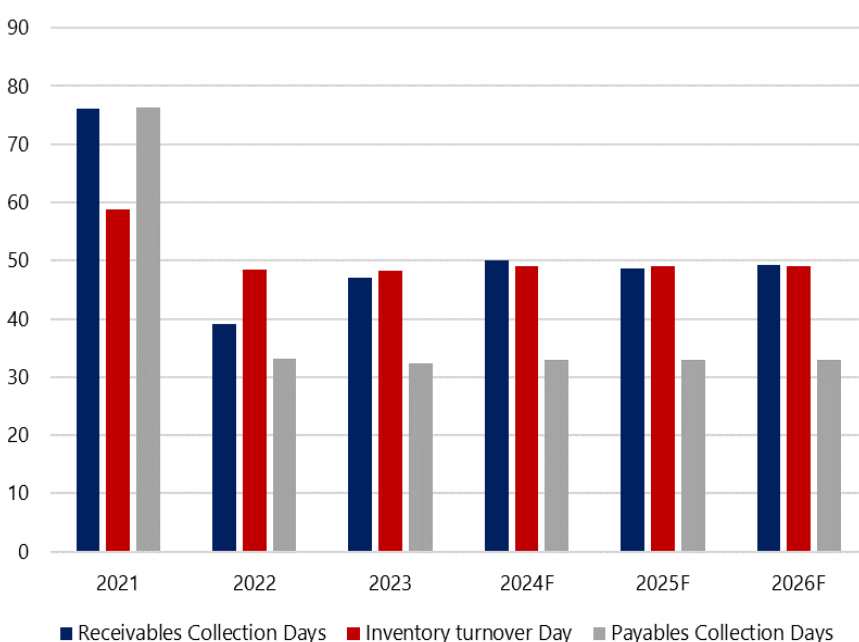
Source: Company, Reli Research

Figure 7: MSJA's Revenue by Segments



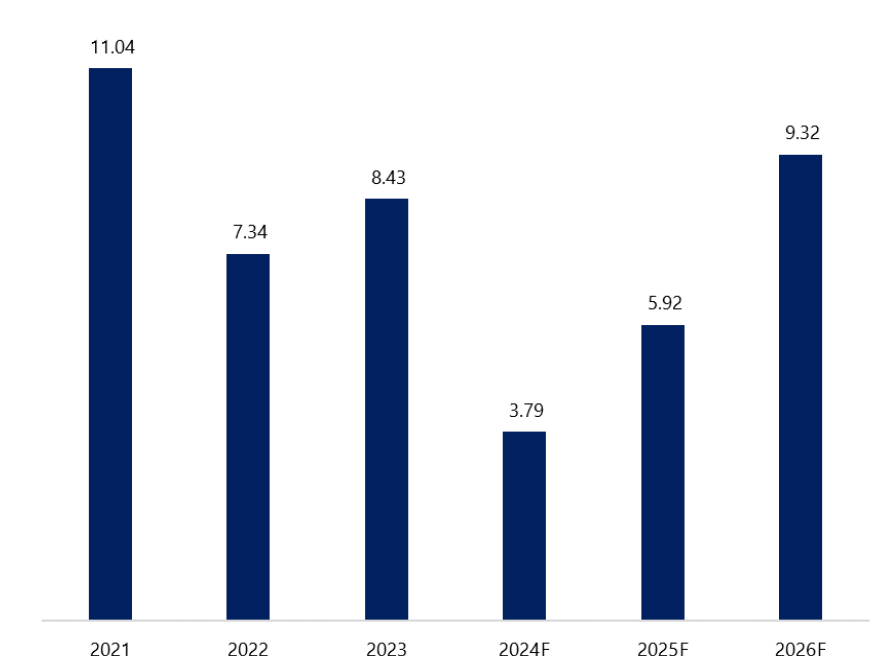
Source: Company, Reli Research

Figure 8: Turnover Days



Source: Company, Reli Research

Figure 9: Interest Coverage (x)



