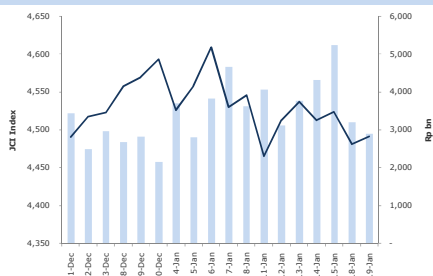


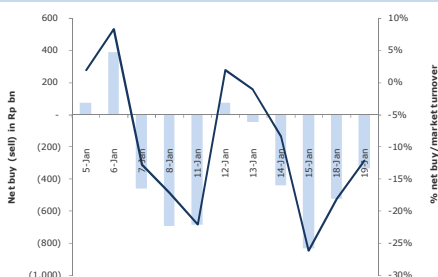
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



| Index | Closing | 1 day | 1 year | YTD |
|-------|---------|-------|--------|--------|
| JCI | 4,492 | 0.2% | -13.1% | -2.2% |
| LQ45 | 782 | 0.8% | -12.2% | -1.2% |
| DJII | 16,016 | 0.2% | -8.6% | -8.1% |
| SET | 1,266 | 1.7% | -17.5% | -1.7% |
| HSI | 19,636 | 2.1% | -18.0% | -10.4% |
| NKY | 17,048 | 0.5% | -1.8% | -11.0% |
| FTSE | 5,877 | 1.7% | -11.2% | -5.9% |
| FSSTI | 2,638 | 1.8% | -20.9% | -8.5% |
| EIDO | 20 | 1.0% | -24.1% | -2.7% |

Commodity price

| Commodities | Last price | Ret 1 day | Ret 1 year |
|--------------------|------------|-----------|------------|
| (in USD) | | | |
| Oil/barrel (WTI) | 28.5 | -3.3% | -41.5% |
| CPO/tonne | 565.7 | 0.3% | 7.3% |
| Soy/bushel | 8.9 | 0.0% | -9.8% |
| Rubber/kg | 1.3 | 0.4% | -14.4% |
| Nickel/tonne | 8,563 | 0.1% | -40.6% |
| Tins/tonne | 13,301 | -0.1% | -31.1% |
| Copper/tonne | 4,415 | 0.8% | -22.7% |
| Gold/try.oz (Spot) | 1,087 | -0.1% | -16.1% |
| Coal/tonne* | 48.9 | -0.7% | -19.7% |
| Corn/bushel | 3.6 | 2.8% | -5.2% |
| Wheat/bushel** | 157.7 | -4.6% | -27.0% |

*: 1 week change

**: 1 month change

Source : Bloomberg

AISA: Big institutional investors dumped Tiga Pilar Sejahtera (AISA IJ; Rp1,030; Not rated) which caused the stock to plunge 9.69% due to rumor regarding the liquidity problem of its subsidiary, GOLL. Since last year, AISA has planned to pay dividend to its shareholders or 30% shares in GOLL, in order for AISA to be more focus on its foods division and rice grains. (Bisnis Indonesia)

ISAT: Indosat (ISAT IJ; Rp5,275; Hold) and XL Axiata (EXCL IJ; Rp3,720; Hold) entered an agreement for network sharing especially for 4G in cities such as Banyumas, Surakarta, Batam, and Banjarmasin. Both companies intended to reduce imported equipment to support Government's trade balance and improve efficiency in capex and operation. In the beginning stage, the cooperation will share network but still operate using each spectrum or multi operator radio access network (MORAN). In the later stage this could be step up to share network and spectrum or multi operator core network (MOCN). The network sharing scheme should not affect consumer experience in using telecommunication and data service. (Investor Daily)

KIJA: Kawasan Industri Jababeka (KIJA IJ; Rp233; Not rated) will increase ASP by 10-15% to maximum Rp3.45mn/sqm. The company has also started building infrastructure in Kendal. Company has not yet disclosed marketing sales target this year but optimist it will be higher yoy due to recovery in economy. KIJA has not planning to launch industrial estate in Kendal, the company prefers to wait for the right time. (Investor Daily)

KLBF: Kalbe Farma (KLBF IJ; Rp1,365; Buy) can be benefited from the lower inflation rate and 4.73% of GDP growth compared to last year. Thus, it gives room for KLBF for price increase. CCI also increased to 107.5 in December 2015 from 103.7 in November 2015. This year, KLBF has allocated Rp1.2tn of capex (+20% yoy) from internal cash. The nutritional products produced from its partnership with Blackmores are expected to contribute Rp100bn next year's revenue. The success likelihood is very high, considering the fact that Blackmores has been a market leader in Malaysia, Thailand, Singapore, China and Korea. (Investor Daily)

Comment: We believe its partnership with Blackmores will give the same benefit as its previous partnership with Morinaga of Japan in the nutritional division.

