

Resources Global Development

Riding on Indonesia's energy demand



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SINGAPORE | RESOURCES | UPDATE

11 March 2024

- RGD engages in coal trading and shipping of hard commodities in Indonesia. It owns a fleet of 22 Indonesian-flagged vessels to operate trans-shipment services or chartered out to third parties. FY23 gross profit split was 90.5%/9.3% for shipping/trading. Trading volume dwindled due to the depletion of output from the coal mines.
- The acquisition of Batubara Development Pte Ltd in Jan 24 for S\$10mn (a mix of equity and debt) gives it an indirect 18.7% stake in four greenfield coal mines in Central Kalimantan. Production is expected to begin in late 2024. RGD is issuing 10mn new shares to fund the acquisition.
- Of its net cash of S\$24mn at end 2023, S\$13mn has been pledged as cash collateral to secure loans for fleet expansion. It plans to add 33% fleet capacity in 2024.
- Net profit grew at a 4Y CAGR of 102.8%—though it fell 36% YoY in FY23 due to reduced trading volume—on the back of higher shipping earnings. FY23 ROE was 21.2% in spite of net cash. The operation generated strong operating cash flow of S\$0.51/share in FY23.

Background

Resources Global Development (RGD) engages in coal trading and shipping of hard commodities from Indonesia. It acquired an indirect 18.7% stake in four greenfield coal mines in Central Kalimantan, which are expected to start producing by the end of 2024. RGD's attributable 2P reserve is about 30mn tons.

Highlights

Revenue from shipping of thermal coal rose at 4Y CAGR of 51.9%, outpacing the 17.4% increase in fleet capacity. The higher revenue growth is a function of higher freight rates, faster turnaround and operating leverage. Shipping gross margin reached a record 53.7% in FY23. RGD also takes on other commodities such as nickel, bauxite, sand and granite.

33% fleet expansion in FY24. Fleet capacity is expected to rise to 300,000 dwt by the end of 2024. Demand growth is underpinned by increased output in the base metal and mining industries. Indonesia recorded US\$47.3bn in foreign direct investments in 2023 (+13.7% YoY). Base metal and mining accounted for 24.9% and 9.9%, respectively.

Trading volume is likely to remain subdued. The mines from which RGD procures its coal supply have been depleted, and RGD needs to look for alternative sources. Trading commands a lower gross margin of 5.8% in FY23, as these are mainly back-to-back contracts.

Coal mining to be a new income stream. The coal mines will add a new income stream at the associate level when production begins in FY25. The stakes in these mines are held through 31.2%-owned JSE-listed PT Singaraja Putra Tbk (PT SINI).

Net profit grew at 4Y CAGR of 102.8%. Since listing in Jan 20, net profit has grown at 4Q CAGR of 102.8%, led by higher shipping income. The first decline in FY23 of -36% YoY was due to dwindling volume for coal trading. In spite of net cash of S\$24mn on its balance sheet, ROE was 21.2% in FY23. The operations generate an operating cash flow of S\$0.51/share.

Indonesia's domestic coal demand will rise by an average of 24% in the next two years. Coal prices have been on a decline since the start of 2023, with a heavy stockpile in Europe due to a lower coal burn. The International Energy Agency (IEA) forecasts Indonesia's coal-fired generation to increase by 5% for 2024-2026 and domestic demand to reach 284mn by 2026, from less than 200mn in 2024.

NOT RATED

LAST CLOSE PRICE

SGD 1.070

COMPANY DATA

BLOOMBERG CODE:	RGDL SP
O/S SHARES (MN) :	90
MARKET CAP (USD mn / SGD mn) :	72 / 96
52 - WK HI/LO (SGD) :	1.13 / 0.9
3M Average Daily T/O (mn) :	0.00

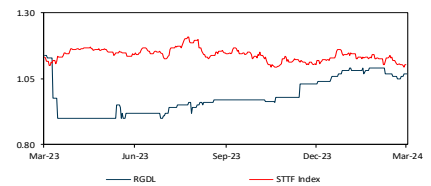
MAJOR SHAREHOLDER (%)

DELI INTERNATIONAL RESOURCES PTE LTD	83.3%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(1.8)	3.9	(3.0)
STTF RETURN	0.5	1.9	1.7

