

News & Analysis

Corporates

KINO: Kino Indonesia (KINO IJ; Rp5,925; Buy) has just announced its acquisition of Indonesia's traditional pharma company called Dua Putri Dewi. The company has long outstanding history since 30 years ago and was established by two of Nyonya Meneer's daughter. The transaction cost was reported at Rp29bn. Kino Indonesia acquired the brand from PT. Surya Herbal. For this year, the company plans to launch 70 new SKUs (vs. 20-30SKUs previously). In addition, the company sets 36% earnings growth target. (Company, Kontan)

Comment: We see the company's acquisition of Indonesia's jamu company will be positive for the company's performance. It is predicted that Indonesia's jamu and traditional medicine market will reach Rp20tn in the next couple of years. We also believe the company's strong distribution and innovation culture will support the growth in this segment going forward. In addition, we forecast the earnings to grow 43% (vs. company's growth target of 36%).

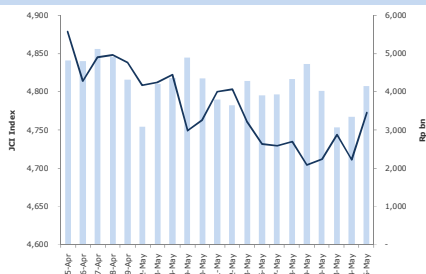
PTBA: Bukit Asam (PTBA IJ; Rp6,475; Not Rated) requests the letter of interest for the Sumatera-Java high voltage direct current transmission (HDVD) project from the state owned electricity company, PLN before continuing PTBA's Bangko Tengah 2x620MW mine mouth power plant (Sumsel 8) project. PTBA has completed the land acquisition of 103 ha for the power plant, and secures loan facilities for the project. (Kontan)

Comment: This is Neutral for PTBA as we believe the market has anticipated another delay in the completion of PTBA's mine mouth power plant project. However, the news is the evidence of PLN's significant role in improving Indonesia coal consumption as almost all large-scale coal power plant projects (in the pipeline) require additional electricity transmission capacity from the PLN.

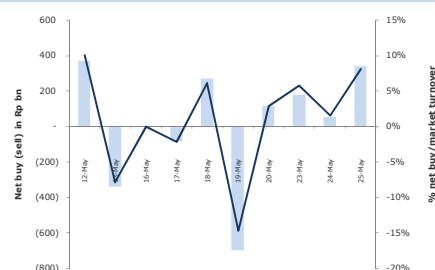
TLKM: Telekomunikasi Indonesia (TLKM IJ; Rp3,780; Buy) aims to penetrate 20mn household by fiber (FTTH) in 2020. To achieve this target, Telkom will cooperate with several strategic partners and allocate investment of US\$300 per household to reach the last mile connection. Strategic partners could enjoy an IRR of 21% which is much higher than average returns. Telkom has also strategic alliance with vendor such as ZTE, Huawei, Fiber Home, and Alcatel Lucent to support development of fiber network. Currently, fixed broadband penetration is only 5% with network speed of only 1.9Mbps. In 2019, Telkom aims to cover 71% fixed broadband penetration in urban with 20Mbps and 29% in rural area with 10Mbps. (Investor Daily).

WTON: Wijaya karya Precast (WTON IJ; Rp900; Not Rated) is optimistic to reach its FY16 new contract target of Rp4.3tn. Until April 2016, company has booked new contract of Rp1.3tn or 30.2% from FY16 target. Most of new contract still came from other SoE and its parent company (13%) and government (9%) while private sector remains weak. WTON is aiming for train, PLTU Cilacap Phase II, bridges and building contract. Company is also planning to build one additional plant in West Java to support MRT project. (Kontan)

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	4,773	1.3%	-10.3%	3.9%
LQ45	819	1.6%	-11.7%	3.4%
DJI	17,852	0.8%	-1.1%	2.4%
SET	1,398	1.0%	-6.7%	8.5%
HSI	20,368	2.7%	-27.9%	-7.1%
NKY	16,757	1.6%	-18.0%	-11.4%
FTSE	6,263	0.7%	-9.9%	0.3%
FSSTI	2,767	0.6%	-20.0%	-3.4%
EIDO	22	1.4%	-14.5%	6.8%

Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	49.2	2.1%	-16.7%
CPO/tonne	615.8	1.7%	10.0%
Soy/bushel	10.7	3.0%	16.5%
Rubber/kg	1.6	-1.7%	-10.8%
Nickel/tonne	8,305	-0.6%	-34.4%
Tins/tonne	15,665	-0.1%	-0.5%
Copper/tonne	4,672	1.1%	-24.1%
Gold/try.oz (Spot)	1,224	-0.2%	3.1%
Coal/tonne*	51.3	0.6%	-14.6%
Corn/bushel	3.9	1.9%	12.1%
Wheat/bushel**	163.4	-0.4%	-16.6%

* : 1 week change

** : 1 month change

Source : Bloomberg

Markets & Sectors

Property sector: BI is planning to remove housing mortgage ban on pre constructed housing to boost property demand. Not only the second house, but it also covers the third houses and onwards. The regulation is expected to be released this year. BI expects this will help bank credit to grow 10-13% in 1016. Aside from LTV, BI is reviewing to increase loan to funding ratio (LFR) which is currently stays at 78%. (Kontan)

Comment: the allowance to use KPR on pre – constructed second house, third house and onwards could boost property demand as many investors also using mortgage as their funding source. Nevertheless, the higher LFR could also provide better disbursement for developer, resulting in better balance sheet and cash flow. We like Bumi Serpong Damai (BSDE IJ; Rp1,815; Buy) and Ciputra Development (CTRA IJ; Rp1,390; Buy) as both have space to maneuver their product mix and improve payment profile if the regulation fully implemented.

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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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