PremierInsight

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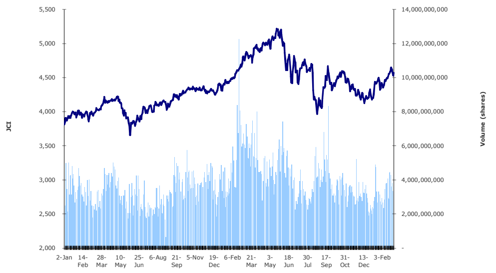
JCI Index



	Closing
JCI	4,569
Transaction value (Rpbn)	4,419
Transaction volume (mn shares)	3,378
Foreign net buy (sell) (Rpbn)	152
Total market cap (Rpt)	4,229

Key Indexes

Index	Closing	1 day return	1 year return	YTD return
JCI	4,569	0.8%	-4.7%	6.9%
LQ45	765	0.8%	-7.2%	7.6%
FSSTI	3,097	0.3%	-5.3%	-2.2%
SET	1,318	1.0%	-14.5%	1.5%
HSI	22,828	1.7%	-0.8%	-2.1%
NKY	14,923	-0.3%	29.1%	-8.4%
FTSE	6,810	0.2%	7.7%	0.9%
DJI	16,273	0.5%	15.6%	-1.8%

Macro Indicators

Indicators	Latest	2014F
BI Rate (%)	7.50%	7.50%*
Inflation (%)	8.22%	9.66%
Govt Bond Yield (10yr %)	8.41%	8.50%

**: Bloomberg consensus*

Exchange Rates

Currency	Last price	Ret 1 day (%)	Ret 1 year (%)
USD/IDR	11,620	-0.24%	20.04%
SGD/IDR	9,206	-0.10%	17.60%
GBP/IDR	19,419	-0.11%	32.17%
HKD/IDR	1,503	0.15%	20.60%
EUR/IDR	15,925	-0.44%	25.36%

Commodity price

Commodities *(in USD)*	Last price	Ret 1 day (%)	Ret 1 year (%)
Oil/barrel (WTI)	102.4	-0.2%	10.4%
CPO/tonne	847.3	-1.1%	15.3%
Soy/bushel	13.9	-1.2%	-5.5%
Rubber/kg	2.2	0.0%	-21.3%
Nickel/tonne	14,415	1.6%	-13.5%
Tins/tonne	23,628	0.0%	0.8%
Copper/tonne	7,086	-0.3%	-9.6%
Gold/try.oz (Spot)	1,331	0.1%	-15.7%
Coal/tonne*	76.4	0.7%	-17.9%
Corn/bushel	4.4	-1.7%	-39.4%
Wheat/bushel**	275.5	-5.5%	-17.9%

** : 1 week change*
***: 1 month change*

Source : Bloomberg

Company Focus: ASRI

14% earnings downgrade, cut to HOLD

- Lower 2013-15 earnings on higher financing cost and slower sales
- We estimate flat FY14 marketing sales on continued regulatory headwinds
- Less catalysts to support share price performance ahead, cut to HOLD

ASRI has the remaining 120ha land in premium location in Alam Sutera, Serpong. Nevertheless, we estimate ASRI will hinge on the high rise projects and other less-premium areas to support its 2014 marketing sales, due to property prices' rally since 2010-13 on its major project (Alam Sutera). With limited catalysts ahead and 14% earnings downgrade from a slow 3Q13 result, we cut our recommendation to HOLD and lower our TP to Rp660.

2013 earnings: 14% downgrade on higher financing cost
Following slow 3Q13 earnings, due to high financing cost and forex loss, we have downgraded our FY13 bottom line by 14% to Rp1.2tn. Delays in commercial land plot sales in Alam Sutera were offset by Cibitung land sales, to support our FY13 top line of Rp3.8tn, +56% yoy. Hence, we estimate ASRI will book lower 2013 margins across the board following significant Cibitung land contribution to FY13 revenue (24% contribution, with lower margin due to accounting treatment).