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (\$\$mn)	FY20	FY21	FY22	FY23
Revenue	73	133	179	106
Gross Profit	10	25	37	32
EBIT	6	23	34	29
NPAT	3	15	20	13
P/NAV (x)	4.4	2.6	1.9	1.6
P/E (x)	31.3	6.5	4.8	7.4
ROE (%)	14.0%	40.0%	38.8%	21.2%

Source: Company, PSR

Peggy Mak

(+65 6212 1852)

Research Manager

peggyamak@phillip.com.sg

Background

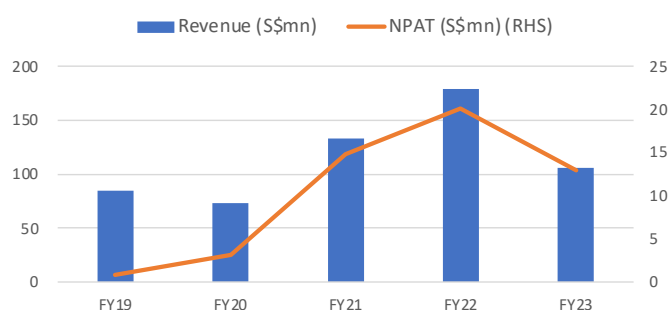
Coal Trading

RGD started trading in coal in April 2017. It procures thermal coal from coal mines in South Kalimantan and sells it mainly to coal traders on back-to-back contracts. The customers are mainly coal traders, who procure coal for domestic end-users operating in various industries. The average quality of coal traded is GAR 4,200 kcal/kg.

Revenue fell 41% in FY23 due to a steep reduction in trading due to the depletion of supply at the coal mines (Figure 1).

Figure 1: Revenue fell 36% YoY in FY23 due to fall in trading volume

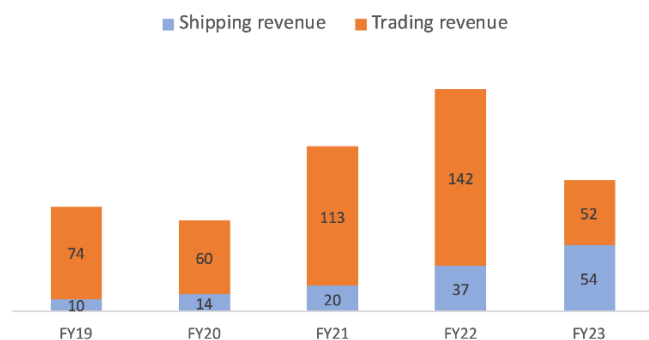
Trading volume fell in 2H23 due to mine depletion



Source: Company, PSR

Figure 2: Rising shipping income

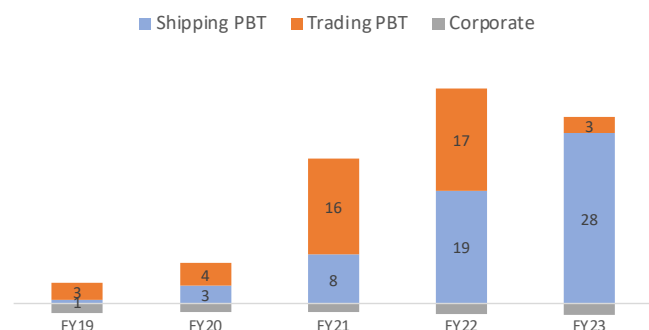
Revenue split (S\$m)



Source: Company, PSR

Figure 3: Shipping takes the lion's share of pretax profit

Pretax profit split (S\$m)



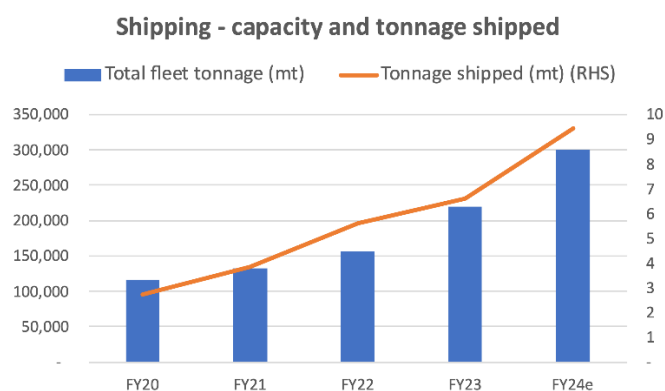
Source: Company, PSR

Shipping

RGD owns an effective 50.5% stake in the shipping subsidiary, PT Deli Pratama Angkutan Laut (DPAL), which commenced operations in 2012. DPAL owns 21 sets of Indonesian-flagged tugboats and barges and one bulk carrier of a total of 220,000 dwt.

