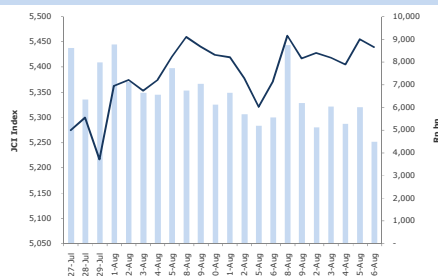


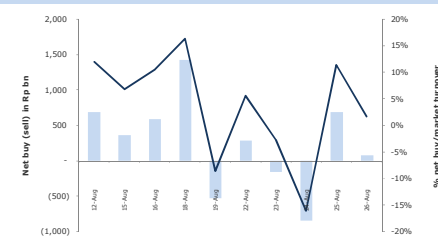
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



POWR: CikarangListrindo (POWR IJ; Rp1,520; Not rated) intends to hold majority of 51% in the future JV with General Electrics to build a new gas powered plant with capacity of 1.1GW. Total investment cost is expected to reach US\$800mn with debt equity contribution of 70:30. Furthermore, Cikarang aims to launch debt of US\$550mn for refinancing purpose. The bond will have a tenor of 10-years and interest of maximum of 8%. S&P latest rating on Cikarang was upgraded to BB from BB-. (Kontan).

Comment: The upcoming JV has yet to win tender from PLN. So far there was no announcement from PLN about the project involving Cikarang and GE.

PTPP: PT Pembangunan Perumahan (PTPP IJ; Rp4,410; Buy) is optimist to reach Rp2.5-3tn revenue from engineering, procurement and construction (EPC) business. Until 1H16, company has recorded Rp1.06tn revenue, which grew nearly four folds on yearly basis. Company is currently tendering for four power plant projects of which included PLTU Bangka I (2x100MW) and PLTU Kalselteng-3 (2x100MW). (Kontan)

Comment: With more EPC projects, we should see margin improvement as EPC recorded better margin compared to other business segment. With this, we have raised our net profit margin estimate to 4.7/5.1% FY16/17F from 4.5/4.7% previously.

UNTR: United Tractors (UNTR IJ; Rp17,700; Buy) released the update on July 2016 operational performance:

- Komatsu sales reached 175 units, up 4.2% mom and 28% yoy, bringing 7M16 sales volumes to 1,211 units, down 20% yoy. Machinery sales in 7M16 formed 61% of our FY16 forecast (slightly above).
- PAMA recorded Jul'17 coal extraction volumes of 8.8m tons, up 1% mom but down 10% yoy, allowing 7M16 coal extraction volumes to reach 58.6m tons, down 5.2% yoy. Coal extraction volumes in 7M16 were accounting for 56% of our FY16 estimate (slightly below). Overburden removal reached 398m bcm, down 10% yoy but came in in-line with our expectation.
- Coal mining division posted sales volumes of 552k tons, allowing 7M16 coal sales volumes to reach 5.01m tons, up 57% yoy, as the company optimized production and barging activities in 1H16 to take the benefit from favorable water level for the coal barging process.

Comment: 7M16 operational performance is relatively in-line with our estimates, thus, we maintain UNTR as our top pick in the mining sector and reiterate our buy recommendation with 21% upside to our TP of Rp21,500.

Key Indexes

| Index | Closing | 1 day | 1 year | YTD |
|-------|---------|-------|--------|--------|
| JCI | 5,439 | -0.3% | 22.3% | 18.4% |
| LQ45 | 938 | -0.4% | 23.8% | 18.4% |
| DJI | 18,395 | -0.3% | 10.5% | 5.6% |
| SET | 1,549 | 0.3% | 13.4% | 20.3% |
| HSI | 22,910 | 0.4% | 6.0% | 4.5% |
| NKY | 16,361 | -1.2% | -14.5% | -12.2% |
| FTSE | 6,838 | 0.3% | 9.4% | 9.5% |
| FSSTI | 2,858 | -0.7% | -3.3% | -0.9% |
| EIDO | 26 | -1.6% | 28.5% | 24.3% |

Commodity price

| Commodities | Last price | Ret 1 day | Ret 1 year |
|--------------------|------------|-----------|------------|
| (in USD) | | | |
| Oil/barrel (WTI) | 47.6 | 1.5% | 23.4% |
| CPO/tonne | 631.1 | -0.4% | 10.0% |
| Soy/bushel | 9.7 | -0.8% | 12.1% |
| Rubber/kg | 1.6 | -0.9% | 11.3% |
| Nickel/tonne | 9,757 | -0.4% | 2.3% |
| Tins/tonne | 18,900 | 0.8% | 34.9% |
| Copper/tonne | 4,604 | -0.3% | -7.2% |
| Gold/try.oz (Spot) | 1,321 | -0.1% | 16.6% |
| Coal/tonne | 67.0 | 1.0% | 14.2% |
| Corn/bushel | 3.0 | -2.3% | -14.5% |
| Wheat/bushel* | 133.6 | -14.7% | -32.9% |

* : 1 month change

Source : Bloomberg

Markets & Sector

F&B industry: F&B industry revenue is predicted to reach Rp540tn (+8% yoy) i 2H16, according to Head of Indonesian F&B Association. The main driver will b improving consumer purchasing power and slight recovery in some of th commodity prices. Government needs to be consistence in executing th deregulation package to maintain the positive business climate in Indonesia (Investor Daily)

Comment: If the condition sustains, we might see improvement in Unilever Indonesia (UNVR IJ; Rp46,400; Hold)'s food business. In addition, we expect F&B producers such as Kino Indonesia (KINO IJ; Rp5,925; Buy), Tiga Pilar (AISA IJ; Rp2,290; Buy), Nippon Sari (ROTI IJ; Rp1,575; Buy) and Mayora Indah (MYOR IJ; Rp1,505; Not Rated) to also benefit from recovery on consumer spending.

Telecommunication sector: The Minister of Telecommunication and Informatics is exploring the possibility to open the business of MVNO (Mobile Virtual Network Operator). According to ITU, MVNO is an operator of mobile telecommunication but do not have any spectrum allocation. There are four models 1) MVNO is only as distributor of telco operator's product 2) MVNO with billing system 3) MVNO allowed to offer application service and 4) MVNO with full infrastructure. Nevertheless, the Government has not set any time line for this implementation.

Comment: This has potential to increase the competition in the cellular market. However, the Ministry is looking the possibility to increase penetration in remote areas. Network and spectrum sharing will be a key for this to work. Therefore, the Government will need to govern infrastructure sharing that will benefit the industry.

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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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