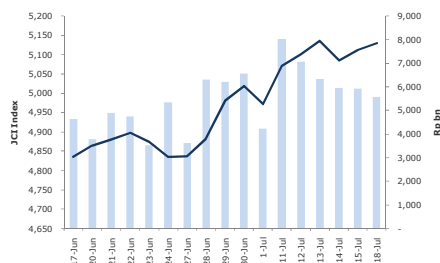


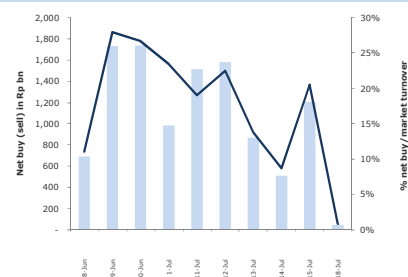
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,128	0.3%	5.3%	11.6%
LQ45	881	0.4%	5.7%	11.2%
DJI	18,533	0.1%	2.5%	6.4%
SET	1,492	0.2%	0.9%	15.8%
HSI	21,803	0.7%	-14.2%	-0.5%
NKY	16,606	0.7%	-19.6%	-12.8%
FTSE	6,695	0.4%	-1.2%	7.3%
FSSTI	2,929	0.1%	-12.7%	1.6%
EIDO	25	1.4%	8.5%	21.2%

Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	45.2	-1.5%	-11.1%
CPO/tonne	571.8	0.8%	10.0%
Soy/bushel	10.7	0.4%	6.1%
Rubber/kg	1.8	4.1%	11.0%
Nickel/tonne	10,505	2.6%	-8.3%
Tins/tonne	17,902	-1.2%	13.0%
Copper/tonne	4,922	0.4%	-9.8%
Gold/try.oz (Spot)	1,329	-0.6%	17.1%
Coal/tonne	60.9	-0.0%	0.9%
Corn/bushel	3.5	1.4%	-14.9%
Wheat/bushel*	157.5	-3.6%	-18.4%

*: 1 month change

Source : Bloomberg

ICBP: PT Indofood Sukses Makmur (ICBP IJ; Rp16,925; Buy) announces a 2-for-1 stock split at 3 June 2016. The Company plans to complete the stock split by the end of 26 July 2016. After the stock split, the outstanding shares will increase to 2.3bn shares, with a new nominal price of Rp50/share. (Kontan)

Comment: We view the solely intention to undergo a stock split is to bring the share price down to a reasonable level for small investors, which ultimately improve the liquidity in the market. The current valuation is at 29x P/E and we put a Buy rating for ICBP at 31x P/E FY16F.

JPFA: KKR Jade Investment Pte Ltd will acquire 6.57% of Japfa Comfeed Indonesia (JPFA IJ; Rp1,255; Not Rated) through a private placement with the acquisition price of Rp935.6 per share and total transaction worth Rp701.7bn. JPFA's treasury and funding officer, Putut Djagiri stated that shareholders have agreed on the private placement plan. (Kontan)

POWR: It has been reported that Cikarang Listrindo (POWR IJ; Rp1,440; Not rated) has proposed a new tariff for FY16 to the regional Government of West Java. According to the Head of Department of Energy and Mineral Resources of West Java, Cikarang has proposed a tariff of US\$13.3 cents/kWh which is lower than the previous year. Since Cikarang will operate a coal fired power plant, it has been reported that Cikarang proposed a lower tariff. Nevertheless, the operation and new tariff will be discussed with the Government and Regional House of Representative of West Java. No decision has been made on the new tariff. (Bisnis Indonesia).

Comment: Electricity tariff for industrial estate was US\$13.76/kWh, which is higher than the proposed tariff. We have assumed a tariff increase to US\$14.45/kWh cents during the IPO valuation. We are confirming this with the company.

Markets & Sectors

Automotive sector: 4W sales volume jumped 11% yoy to 91.4k units in June 2016 (+3.2% mom) helped by the Ramadhan festive season. Nevertheless, next month sales volume is expected to fall by 30% due to the long holidays with rebound in Aug16 due to the anticipation of Gaikindo Motorshow. Overall cumulative 4W sales only grew by 1% in 1H16. (Investor Daily)

Comment: We think that the 4W sector has indicated sustainable recovery. Introduction of new models should be a key factor to fuel in sales. The industry will need to increase the willingness to spend on durable goods. Offering a new model remains a valuable proposition to create sales as proven by Honda.

Banks sector: The government has broadened the list of financial institutions eligible to receive tax amnesty funds (i.e. gateway) to include 18 banks in the two highest capital tiers (BUKU4 and BUKU3), 18 asset management institutions and 19 securities brokerage companies. Previously, the government has announced only 7 banks as gateway for tax amnesty funds, namely all four state-owned banks plus Bank Central Asia (BBCA IJ; Rp13,950; Hold), Bank Danamon (BDMN IJ; Rp3,770; Hold) and Bank Tabungan Pensiunan (BTPN IJ; Rp2,410; Not Rated). Of the 19 largest banks in Indonesia by capital, only HSBC Indonesia declined to be appointed as a gateway bank. (Kontan daily).

