

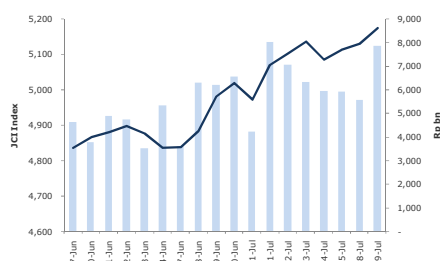
Premier Insight

20 July 2016

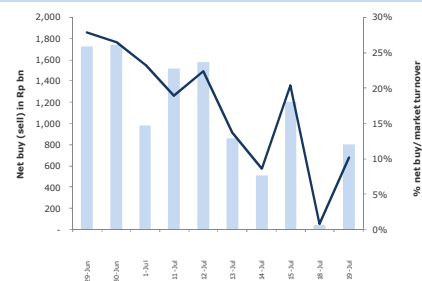
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,173	0.9%	6.2%	12.6%
LQ45	891	1.2%	7.0%	12.5%
DJI	18,559	0.1%	2.5%	6.5%
SET	1,492	0.2%	0.9%	15.8%
HSI	21,673	-0.6%	-14.7%	-1.1%
NKY	16,589	-0.8%	-19.7%	-12.8%
FTSE	6,697	0.0%	-1.3%	7.3%
FSSTI	2,920	-0.3%	-13.5%	1.3%
EIDO	25	0.4%	9.2%	21.7%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	44.7	-1.3%	-12.3%
CPO/tonne	571.6	1.1%	10.0%
Soy/bushel	10.4	-3.2%	2.7%
Rubber/kg	1.8	4.1%	11.0%
Nickel/tonne	10,529	0.2%	-8.1%
Tins/tonne	17,678	-1.3%	11.6%
Copper/tonne	4,968	0.9%	-9.0%
Gold/try.oz (Spot)	1,332	0.2%	21.5%
Coal/tonne	61.0	0.0%	1.1%
Corn/bushel	3.3	-4.4%	-18.7%
Wheat/bushel*	157.5	-3.6%	-18.4%

* : 1 month change

Source : Bloomberg

ADHI: Adhi Karya (ADHI IJ; Rp2,800; Buy) will publish bond of Rp5.5tn this year to benefit from tax amnesty. Initially, company was planning to publish bond of Rp2.5tn starting next year. The proceed will be used to finance bond of Rp500bn which is due next year. According to ADHI's CFO, company is planning to publish the bond before tax amnesty ends which is May or June 2017. Company also expects to get cheaper coupon rate compared to bank loan. (Kontan)

HMSP: In 2Q16, HM Sampoerna (HMSP IJ; Rp3,710; Hold) reported tobacco sales of 28.6bn sticks (+3.3% yoy). Meanwhile, the company lost market share by 1%, which currently stands at 34.2% in 2Q16. The increase in PMI's cigarette shipments was partly offset by lower market share, mainly reflecting the soft performance of PMI's SKM portfolio due to competitors' discounted product offerings. (PMI)

Comment: The sales volume in 2Q16 is accounted for 25.3% of our FY16 estimates.

POWR: Cikarang Listrindo (POWR IJ; Rp1,450; Not Rated) held a conference call to explain about the news on tariff reported in the media. The conference call was chaired by Andrew Labbaika (President Director) and Christanto Pranata (Finance Director). The highlights of the conference call were:

- Cikarang did not propose any tariff reduction for FY16 and complies with the tariff structure which is currently effective. Tariff for industrial estate are expected to maintain at current levels.
- Cikarang has proposed to lower capacity charge from Rp15,000 per kVA to Rp9,000. However, this will not affect the company since capacity charge in reality is already priced at Rp9,000.
- Cikarang indicated that electricity sales volume to industrial estate to positive in the 1H16. Further details on this will follow with the result announcement.
- Cikarang remains on track with its coal-fired power plant with no cost overrun and on-schedule progress.

This conference call has cleared up the air and we think that Cikarang fundamentals remain unchanged. Company also plans to issue bonds of US\$550mn to refinance the current bonds of US\$500mn which will mature in FY19.

SMBR: Semen Baturaja (SMBR IJ; Rp760; Sell) is willing to cut its selling price by 2-3% to win competition in an oversupply market. Despite plenty of infrastructure project in South Sumatera such as Asian Games infrastructure, toll roads and light train, the market remain very competitive forcing incumbents to use pricing to attract sales.