SRIL: Sri Rejeki Isman (SRIL IJ; Rp331; Not rated) is planning to publish global bond issuance for US\$420mn for refinancing after it was postponed last year. The refinancing portion is at US\$320mn, where US\$270mn will be used for notes exchanges owned by its Singapore-based subsidiary, Golden Legacy Pte. Ltd, which will be due on April 2019 and 9% interest rate p.a. The remaining fund will be used for expansion in all divisions. (Bisnis Indonesia)

TBIG: Tower Bersama (TBIG IJ; Rp5,600; Buy) has express interest to participate in tower sales of XL Axiata (EXCL IJ; Rp3,720; Hold) of 2000-2500 towers. TBIG has exit the deal with Telkom and so far there are no further plans to re-negotiate on the tower sales. For FY16, Tower Bersama aims to add 1500-2000 tenants with total towers owned currently at 12,159 towers. (Kontan)

WIKA: Wijaya Karya (WIKA IJ; Rp2,865; Buy) has appointed three consultants to help with High Speed Railway (HSR) Jakarta – Bandung. The consultants are WS Atkins Plc, Aedas, and Surbana Jurong Pte LTD. Company is currently reviewing transit oriented development (TOD) plan or supporting facilities to be built around the HSR. TOD could take 10-15 years to build, even longer from HSR than might takes 3-4 years. (Investor Daily)

Markets & Sector

Automotive sector: Honda Prospect Motor (non listed), the 4W Honda distributor, looks at a growth of 8.2% yoy to 180,000 units in FY16, which is slightly higher than Astra International (ASII IJ; Rp5,925; Hold) outlook of growth of 5% for FY16. This growth is expected to supported by the launching of BRV plus facelift models of New Honda Mobilio and New CRV. Last year, highest sales was from Honda Mobilio (42,932 units) followed by HRV (37,647 units), Brio (31,820 units), Jazz (17,345 units) and CRV (10,750 units). Moreover, Honda aims to increase its dealership to 200 units from currently 151 outlets. (Bisnis Indonesia)

Construction sector: SoE based construction companies have allocated capital expenditure of Rp 404.8tn or 51% higher YoY in 2016. The capex will be used to fund 62 strategic projects with investment value of Rp347.22tn. These projects are High Speed Railway (HSR) Jakarta – Bandung, toll road, power plant and oil and gas projects from Pertamina. It is estimated that 184,176 labor will be absorbed by the projects. (Investor Daily)

Financial sector: Indonesia's Financial Services Authority (OJK) reportedly plans to issue a regulation on minimum investments by pension, insurance and social security funds in government bonds. According to the plan, the minimum threshold will vary from 10-20% for general and life insurers in 2016, respectively (rising to 20-30% in 2017), 30% for employees state-sponsored social security and healthcare funds (BPJS Ketenagakerjaan & BPJS Kesehatan), 30% for pension funds and 50% for other social security funds (Dana Jaminan Sosial Ketenagakerjaan). (Kontan Daily).

Comment: Implementation of this rule would support diversification of ownership of government bonds and reduce dependence on foreign portfolio investors (currently at 38% of outstanding bonds) although investments in government bonds are viewed as less attractive in comparison to cash (given high interest rates on bank deposits in Indonesia).

Oil & gas sector: Chevron Indonesia announced it would not extend its East Kalimantan production sharing contract beyond the 2018 expiry date and would return the assets to the state. However, a senior official of the company said it would continue its strategic projects in the country such as the Indonesia Deepwater Development project. ConocoPhillips also reportedly plans to farm out its stakes in South Natuna Sea Block B to new partners. The steep fall in oil price has led to closure of unprofitable operations such as Energi Mega Persada's (ENRG IJ; Not Rated) Tonga project in North Sumatera. (Jakarta Post).

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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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