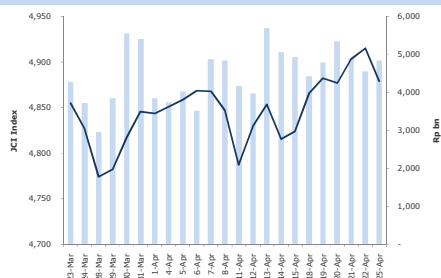


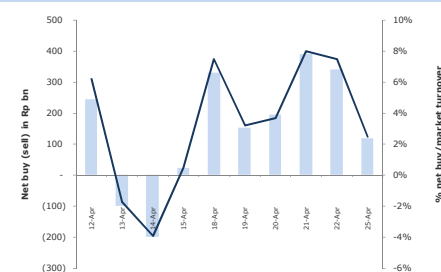
## News &amp; Analysis

## Corporates

## JCI Index



## Foreign net buy (sell)



## Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	4,879	-0.7%	-10.2%	6.2%
LQ45	846	-0.8%	-11.0%	6.8%
DJI	17,977	-0.1%	-0.6%	3.2%
SET	1,409	-0.1%	-9.4%	9.4%
HSI	21,304	-0.8%	-24.1%	-2.8%
NKY	17,439	-0.8%	-12.9%	-8.8%
FTSE	6,261	-0.8%	-11.5%	0.3%
FSSTI	2,900	-1.4%	-17.4%	0.6%
EIDO	24	-0.8%	-14.0%	13.0%

## Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	41.2	-3.4%	-25.8%
CPO/tonne	615.8	-1.3%	10.0%
Soy/bushel	10.0	1.3%	3.7%
Rubber/kg	1.8	0.0%	13.6%
Nickel/tonne	9,096	0.4%	-30.9%
Tins/tonne	17,507	0.0%	10.8%
Copper/tonne	5,006	-0.7%	-17.0%
Gold/try.oz (Spot)	1,238	0.4%	5.0%
Coal/tonne*	51.0	0.8%	-12.9%
Corn/bushel	3.7	1.2%	2.9%
Wheat/bushel**	159.3	-3.2%	-21.1%

\*: 1 week change

\*\*: 1 month change

Source : Bloomberg

**AUTO:** Astra Otoparts (AUTO IJ; Rp1,965; Hold) has released its 1Q16 result with highlights as follows:

- Net income jumped 42.7% yoy but dropped -31.3% qoq, from improvement in revenue and profit margins, but contribution from affiliates and associates remain weak. In general, AUTO was able to restore gross margin probably from lower input prices. Nevertheless, we think volume growth remain relatively slow leaving operating margin still below normal level of above 5%. Additionally, net income contribution from affiliates and subsidiary remained declined -26.2% yoy, not showing any recovery in the automotive market.
- Total sales grew 8.7% yoy and 2.3% qoq, mostly contributed from growth of third party sales of 13.4% yoy, while related party fell -0.8% yoy. We think that there is strong growth in the replacement market but very limited recovery in OEM parts for manufacturing.

	1Q16	1Q15	+/- %	1Q16	4Q15	+/- %	FY16F	% of forecast
<b>Total sales</b>	3,123	2,874	8.7	3,123	3,054	2.3	14,924	20.9
<b>Gross profit</b>	486	417	16.5	486	465	4.5	2,128	22.9
<b>Operating profit</b>	153	92	66.5	153	106	45	613	25
<b>Equity income</b>	18	25	-26.2	18	1	1,355.1	744	2.5
<b>Net interest</b>	-21	-13	61.7	-21	-28	-24.4	-175	12.3
<b>Tax</b>	-45	-25	77.1	-45	-37	20	-110	40.8
<b>Net profit</b>	113	79	42.7	113	164	-31.3	1,073	10.5
	1Q16	1Q15		1Q16	4Q15			
<b>GPM (%)</b>	15.6	14.5		15.6	15.2			
<b>OPM (%)</b>	4.9	3.2		4.9	3.5			
<b>NPM (%)</b>	3.6	2.8		3.6	5.4			

Source: Company

**BBTN:** Bank Tabungan Negara (BBTN IJ; Rp1,730; Buy) reported net profit of Rp491bn in 1Q16 (+22% yoy) on the back of its equally strong loan growth of 19%, which was twice as fast as industry growth, albeit with a slightly narrower NIM of 4.13% (-15bps yoy). However, on quarterly basis, 1Q earnings were weaker vs. 4Q15 (-22% qoq), due to lower NIM (4Q: 4.59%) and seasonally lower NPL recovery income. BBTN's very strong loan growth was driven by growth of its lower-margin subsidized mortgages (+28% yoy), reflecting the bank's role in supporting the government's One Million Housing Program although its commercial housing loans, construction loans and non-housing consumer loans grew equally robust at 16%, 25% and 22% yoy, respectively. Meanwhile, asset quality was stable with NPL ratio slightly increasing to 3.59% in 1Q (4Q: 3.42%) albeit well below year-earlier level (1Q15: 4.78%) with provisions/NPL coverage of 41.3% (4Q: 43.1%). (Company)

*Comment: BBTN's 1Q earnings represented 23.5% of our FY16F forecast of Rp2,087bn (in-line) although it appears to be below consensus estimate (FY16F: Rp2,252bn). We like the bank for its defensive qualities given that asset quality has improved while we believe earnings risk from the government's single digit lending rate targets is lower at BBTN vs. peer major banks in Indonesia given its focus on home mortgages and already lower NIMs. We keep our Buy rating unchanged.*

**UNTR:** Shareholders of United Tractors (UNTR IJ; Rp16,000; Not Rated) decided the dividend payout ratio of 67% of 2015 earnings, translating to the cash dividend of Rp691/share including Rp251/share of interim dividend paid in October 2015. The remaining Rp440/share of final cash dividend (yield: 2.75%) will be distributed on 23 May 2016.