Comment: This is evidence that the cement market remains highly competitive, as incumbents with relative strong brand names are forced to lower prices. Moreover, infrastructure projects are not brand sensitive, leaving price as an important attribute for a certain level of quality.

SMCB: Holcim Indonesia (SMCB IJ; Rp1,100; Hold) indicated that it is difficult to achieve its internal target of volume growth 5.5% yoy. Up to the 1H16, Holcim's volume growth only reached 3.0% yoy. The company is less optimistic due to price war and oversupply of 30%.

Markets & Sectors

F&B industry sector: Indonesia expected to see sugar deficit. Government is forced to import sugar as soon as possible. Many food manufacturers including Kino Indonesia and Nestle Indonesia are concern with the current sugar inventory level. However, KINO admits has not had any shortage of sugar so far. (Kontan)

Comment: Government needs to decide on the import as soon as possible. Shortage of sugar supply will cause disturbance in Foods industry, especially when the demand for Foods products is higher during 2H16 (due to Christmas and New Year Festivals).

Automotive sector: As reported, 4W sales grew 3.3% mom in Jun16, thanks to a boost from the Ramdhan holidays. The sales numbers were also up +11.3% yoy compared to last year, totaling 1H16 sales volume to 531.8k units or +1.2% yoy. Honda remains ahead of the market with +11.7% mom growth with Astra still trailing behind with growth of +1.6% mom, which are the only brands to post positive cumulative growth in 1H16. Overall the industry is still suffering but benefiting strong brands such as Toyota-Daihatsu and Honda. Therefore, new model launching will be an important attribute in this weak environment. Toyota-Daihatsu has been reported to launch a 7-seater LCGC Calya in Aug16, which if true should create positive sentiment towards Astra International (ASII IJ; Rp7,325; Hold). Astra regained 1.4% pct point of market share in 1H16 from last year to 51.4%, while Honda gained 5.1% pct point to 20.6% market share.

	16-May	16-Jun	% +/-	15-Jun	% +/-	1H15	1H16	% +/-
Astra	49,034	49,831	1.6%	39,758	25.3%	262,748	273,463	4.1%
Honda	17,427	19,472	11.7%	15,035	29.5%	81,407	109,662	34.7%
Mitsubishi	7,935	7,433	-6.3%	8,748	-15.0%	60,333	48,672	-19.3%
Nissan	1,311	960	-26.8%	2,079	-53.8%	15,729	8,148	-48.2%
Suzuki	6,172	6,633	7.5%	9,669	-31.4%	62,654	49,683	-20.7%
Others	6,649	7,142	7.4%	6,882	3.8%	42,453	42,181	-0.6%
Total	88,528	91,471	3.3%	82,171	11.3%	525,324	531,809	1.2%

Source: Gaikindo

2W sales numbers were also strong with growth of +12.4% mom in Jun16, also enjoying growth momentum from Ramadhan seasonality. Nevertheless compared to last year monthly numbers are still down by -9.7% yoy. It is still too early to see recovery in the 2W market. Cumulatively, 2W sales volume reached 3.0mn units in 1H16 (-5.5% yoy). Honda remains in top spot with market share of 73.2% wining 4.4% pct point of market share of last year. Main rival, Yamaha lost -5.0% pct point of market share up to 1H16.

Nevertheless, Honda and Yamaha are under investigation of cartel allegation, fixing price for most popular scooter models. It has been reported that production cost is only Rp7.0mn per unit while selling price is set at Rp15.0mn per unit, which raises question on unfair pricing practice. The trail will start today and both parties will have 150 working days to response. If proven and guilty, Honda and Yamaha might face some financial fines.

The motorcycle association (AISII) expects domestic motorcycle sales to reach only 6.0mn units in FY16 with export of 250k units. We are slightly more optimistic with domestic motorcycle sales of 6.28mn in FY16.

	16-May	16-Jun	% +/-	15-Jun	% +/-	1H15	1H16	% +/-
Honda	339,128	380,019	12.1%	361,767	5.0%	2,131,062	2,194,388	3.0%
Yamaha	112,145	127,224	13.4%	191,965	-33.7%	919,380	719,302	-21.8%
Suzuki	3,109	3,780	21.6%	12,097	-68.8%	59,464	31,115	-47.7%
Kawasaki	6,909	7,708	11.6%	8,636	-10.7%	62,541	53,051	-15.2%
TVS	215	147	-31.6%	249	-41.0%	1,715	1,032	-39.8%
Total	461,506	518,878	12.4%	574,714	-9.7%	3,174,162	2,998,888	-5.5%

Source: AISII

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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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