DPAL charters vessels on a per-voyage basis to transport coal or other commodities within Indonesia. Each shipment takes up to 4 weeks to return. It also offers transshipment services to transport hard commodities from ports or jetties to bulk carriers. Each transshipment voyage takes 5 to 7 days to return. Besides coal, the shipping arm has diversified into other commodities, such as nickel, bauxite, sand, and granite.

Figure 4: Fleet capacity to grow by 33% in FY24e

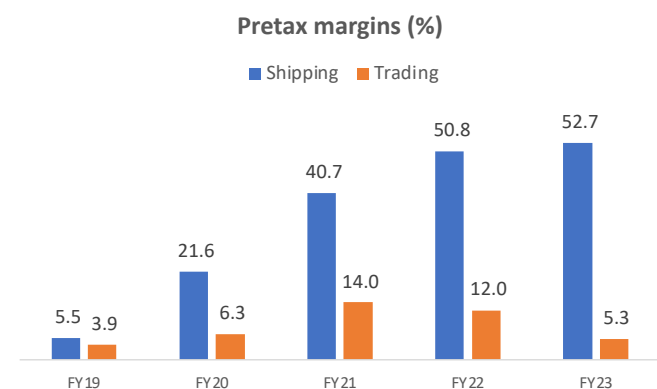


Source: Company, PSR

RGD extends cash collateral of S\$13mn to secure bank borrowings to expand its vessel fleet. Total fleet capacity is expected to grow 33% in FY24e to reach 300,000 dwt by the end of 2024 (FY23: 220,000 dwt). (Figure 4).

Shipping margin has been rising due to operating leverage and strong underlying demand for transshipment services. (Figure 5).

Figure 5: Shipping pretax margin has improved to 52.7% in FY23



Source: Company, PSR

Diversification into coal mining

RGD acquires a 100% stake in Batubara Development Pte Ltd in Jan 24, for S\$10mn through a combination of equity (S\$5.3mn) and loan (S\$4.7mn). Batubara owns a 31.22% stake in JSE-listed PT Singaraja Putra Tbk (PT SINI). PT SINI's current market cap is S\$34.5mn.

PT SINI has an indirect 60% stake in four greenfield coal mines in Central Kalimantan. Through PT SINI, RGD gains an effective 18.73% share in these mines and attributable 2P thermal coal reserves of 30mn tons of GAR 4,200 kcal/kg (Figure 6).

The mining licences are for a period of 20 years until 18 Jun 2032. Production is expected to begin in late 2024.

Figure 6: RGD’s attributable 2P reserves is 30mn tons

	Mining area (hectares)	Reserves (mn ton)			PT Sini's effective 60%	RGD's effective 18.73%	Gross kilocalories per kilogram
		Probable	Proven	Total			
PT PKP	4,944	34	24	58	35	11	4040
PT PBC	3,482	35	7	42	25	8	3920
PT PBP	3,089	27	17	44	26	8	4940
PT CBP	4,828	10	8	18	11	3	4210
Total	16,343	106	55	161	97	30	

Source: Company, PSR

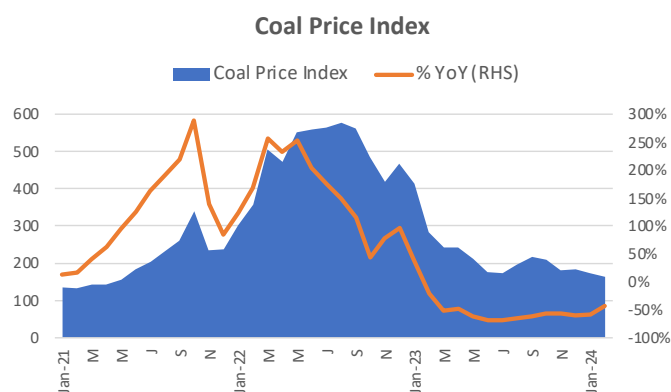
PT SINI also runs timber operations. It disposed off the business of providing accommodation services in Oct 2023. For the 9M23, it incurred net loss of Rp3.14bn (\$\$0.3mn) (9M22: net profit Rp2.7bn (\$\$0.2mn)). As at Sep 23, it has net debt of Rp941bn (\$\$80.5mn).

