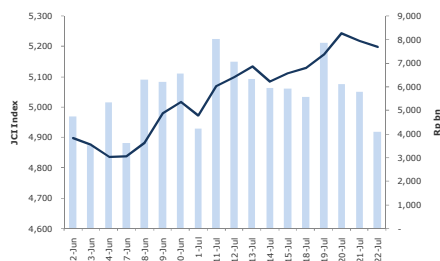


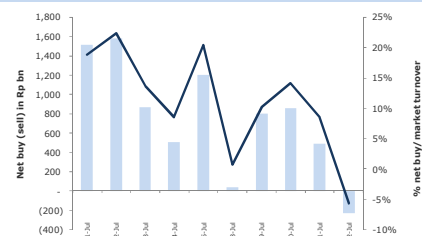
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



BBNI: Bank Negara (BBNI IJ; Rp5,300; Buy) reported net profit of Rp4.37tn in 1H16 (+80% yoy) on the back of lower loan provisioning (-21% yoy) arising from its kitchen-sinking last year. However, on quarterly basis, its earnings dropped sharply to Rp1.4tn in 2Q vs. Rp3tn in 1Q due to the bank's additional provisioning of Rp1tn for its NPL exposure to Trikomsel (Rp1.3tn). Meanwhile, core profit (PPOP) grew by 12.6% yoy to Rp10tn in 1H16 on the back of its strong loan growth (+24% yoy) and modest opex growth (+12% yoy) and despite 50bps decline of NIM to 6.1%. Aset quality worsened, albeit not unexpected, due to downgrade of its Trikomsel exposure. Excluding the Trikomsel downgrade, new NPLs were Rp1.5tn in 2Q vs. Rp1.9tn in 1Q. Provisions/NPL coverage was 143%. (Company)

Comment: BBNI's 1H results were weak but its earnings was still in line with our and consensus estimates of c.Rp10.9tn for FY16F, assuming earnings normalised in the next two quarters after a very weak 2Q (which was not unexpected). However, earnings visibility is low as the timing of the bank's NPLs peaking is still uncertain at this stage. We keep our Buy rating unchanged at this stage as we believe NPL risks are mitigated by the stock's low valuation (FY16F P/E of 9.1x; P/B of 1.1x) and potential upside from tax amnesty in Indonesia.

Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,197	-0.4%	7.0%	13.2%
LQ45	895	-0.5%	8.0%	13.0%
DJI	18,571	0.3%	5.7%	6.6%
SET	1,509	0.4%	4.9%	17.2%
HSI	21,964	-0.2%	-12.6%	0.2%
NKY	16,681	0.3%	-18.8%	-12.4%
FTSE	6,730	0.5%	2.3%	7.8%
FSSTI	2,945	0.2%	-12.1%	2.2%
EIDO	25	0.2%	12.5%	21.6%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	43.5	-1.0%	-11.0%
CPO/tonne	567.2	-1.4%	10.0%
Soy/bushel	10.0	-2.5%	-2.8%
Rubber/kg	2.0	1.5%	17.4%
Nickel/tonne	10,375	-3.3%	-9.2%
Tins/tonne	17,730	-0.5%	19.8%
Copper/tonne	4,911	-1.1%	-8.1%
Gold/try.oz (Spot)	1,322	-0.7%	20.3%
Coal/tonne	60.9	-0.0%	0.7%
Corn/bushel	3.2	0.2%	-17.0%
Wheat/bushel*	157.5	-3.6%	-18.4%

* : 1 month change

Source : Bloomberg

MDLN: two foreign companies from Singapore and domestic are interested to buy land of 1.6ha and 0.5ha in Modernland Cikande. According to company, another Korean company is also planning to buy 7ha land. Until 1H16, Modernland (MDLN IJ; Rp426; Not Rated) has accumulated presales of Rp456bn or 10.8% of FY16's target. Industrial estate booked landsales of 12ha and accumulated Rp195bn of pre sales, which represents 43% of total presales in 1H16. Meanwhile, residential segment still contributes the most of pre sales by 46% or Rp209bn, supported by Jakarta Garden City of Rp178bn alone. (Company, Bisnis Indonesia).

SMGR: Semen Indonesia (SMGR IJ; Rp9,300; Buy) plans to integrate its business operation and act as a holding investment company. Firstly, Semen Indonesia is aiming to independently partly produce its power. Currently the company is building a 30.5MW power plant in Tuban which is supported by Japanese Government to reduce emission. Secondly, Semen Indonesia will developed downstream products such as precast concrete and ready mix. Semen Indonesia seeks opportunity to invest in other SOE companies to expand into this business segment. Thirdly, the company will explore to expand market in domestic and exports. (Investor Daily)

Comment: Semen Indonesia has mentioned this business strategy while introducing the new management. Semen Indonesia will act as investment holding company rather than an operating company. This might change the key performance index matrix from a holding perspective.

Markets & Sectors

Construction sector: Ministry of housing and public works has reached Rp31.5tn or 30.3% of budget until 22 July 2016. This achievement is better than last year's of 20.9% under same period. According to secretariat of ministry of housing and public works, the progress was actually behind target of 45% due to Eid Mubarak holiday which caused delay. Ministry targets to have 94% budget absorption by the end of 2016. (Investor Daily)

Comment: this strong budget absorption shows infrastructure improvement story remains in track. This is also inline with outstanding contract achievement on SOE contractor companies that posted strong growth in 5M16.

Property sector: Six property developers has achieved total marketing sales combined of Rp10.3tn or 33% from total target this year. The strongest achievement was shown by Summarecon Agung (SMRA IJ; Rp1,730; Sell) of 38%, followed by Bumi Serpong Damai (BSDE IJ; Rp2,030; Buy) and Pakuwon Jati (PWON IJ; Rp640; Buy). According to PWON and BSDE, 1H16 pre sales have dropped 42.8% and 26.7% yoy. (Investor Daily)

Company	Pre sales until 1H16 (Rp tn)	Achievement FY16
PWON	1.14	37%
BSDE	2.50	37%
CTRA	3.00	32%
ASRI	0.97	19%
SMRA	1.70	38%
PPRO	1.00	38%

Comment: before, Ministry of finance mentioned that real assets and property might be potential investment instrument to hold repatriated assets. We think this should give positive impact to presales if its fully executed.

Economic

Budget realisation: The government spent Rp44.4tn in capital expenditure out of the Rp201.6tn earmarked in the 2016 revised state budget. It was 65% higher than the figure realised last year during the same period. In terms of spending undertaken by line ministries, the Ministry of Public Works and Public Housing spent Rp28.5tn (29.3% of budget) and among the highest performers which comprise the National Police (Rp31.3tn, 39.6%) and the Ministry of Defense (Rp40.1tn, 36.7%). (Kontan)

Comment: We view the government's budget disbursement positively as it has shown significant improvement from that of last year. The increase in capital expenditure is expected to rise in the 2H16.

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.

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.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT. Indo Premier Securities or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.