

MERGER REVIEW PROCESS FINANCE PT. TIMAH (Persero) Tbk and PT.TAMBANG TIMAH

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Abstract-Law no 4 in 2009 is about Mineral and Coal Mining 2009 and its implementation rules set mining companies do their own mining activities and conduct processing and refining facilities in the country and has its own processing or purification. PT. Timah (Persero) Tbk is having the biggest Tin Mining Permit in Indonesia but has no mining equipment, metal processing and refining facilities and other assets due to the mining operations supporting the asset has been transferred in the context of business expansion (spinn off) in 1998 as a capital contribution Subsidiary to the PT.Tambang Timah. After the enactment of the Mining Law, PT. Timah Tbk conduct mining activities that give rise to its own internal transactions between PT. Tambang Timah and PT. Timah Tbk ineffective and inefficient. In 2012 Minister of Energy and Mineral Resources (ESDM) published law No.7/2012 of Added Value Through Mineral Processing and Refining Mineral activities, in order to comply with the regulations PT. Timah Tbk purchase processing facilities and / purification along with other supporting assets are located in Unit Metallurgy. Therefore it will be proposed merger solution. Analysis shows that with merger in 2013 reaches efficiency Rp. 8.9 billion and increase in cash / cash equivalents of Rp 23, 7 billion. Expected merger synergies will also result in managerial, streamlining organizational structure and company's support going concern. Through this merger would make PT. Timah Tbk as mining companies an efficient and integrated with core ownership of whole mining assets so it can achieve the conditions in accordance with the Mining Law and its implementation.

Keywords: Mining Law, Merger (Merger), PT. Timah Tbk, PT. Tambang Timah

1. Introduction

PT.Timah (Persero) Tbk is a company engaged in mining of tin and the biggest Tin Company who has mining permission (IUP) in Indonesia. PT.Timah (Persero) Tbk has 113 IUP spread in province of Bangka Belitung and Riau Islands. The Company does not have a mining equipment, coalescence and processing facilities or other mining assets supporting the asset has been transferred because in the context of business expansion (spinn off) in 1998 as a capital contribution to a subsidiary. PT. Tambang Timah (PT.TT) is a subsidiary 99.99% owned by PT. Timah Tbk. PT Tambang Timah has 4 IUPs and has almost all of its assets and the assets of tin mining equipment for processing, refining, and coalescence of tin mining results and other supporting assets as a result of spin off.

On January 12, 2009 published Law on Mineral and Coal # 4 of 2009 which prohibits IUP or IUPK to involve subsidiaries and / or affiliates in the mining services sector except with the permission of the minister. Before the implementation of the Mining Law of 2009, PT. Timah Tbk is a non-operating holding company is operated by its tin mining activities PT.Tambang Timah. With the enactment of the law, start by 1 April 2010 PT.Timah (Persero) Tbk took over mining operations under its IUP. Post-mining activities conducted by PT. Timah Tbk cause internal transactions between PT. Timah Tbk and

PT. TT form of the transaction and the Equipment Lease Production Facilities, Processing and Refining Cooperation Tin Ore, Warehouse Goods Consumption Claims of ineffective and inefficient.

On December 21, 2012, PT. Timah (Persero) Tbk buy coalescence and refining facilities and other supporting assets owned by PT. Tin mines are located in the Pacific Islands to meet law of ESDM minister No 7/2012 of Added Value Through Mineral Processing and Refining Activities Minerals which provides that holders of Production Operation IUP and Director General of Mining Regulation No. 574. K/30/DJB 2012 on Terms and Procedures of Export exports products Recommended Requirements Mining. In addition to coalescence and refining facilities are still lots of other mining assets leased by PT. Timah Tbk to PT. Tambang Timah of which 9 units Dredger, 10 Units Suction Dredges (KIP) Company, 1 unit of Bucket Wheel Dredge and mining assets in land and other sea islands scattered in the Pacific Islands. Problems for the PT. Timah Tbk and PT. Tambang Timah with the application of the Mining Law and its implementing regulations regarding the ownership of mining assets by the core not by the Subsidiary PT. Timah Tbk as the largest Lead IUP while the Mining Law and Regulations The exercise directs that a company doing its own mines and mining activities and processing conduct or refining in the country through its own proprietary processing and refining facilities.

2. Literature Review

2.1 Restructuring

Restructuring is the act of changing the structure of the company with the goal to improve and maximize performance of company. According to Williamson (2010) in Adler Hayman Manurung (2011), there are four philosophies for action is restructuring for position, platform, and competence as an option.