2014: More high-rise products, estimate lower marketing sales
Recently, ASRI launched an apartment in Cikokol and sold 1,020 units, with estimated marketing sales of Rp390bn. In 2014, we estimate ASRI will hinge more on high rise products (apartment and office) in Jakarta, Serpong and Cikokol as well as housing/residential land lots in Pasar Kemis. The company targets FY14 marketing of Rp5tn, +4% yoy, with major contribution from Alam Sutera/Cikokol(40%), Pasar Kemis(40%) and Office in Jakarta(20%). In our view, ASRI will face more challenges to book flat marketing sales this year, following the company's plan to offer more, low segment products in Cikokol and Pasar Kemis (which means higher volume needed) in the midst of an election period and continued regulatory headwinds. We conservatively estimate FY14 marketing sales of Rp4tn, with more support from office sales in Jakarta.

Flat 2014 earnings and limited catalysts ahead, cut to HOLD
Following company's accounting policy to book its high rise projects upon completion, we estimate ASRI will book significant revenue and earnings in 2016 (delivery schedule of apartment and offices in Serpong and Jakarta). Higher 2016 earnings growth and additional pre-sales from ex-modernland land in Serpong should provide a catalyst toward 2016. In 2014-15, we estimate flat 2014-15 top lines of Rp3.6-3.7tn, following longer revenue recognition of Pasar Kemis (36 months from 18-24 months previously, following the implementation of LTV regulation). On the bottom line, the company will also book relatively tepid 2014-15 earnings growth, as the result of flat top lines and higher financing costs (from additional US$225mn new bonds issuance early this year). With limited catalysts ahead, we cut our recommendation to HOLD from BUY. Our new TP is Rp660/share, based on 60% discount to RNAV/share of Rp1,650. Risk to our call is better than expected marketing sales on company's products this year.

Key Financials	2011A	2012A	2013F	2014F	2015F
Marketing sales (Rp bn)	2,811	3,648	4,835	4,017	4,284
Revenue (Rp bn)	1,381	2,446	3,823	3,634	3,767
EBITDA (Rp bn)	698	1,266	1,860	1,972	2,020
Net profit (Rp bn)	602	1,193	1,216	1,392	1,456
Net margin (%)	43.6%	48.8%	31.8%	38.3%	38.6%
EPS (Rp)	34	61	62	71	74
EPS growth (%)	107.1%	81.7%	1.1%	14.5%	4.6%
P/E (x)	17.4	9.6	9.5	8.3	7.9
P/BV (x)	3.8	2.5	2.1	1.7	1.5
Net debt/ equity (%)	nc	3.7%	43.2%	47.3%	44.0%
ROE (%)	22.0%	26.1%	22.2%	21.2%	19.0%

Source: ASRI, IndoPremier estimates

Corporates

AALI: Astra Agro Lestari (AALI) FY13 Result : Above our expectation.
Astra Agro Lestari (AALI) booked FY13 net income of Rp1.8tn (-25.3% yoy), beating consensus and our expectation. 4Q13 earnings jumped by 398.4% qoq to 890bn on 1) stronger 4Q13 ASP on higher benchmark CPO price and weakening IDR, 2) solid CPO sales volume on fruits and CPO production jump, and 3) less forex loss burden.

- AALI FY13 earnings dropped by 25.3% yoy to Rp1.8tn however, higher than consensus and our estimate. Better than expected FY13 earnings mainly caused by strong earnings recovery in 4Q13, which jumped by 398.4% qoq to Rp890bn (49.4% portion of FY13 total earnings). 4Q13 revenue grew by 62.3% yoy qoq to Rp4.4tn mainly on stronger 4Q13 ASP and sales volume of Rp8,603/kg (+22.3% qoq) and 472k tons (33.4% qoq) respectively.
- FY13 fruits reached 5.12mn ton (-6.8% yoy) with fruits yield of 20.7 ton/ha (FY12 : 23.4 ton/ha), in-line with our expectation on strong 4Q13 production performance due to cyclically high palm trees' productivity in the second semester. 4Q13 fruits production jumped by 42.4% qoq to 1.8mn ton.

