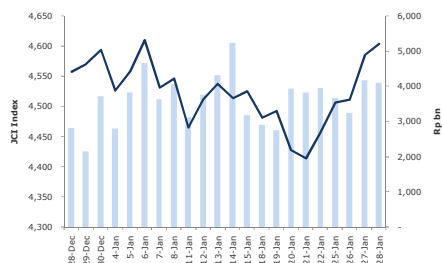


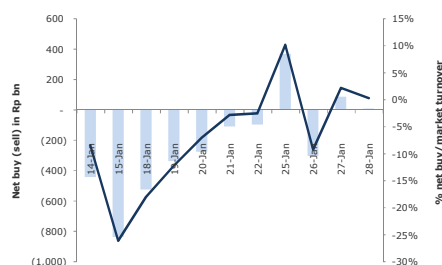
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Index	Closing	1 day	1 year	YTD
JCI	4,603	0.4%	-12.5%	0.2%
LQ45	795	0.1%	-12.5%	0.4%
DJII	16,070	0.8%	-7.7%	-7.8%
SET	1,288	0.8%	-18.8%	0.0%
HSI	19,196	0.8%	-22.0%	-12.4%
NKY	17,041	-0.7%	-3.2%	-10.6%
FTSE	5,932	-1.0%	-12.9%	-5.0%
FSSTI	2,562	0.6%	-25.1%	-11.1%
EIDO	21	1.1%	-22.6%	1.1%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	33.2	2.8%	-25.3%
CPO/tonne	595.4	-0.9%	12.3%
Soy/bushel	8.6	-1.7%	-10.0%
Rubber/kg	1.3	-0.5%	-18.2%
Nickel/tonne	8,553	-0.8%	-43.0%
Tins/tonne	14,290	-1.4%	-25.6%
Copper/tonne	4,540	-1.2%	-17.8%
Gold/try.oz (Spot)	1,115	-0.9%	-11.3%
Coal/tonne*	48.9	-0.2%	-22.2%
Corn/bushel	3.6	-1.0%	-2.7%
Wheat/bushel**	163.8	3.8%	-29.7%

*: 1 week change

**: 1 month change

Source : Bloomberg

AISA: PT Tiga Pilar Sejahtera Food (AISA IJ; Rp 1,025; Not rated) received Rp1.27tn bank loans from PT Bank Maybank Indonesia and The Bank of Tokyo-Mitsubishi through its subsidiary. TPS Food is reportedly to produce Capri Sun next year with 25.92mn packages in the first year. The construction of the plant will start this year with investment value of Rp100bn. The product is expected to contribute to revenue starting next year. The company is eyeing Rp3.5tn of revenue this year. The company's top performing products are Taro (snacks), Bihunku (instant vermicelli), Superior (instant noodle), and 'Mie Kremes' (snacks).

In addition, TPS Food plans to release its subsidiary, GOLL this year either by private placement or stock dividend. If the divestment is realized, the debt consolidation will be cut down to 30%. (Investor Daily)

KAFF: Kimia Farma (KAFF IJ; Rp1,070; Not rated) to enter industrial salt business together with its partner, PT. Sungwung Pharmacopia Indonesia. The JV will engage in active pharmaceutical ingredient and high functional chemical. So far, the capital injection to the JV is at Rp27.5bn. KAFF is currently looking for local partner before the production begins in 2017. This facility is expected to reduce import dependency. It is told that industrial salt demand in Indonesia is around 3mn tons p.a and is predicted to keep rising. For 2016's expansion fund, KAFF plans to raise Rp1tn from right issue. Meanwhile, the capex allocation in 2016 is around Rp1tn. (Investor daily)

MBTO: Martina Berto (MBTO IJ; Rp125; Not rated) acquires Rudy Hadisuwarno for Rp58bn. It was funded by IPO proceed of Rp21bn and a bank loan of Rp37bn. This acquisition is expected to support MBTO's revenue growth. This year, MBTO is eyeing for 10% yoy revenue growth. (Kontan)