1.2 Merger

According to Law No. 40 of 2007 on Limited Liability Companies Article 1, Merger (Merger) is a legal act performed by one of the Company or to merge with other Company which has no resulting assets and liabilities of the Company that combines self be legally transferred to the Company surviving and subsequent legal status of the Company which merged expire by operation of law. Motive companies are merging according to Abdul Moin (2003) in ISWI Hariyani, R.Serfianto, Cita Yustisia, 2011:13 namely: economic motives, motives synergy, motive diversification and motives non-economic. Based on economic reasons, the merger can be classified into five types (ISWI Hariyani, R.Serfianto, Cita Yustisia, 2011:11) that horizontal mergers, vertical merger, conglomerate merger, merger market expansion and merger expansion of the product.

Merger within one group of companies also can be distinguished become two kinds (Yuliyani, 2011) namely the incorporation of venture to the parent company (Upstream Merger) and incorporation venture to child companies (Downstream Merger) Benefits of Merger (Iswi Hariyani, R.Serfianto, Cita Yustisia, 2011:9) is getting Cashflow quickly, because the product and the market is clear, obtain experienced employees, acquire the infrastructure to achieve faster growth, gain control over other companies, to diversify its business, reduce business risk and acquire new technology owned by other companies.

3. Research Methodology

Data used in this study is primary data and secondary data obtained from internal sources. Data collection method used is to conduct interviews with the company's internal competent and literature or documentation of internal and external data in the form of company financial statements of PT. Timah (Persero) Tbk and PT. Tambang Timah, Work Plan and Budget (RKAP), Internal Agreement, Asset List, Data Backup and Mining Permit, as well as Law and Government Regulation.

The data collected is then analyzed. Analysis performed includes;

1. Analysis of the condition of each company includes production and financial performance after the application of the Mining Law, the resources owned mining assets, the extent and number of mining permission, and Reserves.
2. Analysis of the financial impact of internal transactions and taxation as well as the cost of funds that must be borne by the company.
3. Analysis of merger benefits both quantitatively and qualitatively.

4. Analysis and Discussion

4.1 Analysis of Company

4.1.1 PT. Timah Tbk

Since April of 2010, PT. Timah Tbk operates its own mining activities that were previously performed by PT Tambang Timah. Before 2010, PT.Timah Tbk only act as non operating holding company and after the introduction of the Mining Law No. 4 of 2009 began to act as an operating holding. On December 31, 2012, PT. Timah (Persero) Tbk has 113 IUP with an area of 500.453 ha. IUP will expire between the years 2013 to 2027. Based on geological analysis of the company's internal and validation report reserves, proven and inferred reserves at December 31, 2012 is 221 451 tons (unaudited). Fixed assets owned by PT.Timah (Persero) Tbk as of December 31, 2012 had a total acquisition value of Rp.681, 99 billion and the book value of Rp. 580.12 billion. Currently PT.Timah Tbk is building 10 units of KIP (cutter suction dredges) for mining activities in the sea.

4.1.2 PT.Tambang Timah

PT. Tambang Timah is a tin mining company which is 99.99% owned by PT. Timah Tbk. Law enforcement post. 4 of 2009 and its implementing regulations, PT. Tin mine only manage its mining permission in Kundur, Riau Islands. Since the management of mining permission returned to their owners PT.Timah Tbk, operating performance and financial performance PT.Tambang Timah plummeted from 37,701 tons in 2009 to 6,733 tons in 2012 and operating profit of Rp 818.7 billion to Rp. 214.3 billion. On December 31, 2012, PT. Tambang Timah has 4 IUPs (with an area of 12 210 ha. IUP will expire between the years 2012-2020. Based on geological analysis of the company's internal and validation report reserves, proven and inferred reserves at December 31, 2012 amounted to 29 202 tons (unaudited). In terms of the extent and magnitude IUP tin reserves, PT. Tambang Timah only has an IUP and reserve estimates, respectively 2% and 12% of the total IUP along PT.Timah reserves owned by the Group. PT.Tambang Timah has fixed assets at December 31, 2012 with a total acquisition value of Rp. 2.45 trillion and net book value of Rp. 751.3 billion. All fixed assets owned by PT. Tambang Timah are an asset that is used for mining activities. PT. Tambang Timah has a fleet of marine mining of 8 Dredger units, 10 Cutter Suction units and 1 Bucket Wheel Dredges. Amount of fixed assets owned by PT. Tambang Timah when compared to its IUP area, disproportionate and would be much more productive if it is owned by PT. Timah Tbk.

4.2 Internal Transaction PT. Timah (Persero) Tbk and PT. Tambang Timah

Grouping of works done at time of the establishment of a subsidiary in 1998 and the introduction of Mining Law of 2009 took effect the internal transactions between PT.Timah (Persero) Tbk with PT.Tambang Timah. Internal transaction value from 2010 till 2012 of Rp. 715.3 billion.

