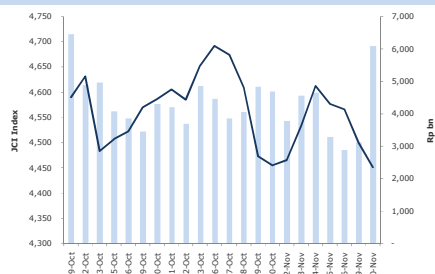


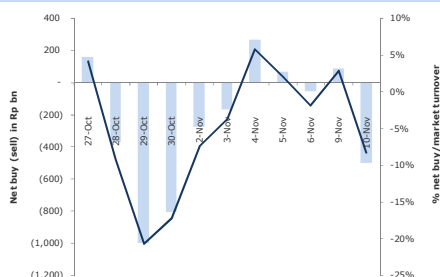
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Index	Closing	1 day	1 year	YTD
JCI	4,451	-1.1%	-11.6%	-14.8%
LQ45	755	-1.7%	-12.1%	-16.0%
DJI	17,758	0.2%	0.8%	-0.4%
SET	1,398	-0.3%	-11.0%	-6.6%
HSI	22,402	-1.4%	-5.9%	-5.1%
NKY	19,671	0.1%	14.9%	12.9%
FTSE	6,275	-0.3%	-5.3%	-4.4%
FSSTI	2,998	-0.4%	-9.2%	-10.9%
EIDO	20	0.0%	-24.0%	-26.3%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	44.2	0.8%	-42.9%
CPO/tonne	546.7	0.0%	5.3%
Soy/bushel	8.6	-1.2%	-15.5%
Rubber/kg	1.3	1.1%	-18.0%
Nickel/tonne	9,473	-0.8%	-37.6%
Tins/tonne	14,726	0.9%	-26.6%
Copper/tonne	4,940	-0.7%	-26.6%
Gold/try.oz (Spot)	1,090	-0.2%	-6.4%
Coal/tonne*	52.2	-0.3%	-17.3%
Corn/bushel	3.5	-2.2%	1.4%
Wheat/bushel**	173.1	-3.7%	-29.0%

* : 1 week change

** : 1 month change

Source : Bloomberg

BSDE: Bumi Serpong (BSDE IJ; Rp1,640; Buy) has revised down its FY15 marketing sales by 11% to Rp6.7tn (from Rp7.5tn), following the plans to postpone two new project launches to 2016. The company may book higher marketing sales if it can realized the sales of 1.5ha land in Serpong by end of this year. By end of September 2015, BSDE has acquired 42ha from total 100ha target this year, funded by internal fund. (Investor Daily, Kontan)

Comments: Based on the revised marketing sales targets, seven property companies within our coverage have lowered their target by 22.5% to total Rp35.2tn (down 6% yoy). Greater clarity in property/tax related regulation and lower interest rates may revive demand in the property market next year.

LPKR: Lippo Karawaci (LPKR IJ; Rp1,155; Hold) have revised down its marketing sales target to Rp4tn from Rp6tn on the back of slow demand in property market. The company has postponed the launches of several project' launch to next year. (Company)

MIKA: Mitra Keluarga (MIKA IJ; Rp2,695; Not Rated) has opened one hospital in Kalideres in 7M15. Company is planning to open 1 hospitals in 2016, 2 hospitals in 2017, 2 hospitals in 2018, 1 hospital in 2019, bringing total new hospitals to 6 at the end of 2019. Four of them have acquired land whereas the remaining haven't. the company didn't disclose any of locations but highlights that the locations will be at Jabodetabek and Surabaya. Regarding Coordination of Benefit (CoB) scheme, MIKA has prepared 3 hospitals which are Depok, East Bekasi and Kemayoran to join the program. Couple of insurance such as Sinarmas and Allianz have also cooperated in the project. MIKA's profitability should be maintainable as the hospital will charge BPJS and insurance according to hospital's rate, not BPJS scheme. (Company)

SSIA: Surya Semesta Internusa (SSIA IJ; Rp665; Not Rated) reported 9M15 operational highlights as follows;

- Land sales in SSIA is still weak with only recorded 3.3 ha in 3Q15 and ASP of US\$165/sqm. Land backlog until 9M15 (exclude 3Q15 marketing sales) is reported at 34.3 ha with average ASP of US\$119.7/sqm. Potential buyers/ tenant are holding back their expansion due to slow economy and Rupiah depreciation. SSIA is eyeing target of 30 ha next year. Food and beverages still dominates most of land sales in 2015.
- Land acquisition in Subang has reached 298 ha from targeted 500 ha in 2015. It has experienced delay due to difficulties in freeing some land. ASP has reached Rp80,000/sqm. Company expects to free 1,000 ha in 2016, start selling in 2017 and book marketing sales in 2018 onwards.
- Meanwhile its subsidiary, Nusa Raya Cipta (NRCA IJ; Rp1,000; Not Rated) has reached new contract of Rp2.71tn in 9M15 (+15.2% YoY). new projects in 3Q15 comes from Praxis Hotel and apartment in Surabaya, Regatta Jakarta, Pullman hotel Ciawi, Q Big BSD city Tangerang, Springhilld Royale Suites kemayoran Jakarta and Radison Hotel Uluwatu Bali. NRCA is targeting new contract of Rp2.98tn next year, higher by 10% from this year.
- From hospitality, occupancy rate in Grand Melia Jakarta (GMJ) has increased to 49.6% in 3Q15 from 47.9% in 3Q14. Melia Bali Hotel (MBH) decreased its occupancy level to 71.4% from 81.4%, previously. Banyan Tree Unggasan Report has higher occupancy rate at 65.5% from 62.4% in 3Q14. Company has opened one low budget hotel, Batiqa in Cirebon and planning to open 2 more hotels in 2016. (Company)