WSKT: Waskita karya (WSKT IJ; Rp1,735; Buy) will publish bond of Rp2tn in 1H16. The bonds is first part from PUB of Rp5tn. The duration will be 2-3 years. The proceed from first bond will be used to fund 2016's capex that might cost Rp10tn. Furthermore, capex will be used to finance Light Rail Transit (LRT) Palembang that cost Rp7tn. LRT is targeted to finish in 2018, so it can support Asian Games in Palembang. According to the company, lower interest rate from BI could help the bond to have lower rate than bank loan, thus making it more attractive. (Investor Daily)

Markets & Sector

Construction sector: Government is planning to consolidate SoE construction player. the target is to have five big players from currently 16 companies. The reason behind the restructuring are to maximatze SoE players as infrastructure development, increase size of SoE, shorten span of control, backward- forward integration that more effective, increase competitiveness, balancing recurring income and non recurring and refocus business. If the plan is realized, government will have five entities; PT Pembangunan perumahan (PTPP IJ; Rp3,940; Buy), Wijaya Karya (WIKA IJ; Rp2,780; Buy), Jasa Marga (JSMR IJ; Rp5,700; Buy), Hutama Karya and Perum Perumnas. Roadmap as follows: (Bisnis Indonesia)

2016	2017	2018
Waskita karya (WSKT IJ; Rp1,735; Buy) to acquire Adhi Karya (ADHI IJ; Rp2,470; Buy)	Three SoE players (Indah Karya, Yodya Karya, Bina Karya) to merger under WIKA	Two SoE players (Nindya Karya and Virama Kaya) to be acquired by PTPP
Inbreng Indra Karya to JSMR	Asset owned by Brantas Abipraya, Amarta Karya, Rekayasa Industry will inbreng with WIKA	JSMR to acquire WSKT
Inbreng idle non property asset Hutama karya to HK Realtindo	WSKT to right issue, followed by JSMR	

Economic Update

Fiscal policy: The Finance Minister stated a plan to revise up the government's capital expenditure on the upcoming revision of the 2016 state budget to support economic growth target of 5.3%. He indicated the revised capex would be higher than in 2015 and the original 2016 budget. The government's infrastructure spending was allocated at Rp310tn in the original 2016 fiscal budget (vs. Rp290tn in 2015). However, the upward revision would also depend on successful implementation of the tax amnesty plan this year. (Jakarta Post)

Comment: We view this as potentially good news for the construction sector, in light of fiscal risk from last year's tax revenue shortfall and significantly lower oil price in 2016 (vs. budget assumption of US\$50 a barrel). Our top picks in construction sector are Waskita Karya (WSKT IJ; Rp1,735; Buy) and Pembanguna Perumahan (PTPP IJ; Rp3,940; Buy).

Monetary policy: A BI Director stated demand for US dollars have fallen to US\$3bn a month, from \$7bn previously before BI issued regulation restricting use of USD for domestic transactions in July 2015 except for certain industries. The government's policy package issued this week which expand such restriction to the shipping industry should further lower USD demand in the country. Separately, BI Governor also stated that 83% of 2,400 corporations with offshore borrowings have complied with BI's hedging regulation (e.g. 20% of net foreign liability falling due in next six months). (Kontan, Kompas)

Comment: The steep fall in USD demand onshore is also likely due to a steep fall in Indonesia's exports/imports in the past year, including the impact of a sharp fall in oil price. Reduced demand for USD may have contributed to relatively stable currency in recent months despite BI's policy rate cut this month and a Fed lift off in December. This, coupled with Moody's affirmation of Indonesia's investment grade Baa3 sovereign rating with Stable outlook and the fall in 10-yr yields, in our view will increase BI's confidence to proceed with a further rate cut near term. We expect BI to cut rate by 50bps in 2016, with possibility of deeper rate cuts should a tax amnesty plan lead to repatriation of flight capital.

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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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