Such transactions include:

1. Imposition of Management Services PT. Timah (Persero) Tbk to other subsidiaries including PT.Tambang Timah. Management fees charged for certain management functions such as functions of Logistics, Legal, Marketing, Human Resources, Treasury, IT and Administration of the Company held by PT.Timah (Persero) Tbk for subsidiaries. Loading value management services from PT. Timah Tbk to PT Tambang Timah from 2010 till 2012 is Rp.115, 18 billion.
2. Equipment Lease and Production Facilities
3. Since enactment of Law No. 4 of 2009 on Mineral and Coal, PT. Timah (Persero) Tbk hire all mining assets owned by PT Tambang timah are located in Bangka Belitung for mining,

processing, refining. The rental fee is charged to PT. Timah Tbk for the use of production assets owned by PT. Tambang Timah from 2010 until 2012 is about Rp. 396.8 billion.

4. Tin Ore Processing and Refining (Tollsmelt) Production of tin ore owned by PT. Timah Tbk from Riau Islands and the surrounding areas is processed and purified in coalescence facility owned by PT. Tambang Timah. Tollsmelt transaction value between PT Timah Tbk and PT Tambang timah from 2010 until 2012 is Rp. 73.8 billion.
5. Transaction Usage Goods Warehouse
6. Logistics functions in PT. Timah centralized by PT Timah. Since PT. Timah Tbk carry out its own mining activities, then PT. Timah Tbk have a warehouse inventory of the same nature. This same trait inventory transactions lead to emergence of the use of the goods shed by their respective companies. Total value of consumption goods warehouse transactions between PT.Tambang Timah and PT. Timah Tbk from the year 2010-2012 amounted to Rp.129, 5 billion.

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4.3 Impact on Finance and Taxation Internal Transaction

Transactions between PT. Timah Tbk and PT.Tambang Timah are taxable because the subsidiary is subject to tax on its own. Imposition of taxes on the transaction resulted in a cash flow (cash outflow) for deposit into the State Treasury. Final taxation of real incur additional costs for the company because it cannot be applied as a down payment for corporate income taxation while not final, namely VAT and income tax article 23, the company's cashflow disadvantage because companies lose the opportunity (Opportunity) to investments and the cost of fund if the payment of taxes using working capital loans.

Of internal transactions between PT. Timah Tbk and PT. Tambang Timah of 2010 - 2012 amounting to Rp. 715.3 billion, give rise to VAT implications of cash outflow amounting to Rp. 58.6 billion, income tax of Rp. 14 billion and the final income of Rp. 1.24 billion. Cash outflow is certainly financed by capital kerja. Tabel 4.1 shows during 2010 till 2012, the lost opportunity of Rp. 7.2 billion.

Table 4.1 Calculation of Cost of in 2010-2012

	2010	2011	2012	Jumlah
Pembebanan Jasa Manajemen	49.596.430.422	27.720.010.117	37.873.541.127	115.189.981.666
Sewa Aset non bangunan	112.460.767.255	149.750.044.216	122.158.788.052	384.369.599.523
Sewa Bangunan (Final)	3.639.207.402	4.226.867.770	4.540.341.534	12.406.416.706
Jasa Tollsmelt	42.678.676.624	4.183.288.669	26.973.552.997	73.835.518.290
Pemakaian Barang Gudang	48.340.434.155	41.826.306.440	39.291.734.015	129.458.474.610
Jumlah	256.715.515.858	227.706.517.212	230.837.957.725	715.259.990.795
PPN	20.837.508.170	18.588.021.077	19.154.622.371	58.580.151.618
PPh 23	5.071.109.438	4.394.293.793	4.463.698.218	13.929.101.449
PPh 4 (2) Final	363.920.740	422.686.777	454.034.153	1.240.641.671
Restitusi PPN	1 Tahun			
PPh Badan	1 Tahun			
Bunga pinjaman (KMK)	2010 : 8%/thn			
	2011 : 8% /thn			
	2012 :8,75 %/thn			
Cost of Fund	2010	2011	2012	Jumlah
PPN	1.667.000.654	1.487.041.686	1.676.029.457	4.830.071.797
PPh 23	405.688.755	351.543.503	390.573.594	1.147.805.853
PPh 4 (2) Final	363.920.740	422.686.777	454.034.153	1.240.641.671
Jumlah	2.436.610.149	2.261.271.967	2.520.637.205	7.218.519.320

4.4 Analysis of Merger Benefits

Based on the description above, we have the proposed solution in order to do business combination (merger) between PT. Timah (Persero) Tbk and PT.Tambang Timah. Form of the proposed business combination merger into the parent company (Upstream Merger)

With the merger is projected to achieve efficiency, become an integrated mining company, achieve

compliance with the Mining Law No.. 4. In 2009, which in turn it will support the company's going concern.

4.4.1 Efficiency

Merger between PT. Timah Tbk and PT. Tambang Timah will eliminate internal transactions between the two companies.