Indonesia’s domestic coal demand

Coal prices have been on a decline since the start of 2023 with a heavy stockpile in Europe due to a lower coal-burn (Figure 7).

Nevertheless, the International Energy Agency (IEA) forecasts Indonesia’s coal-fired generation to increase by 5% for 2024-2026, and domestic demand to reach 284mn by 2026, from less than 200mn in 2024. Indonesia has set a coal production target of 710mn mt for 2024, with domestic market supplies at a minimum of 181mn mt.

Figure 7: Coal prices are still 42% higher than Feb 2020

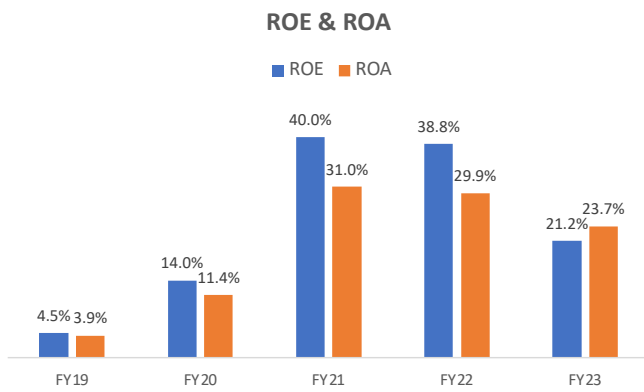


Source: IMF

Financials

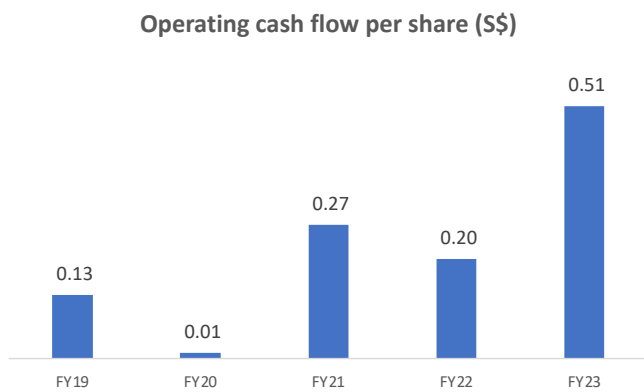
The operations have generated strong ROE and operating cash flows, mainly from the shipping activities (Figure 8 & figure 9)

Figure 8: ROE was 21.2% in FY23



Source: Company, PSR

Figure 9: Generated operating cash flow of S\$0.51/share in FY23



Source: Company, PSR

Financials

Income Statement

Y/E Dec, (S\$'mn)	FY19	FY20	FY21	FY22	FY23
Revenue	84	73	133	179	106
Cost of sales	-79	-64	-108	-143	-73
Gross Profit	6	10	25	37	32
Other operating income	0	0	0	0	0
Administration	-4	-4	-3	-3	-4
Other expenses	0	0	0	0	0
Share of results of associates and JVs	0	0	0	0	0
EBIT	2	6	23	34	29
Net finance expenses	0	0	0	0	0
Profit before tax	2	5	23	34	29
Taxation	-1	-1	-4	-4	-2
Net Profit	1	5	19	30	27
Minority interests	0	-1	-4	-9	-14
Profit attributable to owners	1	3	15	20	13

Per share data (S\$ cents)

Y/E Dec	FY19	FY20	FY21	FY22	FY23
BVPS	22	24	41	58	68
DPS (S\$ cents)	0	0	1	3	4
EPS	1	3	16	22	14

Cash Flow

Y/E Dec, (S\$'mn)	FY19	FY20	FY21	FY22	FY23
CFO					
Pretax profit	2	5	23	34	29
Adjustments	3	5	4	4	6
WC changes	5	-8	0	-16	13
Cash generated from ops	11	2	27	23	48
Others	-1	-1	-2	-4	-2
Cashflow from ops	10	1	24	18	46
CFI					
CAPEX, net	-21	-3	-9	-29	-22
Others	0	0	0	0	0
Cashflow from investments	-21	-3	-9	-29	-21
CFF					
Dividends paid to owners	0	0	0	-1	-3
Proceeds from borrowings, net	7	-3	-1	14	-15
Others	0	3	0	0	0
Cashflow from financing	7	-1	-1	13	-17
Net change in cash	-3	-2	15	1	8
Cash at the start of the period	11	8	6	20	20
Currency translation	0	0	0	-2	0
Ending cash	8	6	20	20	27