Source: Company, Reli Research

Financial Summary

Balance Sheet (USD k)	2021	2022	2023	2024F	2025F	2026F
Cash and cash equivalents	11,512	13,194	20,626	28,560	27,382	29,321
Trade receivables	10,774	8,460	9,195	8,665	10,286	10,821
Inventories	9,801	8,427	7,364	7,228	8,727	8,618
Fixed assets	59,817	55,296	52,680	51,823	51,681	51,234
Others	19,320	14,302	14,481	18,268	20,708	22,153
Total Assets	111,224	99,678	104,346	114,544	118,786	122,145
Trade payables	11,608	4,307	4,781	4,692	5,666	5,594
ST debt	17,428	15,745	19,226	13,901	13,864	14,115
LT debt	7,147	3,434	6,497	5,273	5,259	5,354
Others	5,438	7,415	5,942	4,639	5,850	5,653
Total Liabilities	41,621	30,900	36,446	28,505	30,638	30,717
Share capital	20,116	20,116	40,927	46,612	46,612	46,612
Additional paid-in capital	8,448	8,448	8,448	19,149	19,149	19,149
Retained earning	31,876	31,860	8,162	9,225	11,266	14,408
Others	8,029	7,569	7,650	7,617	7,600	7,608
Non-controlling interest	1,133	785	2,713	3,437	3,521	3,652
Total Equity	69,604	68,778	67,900	86,039	88,148	91,428

Income Statement (USD k)	2021	2022	2023	2024F	2025F	2026F
Revenue	77,898	78,985	70,289	62,473	76,333	79,140
Cost of revenue	59,944	62,454	55,024	53,102	64,120	63,312
Gross Profit	17,954	16,531	15,265	9,371	12,213	15,828
Operating expenses	6,878	9,379	6,744	5,741	7,092	7,421
Operating Profit	11,076	7,152	8,521	3,630	5,121	8,407
Finance income	395	296	422	512	443	426
Finance cost	(1,003)	(975)	(1,011)	(959)	(865)	(902)
Others	704	(1,105)	1,531	(391)	661	320
Profit Before Income Tax	11,172	5,368	9,463	2,792	5,360	8,251
Income tax expence	(2,444)	(1,082)	(1,715)	(730)	(1,402)	(2,158)
Net Profit	9,172	4,779	7,322	2,126	4,082	6,283

Cashflow (USD k)	2021	2022	2023	2024F	2025F	2026F
Net Income	9,172	4,779	7,322	2,126	4,082	6,283
DnA	3,484	4,617	(270)	1,929	1,070	1,583
Change in Working Capital	(322)	2,294	(343)	574	(2,113)	(499)
Change in Others	(7,445)	1,947	(1,275)	(251)	(18)	(9)
Total CFO	4,889	13,636	5,434	4,378	3,021	7,358
Capex	(15,923)	(403)	1,947	(1,693)	(1,849)	(1,744)
Change in Others	5,275	(1,448)	969	(3,071)	(1,360)	(801)
Total CFI	(10,648)	(1,851)	2,916	(4,764)	(3,209)	(2,545)
Short-term Debt	4,861	(1,683)	3,480	(5,324)	(38)	251
Long-term Debt	(2,520)	(3,713)	3,064	(1,224)	(14)	95
Equity Financing	-	-	20,811	16,384	-	-
Dividend	(1,190)	(4,900)	(31,020)	(1,063)	(2,041)	(3,142)
Others	(150)	87	2,747	(453)	1,103	(80)
Total CFF	1,001	(10,209)	(918)	8,320	(990)	(2,875)
Net cashflow	(4,759)	1,576	7,432	7,934	(1,178)	1,938
Cash beginning	16,221	11,512	13,194	20,626	28,560	27,382
Adjustment	50	105	-	-	-	-
Cash ending	11,512	13,194	20,626	28,560	27,382	29,321

Key Ratio	2021	2022	2023	2024F	2025F	2026F
Revenue growth	6.18%	1.40%	-11.01%	-11.12%	22.19%	3.68%
Net profit growth	-38.37%	-47.90%	53.23%	-70.97%	92.05%	53.91%
GPM	23.05%	20.93%	21.72%	15.00%	16.00%	20.00%
NPM	11.77%	6.05%	10.42%	3.40%	5.35%	7.94%
ROA (x)	8.25%	4.79%	7.02%	1.86%	3.44%	5.14%
ROE (x)	13.18%	6.95%	10.78%	2.47%	4.63%	6.87%
DER (x)	0.60	0.45	0.54	0.33	0.35	0.34
DAR (x)	0.37	0.31	0.35	0.25	0.26	0.25



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Indicator Explorer Analyst Rating Framework:

The given rating is a basis of technical analysis consideration

- Buy : Share price may exceed 10% over the next 12 months
- Trading Buy : Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
- Speculative Buy : Share price may exceed 20% in a short time horizon, however longer-term outlook remains uncertain
- Buy On Weakness : Accumulate stock at indicated support level
- Buy If Break : Accumulate stock when share price move above the indicated resistance level
- Sell On Strength : Sell stock at indicated resistance level, share price expected to fall in a short time horizon
- Neutral : Share price may move within the range of +/- 10% over the next 12 months
- Take Profit : Target price has been attained. Look to accumulate at lower levels
- Partial Sell : Share price may fall by more than 10% over the next 12 months

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