Refer to Important disclosures on the last of this report

Eight international banks will finance the construction of coal fired power plants with the capacity of 2x1,000 MW (Tanjung Jati 5 & 6) owned by the consortium of UNTR (25%), Sumitomo Corp. (50%) and Kansai Electric (25%). Financial closing is targeted to complete by July 2016 while land clearing process have reached 99%. The total project will cost US\$4bn, which will be financed by equity (20%) and debt (80%), translating to total debt of US\$3.2bn and UNTR's equity portion of US\$200m. The power plant is expected to complete by 2020 and will consume around 7m tons of coal per annum.

UNTR's 1Q16 heavy equipment sales reached 499 units, down 34.6% yoy as demand from agricultural, forestry and mining sectors weaken while demand from construction sector slightly improving, allowing sales to the construction sector reached 48% of total heavy equipment sales. Komatsu remains the market leader in heavy equipment industry with market share of 34%. The mining contracting division posted 6.6% yoy lower overburden removal of 163.4m bcm in 1Q16, and 3.9% yoy lower coal extraction volumes of 24.5m tons. The coal mining division posted 1Q16 coal production volumes of 1.75m tons, up 2.2% yoy.

*Comment: UNTR's final dividend of Rp440/share is slightly lower than the market expectation of Rp480/share. We believe positive sentiment on Tanjung Jati power plant project is not fully reflected in UNTR's recent stock price performance, while in our view weak 1Q16 operational figures are expected by the market.*

**UNVR:** Unilever Indonesia (UNVR IJ; Rp44,775; Hold) reported net profit of Rp1.6tn (-1.4% yoy; -6.1% qoq) on the back of revenue growth of 6.1%. Foods division reported higher revenue growth of 14% vs. HPC of only 3% growth. The Gross margin was lower by 2.2bps from 52.4% in the previous quarter on the back of higher raw material costs. We also suspect the lower gross margin due to unfavorable product mix with higher contribution from low margin foods business. As of 1Q16, FC contributed 31% to the total sales, while HPC accounted for 69% from total sales (vs. 4Q15: HPC accounted for 71.5% of total sales and FC with 28.5%). (Company)

*Comment: We expect tax amnesty and lower gasoline price to further translate on better consumer spending later this year. We are also optimistic on higher sales realization as we are approaching Muslim festival of Eid Mubarak. However, we are still cautious on government's plan to apply excise tax on plastic bottle which will further hurt company's profitability.*

(in Rp bn)							3M/ FY forecast		M/ FY consensus	
	1Q16	1Q15	YoY	1Q16	4Q15	QoQ	2015	2016	2015	2016
<b>Revenue</b>	9,988	9,413	6.1%	9,988	8,937	11.8%	25.8%	24.5%	25.4%	24.6%
<b>Gross Profit</b>	5,021	4,803	4.5%	5,021	4,685	7.2%	25.8%	24.1%		
<b>Operating Profit</b>	2,147	2,088	2.8%	2,147	2,292	-6.3%	26.3%	24.7%		
<b>Net Profit</b>	1,570	1,592	-1.4%	1,570	1,672	-6.1%	27.2%	24.9%	24.4%	24.1%
	<b>1Q16</b>	<b>1Q15</b>		<b>1Q16</b>	<b>4Q15</b>					
<b>Gross Margin (%)</b>	50.3%	51.0%		50.3%	52.4%					
<b>Operating Margin (%)</b>	21.5%	22.2%		21.5%	25.6%					
<b>Net Margin (%)</b>	15.7%	16.9%		15.7%	18.7%					

Source: Company

## Markets & Sector

**Counterfeit Medicines:** Food and Drugs Monitoring Agency (BPOM) seized 4,441 items of illegal products. The illegal products are worth Rp49.83bn; where 63% consists of counterfeit drugs, 16% are illegal traditional medicines and the rest are illegal cosmetics. (Business Indonesia)

## Economics

**Investment realisation:** Investment realisation in 1Q16 achieved Rp146.5tn or an increase of 17.6% compared to last year's figure. Head of Investment Coordinating Agency (BKPM) Franky Sibarani believes that the FY16's investment target of Rp595tn will be realised in consideration of the 24.6% achievement in the past quarter. Realised domestic

investment was Rp50.4tn (18.6% yoy), whereas foreign investment was Rp91.1tn (17.1% increase yoy). In terms of sectoral distribution, manufacturing industry was the biggest contributor, whereas Singapore was the largest investor in terms of country of origin. (Jakarta Post, Bisnis Indonesia)

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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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