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, (S\$'mn)	FY19	FY20	FY21	FY22	FY23
ASSETS					
PPE & Investment Properties	35	31	41	63	83
Others	0	0	0	0	0
Total non-current assets	35	31	41	63	83
Cash and cash equivalents	8	6	20	20	27
Inventories	0	2	4	2	3
Trade and other receivables	8	11	7	27	8
Others	0	0	1	0	0
Total current assets	16	19	32	49	38
Total Assets	51	50	73	113	121
LIABILITIES					
Trade and other payables	10	6	10	17	16
ST borrowings	0	0	1	14	0
Others	2	2	3	2	2
Total current liabilities	13	9	14	33	18
LT borrowings	8	5	2	2	2
Others	0	0	0	0	0
Total non-current liabilities	8	5	3	3	2
Total liabilities	21	13	17	35	20
Net assets	30	37	56	77	100
EQUITY					
Share Capital	3	6	6	6	6
Retained profits	14	17	32	51	62
Others	-1	-1	-1	-5	-6
Total equity	17	22	37	52	61
Minority interests	13	14	19	26	39
Total equity and liabilities	30	36	56	77	100

Valuation Ratios

Y/E Dec	FY19	FY20	FY21	FY22	FY23
P/E (x)	105.0	31.3	6.5	4.8	7.4
P/B (x)	4.8	4.4	2.6	1.9	1.6
EV/EBITDA (x)	16.5	9.7	3.0	2.4	2.1
Dividend yield (%)	0.0	0.0	0.9	2.8	3.3

Growth & Margins (%)

	FY19	FY20	FY21	FY22	FY23
Growth					
Revenue	88.6%	-13.2%	82.0%	34.3%	-41.0%
Gross profit	1.4%	72.3%	164.7%	43.9%	-11.6%
EBIT	-50.6%	186.8%	295.3%	49.2%	-14.8%
PBT	-44.5%	185.5%	332.2%	50.4%	-14.5%
Margins					
Gross profit margin	6.6%	13.1%	19.0%	20.4%	30.5%
EBIT margin	2.4%	7.8%	16.9%	18.8%	27.2%
Net profit margin	0.9%	4.2%	11.1%	11.2%	12.2%

Key Ratios

	FY19	FY20	FY21	FY22	FY23
ROE	4.5%	14.0%	40.0%	38.8%	21.2%
ROA	1.5%	6.1%	20.3%	17.9%	10.7%
Net Gearing	1.4%	0.0%	0.0%	0.0%	0.0%

Contact Information (Singapore Research Team)
Head of Research

 Paul Chew – paulchewkl@phillip.com.sg
Research Admin

 Qystina Azli - qystina@phillip.com.sg
Technical Analyst

 Zane Aw – zaneawyx@phillip.com.sg
Property | REITs

 Darren Chan – darrenchanrx@phillip.com.sg
Banking & Finance

 Glenn Thum – glenthumic@phillip.com.sg
Credit Analyst

 Shawn Sng – shawnsngkh@phillip.com.sg
Property | REITs

 Liu Miaomiao – liumm@phillip.com.sg
Conglomerate | Transport

 Peggy Mak – peggyamak@phillip.com.sg
US Tech Analyst (Software/Services)

 Ambrish Shah – amshah@phillipventuresifsc.in
US Tech Analyst (Digital Entertainment/Semicons)

 Jonathan Woo – jonathanwookj@phillip.com.sg
US Tech Analyst (Hardware/E-commerce/ETF)

 Helena Wang – helenawang@phillip.com.sg
Contact Information (Regional Member Companies)
SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

JAPAN

Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangkok,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED STATES

Phillip Capital Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

INDIA

PhillipCapital (India) Private Limited
No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

AUSTRALIA

Phillip Capital Limited
Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

TURKEY

PhillipCapital Menkul Degerler
Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

HONG KONG

Phillip Securities (HK) Ltd
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

CAMBODIA

Phillip Bank Plc
Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306, Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

DUBAI

Phillip Futures DMCC
Member of the Dubai Gold and
Commodities Exchange (DGEX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

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