Comment: Although a successful tax amnesty program will benefit the entire Indonesian economy, we expect the financial sector (most notably banks) will be key beneficiary as direct recipients of these funds, which should lead to additional fee incomes (from selling capital market investment instruments) and/or liquidity (from issuing own bonds, NCDs and deposits). BI estimates the tax amnesty could potentially attract capital repatriation of Rp560tn (a more conservative estimate vs. the Ministry of Finance) which is equivalent to 5% of GDP and 13% of banking deposits in Indonesia. We maintain our positive view on banks despite still lack of visibility on the timing of NPLs peaking in the sector. Our top sector picks are Bank Mandiri (BMRI IJ; Rp9,675; Buy), Bank Rakyat (BBRI IJ; Rp11,475; Buy) and Bank Tabungan Nasional (BBTN IJ; Rp1,800; Buy).

Pharmaceutical sector: Some India Pharmaceutical Companies to invest in Indonesia's pharma ingredients. Around 90% of the total pharma products in India are produced locally and 100% of its raw materials are manufactured in India. Indonesia government expects India companies to build raw materials for generic drugs. However, no further information has been disclosed. (Bisnis Indonesia)

Comment: We view this to be positive on Kimia Farma (KAEF IJ; Rp1,200; Not Rated) and Infofarma (INAF IJ; Rp1,500; Not Rated). This will also benefit Kalbe Farma (KLBF IJ; Rp1,595; Buy), although we think the benefit will be more limited as unbranded generic drugs only account for c.15% of total prescription pharmaceutical segment.

Plantation sector: The moratorium of new permit for new palm oil estates is extended until 2021. Joko Widodo administration decided to stop new permits for palm oil new planting, especially which use forestry areas. (Bisnis Indonesia)

Comment: With the extended moratorium, palm oil companies within our coverage will only able to use their land bank for new plantings purposes, which is in-line with our estimates.

Property sector: several local governments have agreed to lower right ownership fees on land and building (BPHTB) for DIRE real estate investment. Those areas are: DKI Jakarta, East Java, Banten, Yogyakarta, South Sulawesi, West Java and East Kalimantan. The proposed tax rate was 1% (vs. 5% previously) and has been written in economy package XI. According to Jokowi, the reduction will not impact the overall income of local government because DIRE will only be applied in certain area. (Bisnis Indonesia)

Comment: we believe low tax rate could give positive encouragement for companies which have high recurring income; Pakuwon Jati (PWON IJ; Rp625; Buy), Summarecon Agung (SMRA IJ; Rp1,805; Sell), Ciputra (CTRA IJ; Rp1,450; BUY) and Lippo Karawaci (LPKR IJ; Rp1,150; Hold). However we remain cautious as regulation has yet to come out before seeing more regions to comply.

Retail sector: E-commerce giant MatahariMall.com will sell products from Fishpond, New Zealand's largest online marketplace, to local consumers in a bid to make inroads into Indonesia's growing middle class. Likewise, Fishpond's consumers will be able to buy merchandise offered by mataharimall.com. In the MoU of the joint venture, products will be delivered via New Zealand-based online platform Worldfront that connects 100,000 suppliers through multiple marketplaces, while also using numerous logistical providers. On the other hand, mataharimall.com agrees to buy 1 million new merchandise to be sold to Indonesia by end of FY17. (Investor Daily)

Economics

Tax Amnesty: As many as 55 financial firms are appointed by the government to absorb funds generated from the tax amnesty. Those firms consist of 19 securities companies, 18 investment management firms, and 18 banks; both local and international subsidiaries. Complete list of firms is attached in the table below. (Kontan, Detikfinance)

Securities Company	Investment Management Firm	Bank
Sinarmas	Schroder Investment Management Indonesia	BCA
Panin	Eastspring Indonesia	BRI
CLSA Indonesia	Manulife Asset Management	Mandiri
Mandiri Sekuritas	Bahana TCW	BNI
CIMB Securities	Mandiri Manajemen Investasi	Danamon
Trimegah	BNP Paribas Investment	Permata
RHB	Batavia Prosperindo Aset Manajemen	Maybank Indonesia
Daewoo	Danareksa Investment	Pan Indonesia
Bahana	BNI Asset Management	CIMB Niaga
IndoPremier	Panin Asset Management	UOB
UOB Kay Hian	Ashmore Asset Management	Citibank
BNI	Sinarmas Asset Management	DBS
Sucorinvest Central Gani	Trimegah Asset	Standard Chartered
Danpac	Syailendra Capital	Deutsche Bank AG
Panca Global	PNM Investment Management	Bank Mega
MNC Securities	Ciptadana Asset Management	BPD Jabar dan Banten
Pacific Capital	Bowsprit Asset Management	Bank Bukopin
Mega Capital	Indosurya Asset Management	Bank Syariah Mandiri
Pratama Capital		

Comment: The extended list of financial sector firms which have been appointed by the government gives more clarity to the implementation of tax amnesty, which we consider positive. We, however, remain unclear on the basis of appointment for some firms over others as well as on the involvement of foreign banks. We are yet to see the official Minister Regulations (PMK), which should be the technical guidance for TA, to be launched to public after they were signed last week by the finance minister.

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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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