

News & Analysis

Corporates

ASII: Astra International (ASII IJ; Rp6,700; Hold) wants increase its toll road operation up to 330km in 2020 from currently only 103km in operation. Moreover, Astra has five toll roads with a total length 226km of which 123km is still in developing stage. Astra holds 79% ownership in Tangerang-Merak toll road (72.4km), 100% in Mojokerto-Kertosono (40.5km), 40% in Serpong-Kunciran (11.2km) and 25% each in Semarang-Solo (72.6km) and Serpong Balaraja (30km). (Kontan)

Comment: Contribution from toll road sector to total revenue of ASII remains insignificant. It seems ASII remains selective in adding new sections especially by holding minority stakes instead of majority. Therefore, revenue diversification from toll road should remain low due to prudent investment policy.

UNVR: Unilever Indonesia (UNVR IJ; Rp43,500; Hold) to pay a total dividend of Rp5.84tn or Rp766 per share despite a slower earnings growth in 2015. For this year, the company will continue to maintain its performance. The company has increased its ASP by 1.8-1.9% last February to maintain the margin. The revised capex allocation will be Rp2tn, where Rp600bn will be used for new office construction. The company plans to launch 40 products (launching and re-launching). As of June 2016, Company has launched 15 products. (Kontan)

Comment: Considering the current share price, we see that the valuation is very demanding compared to other consumer peers. However, we like the fact that UNVR keeps maintaining its dividend payout ratio despite slower earnings growth last year. We think that the stock would be suitable for investors who want to add defensiveness to their portfolio. Otherwise, maintain HOLD.

Markets & Sectors

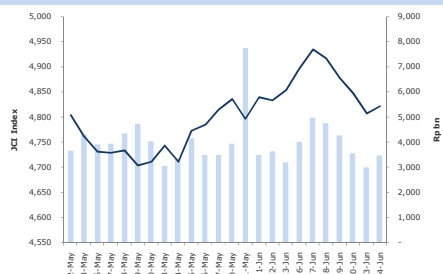
F&B sector: According to Head of Indonesia F&B association, the F&B sales during May and July might grow by 30%. The demand has drastically increased since the beginning of fasting period.

Comment: We think this will benefit Unilever Indonesia (UNVR IJ; Rp43,500; Hold), Kino Indonesia (KINO IJ; Rp6,075; Buy), Indofood CBP (ICBP IJ; Rp16,700; Buy) and Nippon Indosari (ROTI IJ; Rp1,420; Buy) for their exposure in F&B products. We also think KLBf to benefit from higher sales of Promag (gastric pain treatment) during fasting period.

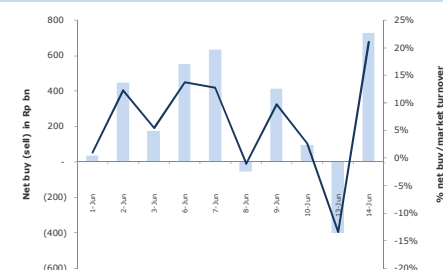
Plantation sector: Indonesia Palm Oil Pledge (IPOP), a partnership of palm oil companies with a mission to work towards sustainable palm oil business practice which is deforestation free, may disband itself prior to the announcement of The Business Competition Supervisory Commission's (KPPU) legal standing on the allegation of cartel activities by the members of IPOP. IPOP was signed at the UN Climate Summit in March 2015. Members of IPOP (Astra Agro Lestari (AALI IJ; Rp17,700; Not Rated), Wilmar Indonesia, Cargill Indonesia, Golden Agri Resources, Asian Agri and Musim Mas Group) refused to buy and process farmers' palm oil fresh fruit bunch which planted in the conservation or forestry areas. (Kontan)

Comment: This may lower Indonesia CPO export to Europe which forms approximately 9% of total Indonesia CPO export.

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	4,822	0.3%	-0.3%	5.0%
LQ45	823	0.4%	-0.3%	3.9%
DJI	17,675	-0.3%	-0.7%	1.4%
SET	1,428	0.4%	-4.9%	10.9%
HSI	20,388	-0.6%	-24.1%	-7.0%
NKY	15,859	-1.0%	-22.2%	-17.2%
FTSE	5,924	-2.0%	-11.7%	-5.1%
FSSTI	2,785	-1.3%	-16.2%	-4.0%
EIDO	23	0.0%	-2.0%	8.9%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	48.5	-0.8%	-19.1%
CPO/tonne	615.8	-1.9%	10.0%
Soy/bushel	11.6	0.0%	24.1%
Rubber/kg	1.5	-0.5%	-17.8%
Nickel/tonne	8,837	0.0%	-32.5%
Tins/tonne	16,985	-0.9%	15.3%
Copper/tonne	4,496	-1.0%	-23.7%
Gold/try.oz (Spot)	1,286	0.1%	8.4%
Coal/tonne*	52.4	-1.0%	-12.7%
Corn/bushel	4.2	1.6%	23.3%
Wheat/bushel**	163.4	-0.4%	-16.6%

* : 1 week change

** : 1 month change

Source : Bloomberg

Head Office**PT INDO PREMIER SECURITIES**

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

Jakarta 10210 - Indonesia

p +62.21.5793.1168

f +62.21.5793.1167

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.

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