In Rpbn	FY12	FY13	yoy	3Q13	4Q13	qoq
Revenue	11,564	12,675	9.6%	2,737	4,442	62.3%
Gross profit	4,357	4,082	-6.3%	860	1,764	105.0%
Op profit	3,453	2,605	-24.6%	615	1,036	68.3%
Net income	2,410	1,801	-25.3%	179	890	398.4%
Gross profit margin	38%	32%		31%	40%	
Operating profit margin	30%	21%		22%	23%	
Net profit margin	21%	14%		7%	20%	
Operational data						
FFB production	5,498	5,124	-6.8%	1,280	1,824	42.4%
CPO sales volume	1,424	1,577	10.8%	354	472	33.4%
CPO ASP	7,322	7,277	-0.6%	7,035	8,603	22.3%
PK sales volume	232	336	45%	76	99	30.2%
PK ASP	3,465	3,452	0%	3,436	4,544	32.2%

Source: AALI, IndoPremier

ASII: Astra International (ASII) has announced its financial result with revenue increasing by 3% yoy to Rp193.9tn and flat net profit of Rp19.4tn. Net income contribution from financial service grew +15% yoy, followed by automotive +4% yoy but offset by a decline of -15% yoy from heavy equipment and -25% yoy decline from agribusiness. Astra's car sales volume grew 8% yoy to 655,000 units (vs industry of 10%), giving a market share of 53% in FY13 (vs 54% in FY12). Motorcycle sales grew 15% yoy to 4.7mn units faster than the industry growth of 10% yoy. Motorcycle market share improved to 61% in FY13 from 58%. Astra Otoparts' earnings fell by 4% yoy to Rp1.0tn contributed by 60% from associates and jointly controlled entities. Weaker result was posted due to increase of material price and labor cost that could not be fully passed on to customers.

Meanwhile, heavy equipment sales dropped by 32% yoy to 4,203 units despite increase in mining contracting from coal production 11% yoy to 105mn tonne and marginal decline in overburden removal by 1% yoy to 845mn cu meter. The agribusiness experienced weaker ASP by 1% to Rp7,277/kg combined with sales volume increase of 11% yoy to 1.6mn. Weak commodity prices have negatively affected these two business segments.

Surprisingly, Astra Graphia that engages in document information and communication technology solution, grew net income by 22% yoy to Rp209bn. Nonetheless, the contribution to Astra's net income is very insignificant. But in conclusion, this shows that office activities remain relative high despite the economic slow down.

Financial highlights FY13		
Rp tn	**2013**	**2012**
Revenue	193.88	188.05
Gross Profit	35.31	36.20
Net Income	19.4	19.4

Source: Company

Net income contribution from different segments			
Rp bn	**2013**	**2012**	% +/-
Automotive	9,829	9,472	3.8
Financial service	4,273	3,714	15.1
Heavy Equipment and mining	2,971	3,500	-15.1
Agribusiness	1,435	1,920	-25.3
Infrastructure, Logistics	748	683	9.5
IT	161	132	22.0
Net Income	19,417	19,421	0.0

Source: Company

LSIP: PP London Sumatra (LSIP) FY13 Result : Above our expectation.
London Sumatra (LSIP) booked FY13 net income of Rp789 (-31.6% yoy), beating consensus and our expectation. 4Q13 earnings jumped by 23.5% qoq to 326bn on 1) stronger 4Q13 ASP of Rp8,491/ton on higher benchmark CPO price and weakening IDR, 2) solid CPO sales volume on fruits and CPO production jump, and 3) stable profitability.

- FY13 CPO sales volume reached 441k tons (+8% yoy) despite CPO production dropped by 11.5% yoy to 448.3k tons on the back of weaker FY13 fruits production and lower third parties fruits purchase of 1.2mn (-4.9% yoy) ton and 477.2k tons (-29.7% yoy) on inventory liquidation. Nucleus fruit production drop mainly caused by the weather and social condition in the certain region.

In Rpbn	Unit	FY12	FY13	yoy	3Q13	4Q13	qoq
Revenue	Rpbn	4,212	4,134	-2%	966	1,240	28%
Gross profit	Rpbn	1,681	1,253	-25%	312	517	66%
Op profit	Rpbn	1,324	1,026	-23%	349	437	25%
Net income	(%)	1,123	769	-32%	264	326	24%
Gross profit margin	(%)	40%	30%		32%	32%	
Operating profit margin	(%)	31%	25%		36%	36%	
Net profit margin	(%)	27%	19%		27%	27%	
			625.5	-19%			
Operational data							
FFB production	ktons	1,315	1,250	-5%	332	382.81	15%
CPO sales volume	ktons	410	441	8%	98	113.26	16%
CPO ASP	Rp/kg	7,375	7,152	-3%	7,315	8,491	16%
PK sales volume	ktons	392	351	-10%	24	284.75	1099%
PK ASP	ktons	3,791	3,595	-5%	3,687	4,724.91	28%