Calculation of the efficiency scale simulations in this paper uses data Company Budget Plan (CBP) PT. Timah Tbk and PT. Tambang Timah in 2013.

By merging Enterprises PT.Timah Tbk and PT. Tambang Timah it is projected to reach an efficiency of Rp.8, 9 billion which would increase corporate profits and savings cash out flow of Rp. 23.72 billion, which would be added if used for working capital or productive investment.

Table 4.9 Calculation of the projected efficiency

No.	Jenis Transaksi	Nilai	Keterangan
1	Sewa Aset dan Bangunan	127.669.692.366	RKAP 2013
2	Sewa Bangunan	4.540.341.534	RKAP 2013
2	Jasa Manajemen	22.408.474.225	RKAP 2013
3	Jasa Tollsmelt	4.068.750.000	RKAP 2013
4	Pemakaian Barang Gudang	43.152.824.870	Transaksi rata-rata 3 tahun terakhir
Total		201.840.082.995	
	PPN	20.184.008.299	
	PPh	3.082.938.332	
	PPh Final	454.034.153	
Total Cash outflow		23.720.980.785	
	Suku bunga pinjaman	10%	
No	Bidang efisiensi	Nilai	Keterangan
1	Penurunan HPP	6.079.509.160	Eliminasi transaksi sewa aset
2	Penurunan beban bunga	2.372.098.078	Tidak ada cash out flow pajak atas transaksi internal
3	Penurunan Biaya Pph	454.034.153	PPH Final tidak dapat direstitusi
Total		8.905.641.392	

4.4.2 Supporting Companies Going Concern

Since the establishment of mining law no 4 of 2009, PT. Tambang Timah only manage 4 IUP with an area of 12.210 ha and is proven and inferred reserves at December 31, 2012 amounted to 29.902 tons. Tin ore production of PT Timah are an average of 6,000 up to 7,000 tons per year, this means that if it is not done then the exploration activities over a period of 4 to 5 years the reserves will be depleted while mining assets currently majority owned by PT. Tambang Timah and PT. Timah Tbk using almost all mining assets owned by PT. Tambang Timah for mining activities in UP of PT. Timah Tbk very broad about 510.453 ha. The merger will support the company's going concern with the ownership of the core mining assets by PT. Timah Tbk.

4.4.3 HR professionals and experience (Managerial Synergy)

Since spin off in 1998 until April 2010, mining activities carried out by PT. Tambang Timah so that both employees and the management of PT Tambang Timah has had a profound experience, especially in the areas of technical expertise, managerial and tin business. Currently, management

position of PT Timah was occupied by a highly experienced HR and professional. With the merger between PT. Timah Tbk and PT Tambang Timah are expected to have managerial synergies resulted in the transfer occurs through managerial capabilities and expertise (skills) as well as increased coordination.

4.4.4 Organizational Structure leaner

After managing mining permission by the respective companies, there are increased the number of permanent employees at PT. Timah Tbk and PT. Tambang Timah 525 people from the beginning of 2010 until 2012. Merger between PT. Timah Tbk and PT. Tambang Timah is expected in the future will result in a more streamlined organizational structure through the merger of duplication unit that has the same function. In the short term a more streamlined organizational structure is projected to result in efficiencies of Rp. 2.04 billion.

5. Conclusion and Suggestion

5.1 Conclusion

After the enactment of the Mining Law, PT. Timah Tbk conduct mining activities which give rise to their own internal transaction with PT. Tambang Timah are not effective and efficient. Internal transaction value of 2010-2012 reached 715.3 billion. Internal transaction raises VAT and income tax cashoutflow of Rp. 72.5 billion were settled in the State Treasury for 1-2 years and the real cost of income tax of 1.2 billion so the companies have to bear the cost of funds of Rp. 7.2 billion.

Based on the analysis results through the merger of PT. Timah Tbk and PT. Tambang Timah in the short term will be achieved efficiency for Rp.8, 9 billion and increase cash and cash equivalents amounting to Rp. 23.7 billion.

Other benefits of the merger synergies through the transfer of managerial skills and managerial capabilities (skills) as well as improved coordination, streamlining organizational structure through the merger of units of work that have the same function that is projected to result in efficiencies of Rp. 2.04 billion and most of all will be reached a condition which PT. Timah Tbk as the largest holder of IUP has its own core mining assets both coalescence production equipment and facilities so as to achieve the conditions in accordance with the Mining Law and its implementing regulations, which in turn will support the company's going concern.

5.2 Suggestion

- Merger (merger) is a form of major change in an organization both the company and employees, in order to achieve the desired goal that requires commitment and support from both management and employees.
- Legal aspects in a business combination to be studied carefully to make sure no rules are violated since PT. Timah (Persero) Tbk than status as a public company as well as the status of State-Owned Enterprises.

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