Refer to Important disclosures on the last of this report

SIDO: Industri jamu dan farmasi sido (SIDO IJ; 500; Not Rated) allocates Rp 200bn for 2016 capex in which will be used for production lines addition, distribution and IT expansion. SIDO also plans to boost its export market 10% from current contribution at 2%. The herbal medicine and supplemnet segments remained the major contributors to the company with 12.7% sales growth. SIDO also plans to launch a new herbal product around mid January next year. (Bisnis Indonesia, Jakarta Post)

TLKM: Telkom (TLKM IJ; Rp2,695; Buy) held a conference call to highlights its 9M15 result with interesting points on:

- The fiber optic business unit seems to catch a lot of attention of the audience. We think that this segment could be very strategic in order to create the new wave of growth since fixed line data is under penetrated. The Telkom management view that it has a significant advantage over its competition coming from operating leverage. In this fiber optic segment Telkom will spend capex to 1) Improve and increase fiberized BTS, 2) replace and upgrade its copper network to fiber to improve service to enterprise clients 3) increase Indi Home home pass to double from currently 6.3mn.
- Telkom has 678k subs of Indi Home since it's launching in Sep14 with improving ARPU to Rp300k per subs from previous Speedy subs of only Rp120k per user. Telkom estimated that capex could reach about US\$300 per line. The EBITDA margin from Indihome is estimated to reach 29%. However, this does not include the operating leverage on the cellular side and enterprise customers.
- Telkom expects no significant change in interconnect up to Dec15 and next year. Under such assumption, Telkom should benefit since there is no change in competitive landscape. Interconnect account about 7% of total revenue and 1% of revenue on net basis.
- Tower divestment with Tower Bersama has been cancelled as terms and conditions were not met. The management will explore further means to unlock value of the tower assets. Up to this point no clear guidance was presented by the management.
- In regards of the project Loon of Google, the cooperation between Google and three telco operator, including Telkom, is limited on MoU in technical basis with no commercial aspects. The project will be utilizes to penetrate the very remote area that have no financial feasibility using ordinary means or technology. Therefore, project Loon should be complementary to the current service available.
- Telkom will continue its early retirement program to boost efficiency up to FY17 with yearly expenses of Rp300-500bn.

WTON: Wijaya Karya Beton (WTON IJ; Rp920; Not Rated) expects a big revenue jump of Rp650bn in 4Q15 following accelerating in government spending in the coming months. In 2016, the company is optimistic to see 100% yoy revenue growth on increasing realization of infrastructure projects. Currently, WTON has total 12 precast plants with total annual capacity of 2.3mn ton. (Jakarta Post, Kontan)

WIKA: The management of Wijaya Karya (WIKA IJ; Rp2,755; Hold) stated that it might book flat (or even 5% lower) FY15 earnings compared to FY14 achievement, on the back of slower new contracts secured in 1H15. On a more positive note, the company admitted that it has seen the acceleration of government infrastructure projects in the past months, which would positively support the company to book its FY15 new contracts target of Rp30tn (+76% yoy). This would translate to higher revenue and earnings growth of 30% in 2016. Based on the recent meeting with SOE minister, the government will maintain its 55% ownership in WIKA, which would translate to Rp2.8tn government' capital injection (with the share price assumption of Rp2,800) next year. The company plans to issue shelf-registration bonds to support its expansion going forward. (Company, Indopremier)

Comments: The consensus estimates flat FY15 earnings followed by 34% yoy earnings growth in 2016.

Markets & Sectors

Automotive sector: 4W sales volume dropped 4.7% mom to 88.5k units. Total cumulative sales up to Oct15 was 853.9k units or down by 18% yoy. Meanwhile retail sales declined only by 1% mom to 86.9k units, indicating that inventory level should be healthy. Overall Jan-Oct15 retail sales fell 15% yoy to 846.9k units, slower than the wholesale volume. With managed inventory, auto distributors should enjoy normalized distribution margins. (Bisnis Indonesia)

Cement sector: Sales volume of cement jumped 10.7% mom to 6.4mn tons in Oct15, resulting total cumulative demand of 49.5m tons in the first ten months (+1.5% yoy). All regions except Kalimantan had growing demand which most likely was triggered by accelerated spending in infrastructure by the Government. According to Semen Indonesia, bulk cement grew 25% while bagged cement was relatively stable. (Bisnis Indonesia)

CPO: CPO export on October reported +11.6% mom to 2.6mn MT (from 2.3mn MT), bringing 10M export to 21.5mn MT (FY14: 21.7mn MT). According to CPO Association (GAPKI), exports to Africa (+340% mom to 259k MT), US (+133% mom to 118k MT), and China (+36% mom to 379k MT) booked higher compared to last month, while India reported only +11% mom. In addition, anticipating the falling supply from El Nino and entering winter season put higher CPO demand from overseas. (Investor Daily)

IPO: PT. KINO Indonesia Tbk will go public by the end of this year with IPO proceed at around Rp 0.8tn-1.19tn. KINO will release 228.57mn new shares (16%) with share price offers at Rp 3.750 – 5.225 (15-21x P/E in 2016). The proceed will be used as follows: 27% for inorganic growth, 50% for capex and 23% for working capital. The bookbuilding will start on November 10th until the 20th while the public offering will be on December 2-4. (Kontan)

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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

ANALYSTS CERTIFICATION.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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