Source: The company, IndoPremier

SMCB: Holcim Indonesia (SMCB) reported FY13 earnings: net profit down by 29% YoY from Rp1.4tn to Rp952bn, behind our expectation by 7% and lower than consensus estimates by 5%. Sales were up 7% YoY from Rp9.0tn to Rp9.7tn, supported by strong ASP growth of 9% YoY, even though volume sold declined by 1% for the year due to maximum capacity reached (102% utilization rate).

EBITDA/ton grew 6% YoY from Rp299k to Rp316k owing to higher DD&A that increased 33% YoY (+171% QoQ), while sales volume stayed at prior year's level. Cash cost per ton increased 13% YoY (lower than SMGR's 16%), due to royalty fee increasing to 4% for FY13 and higher manufacturing costs that increased 10% YoY (vs. SMGR's 28% YoY). FX loss from foreign-denominated debt increased >5x (+415% YoY), but still within manageable limit, from Rp63bn to Rp323bn, or 3% of sales. Financing costs rose 53% YoY to Rp183bn and FX translation loss increased to Rp185bn for the year. As of FY13, SMCB has 3.9x interest coverage and 0.4x debt-to-equity. (Company)

	Unit	FY12	FY13	% YoY	3Q13	4Q13	4Q12	% QoQ	% YoY
Revenue	Rpbn	9,011	9,686	**7%**	2,391	2,813	2,496	**18%**	**13%**
Gross Profit	Rpbn	3,347	3,355	**0%**	701	1,084	1,017	**55%**	**7%**
EBIT	Rpbn	2,079	2,032	**-2%**	532	710	669	**33%**	**6%**
EBITDA	Rpbn	2,558	2,668	**4%**	767	852	713	**11%**	**19%**
Pre-Tax Profit	Rpbn	1,873	1,337	**-29%**	173	496	596	**187%**	**-17%**
Net Profit	Rpbn	1,350	952	**-29%**	132	353	439	**167%**	**-20%**
Gross Margin	(%)	37%	35%		29%	39%	41%		
EBIT Margin	(%)	23%	21%		22%	25%	27%		
Pre-Tax Margin	(%)	21%	14%		7%	18%	24%		
Net Margin	(%)	15%	10%		6%	13%	18%		
Operational Metrics									
Sales Volume	Tons ('000)	8,548	8,431	**-1%**	2,021	2,400	2,348	**19%**	**2%**
EBITDA/ton	Rp ('000)	299	316	**6%**	380	355	304	**-6%**	**17%**
ASP/ton	Rp ('000)	1,054	1,149	**9%**	1,183	1,172	1,063	**-1%**	**10%**
Cash cost/ton	Rp ('000)	663	751	**13%**	836	720	630	**-14%**	**14%**

Source: SMCB, IndoPremier

SMGR: Semen Indonesia (SMGR) will acquire a US$200mn Myanmar-based cement plant with capacity of 1 mtpa by April this year. SMGR aims to become the majority shareholder in the respective acquisition and has signed an MoU with a local partner. The cement facility will be used to serve regional markets such as Thailand, Bangladesh, Sri Lanka, and Maldives. On a side note, SMGR plans to disburse dividends this year ranging from 30-50% of last year's profit, or Rp1.6tn to Rp2.7tn. For comparison, SMGR's payout ratio in FY13 was 45% of FY12's profits. Final decision will be made during annual shareholders' meeting in March 25th, 2014. (Investor Daily)

WIKA: Wika Beton, the subsidiary of Wijaya Karya (WIKA), will build a new precast plant in Myanmar in May 2014 with total investment of Rp300bn, funded by internal cash. WIKA Beton will form a JV with United Mercury Group (UMG) from Myanmar to build the plant in 5ha land with initial investment of Rp150bn for the first phase of annual capacity of 27k ton. (Investor Daily)

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INVESTMENT RATINGS
Buy : Expected total return of 10% or more within a 12-month period
Hold: Expected total return between -10% and 10% within a 12-month period
Sell : Expected total return of -10% or worse within a 12-month period

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