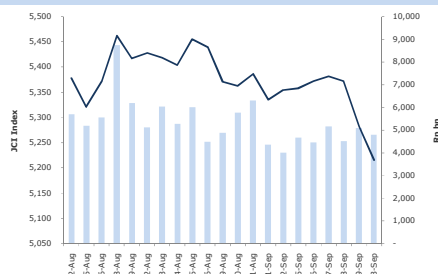


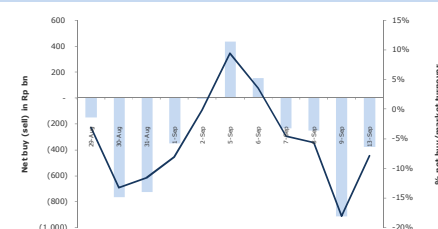
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,216	-1.3%	18.8%	13.6%
LQ45	895	-1.2%	20.5%	13.1%
DJI	18,067	-1.4%	10.4%	3.7%
SET	1,447	2.5%	5.1%	12.3%
HSI	23,216	-0.3%	7.7%	5.9%
NKY	16,729	0.3%	-6.9%	-12.6%
FTSE	6,666	-0.5%	9.5%	6.8%
FSSTI	2,818	-1.9%	-1.8%	-2.2%
EIDO	25	-1.8%	31.1%	18.1%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	44.9	-3.0%	0.6%
CPO/tonne	627.3	-1.8%	10.0%
Soy/bushel	9.5	-2.1%	8.9%
Rubber/kg	1.6	0.0%	10.0%
Nickel/tonne	9,809	-2.2%	-4.5%
Tins/tonne	19,083	0.0%	21.2%
Copper/tonne	4,633	0.1%	-14.0%
Gold/try.oz (Spot)	1,319	-0.7%	18.9%
Coal/tonne	70.2	0.2%	21.6%
Corn/bushel	3.0	-3.0%	-17.5%
Wheat/bushel*	133.6	-14.7%	-32.9%

* : 1 month change

Source : Bloomberg

AISA: Government to control the rice price with based price of Rp7, 300 per kg from the farmer and selling price at a level of Rp9, 500 per kg. (Kontan)

Comment: The price ceiling is likely applicable to medium to low quality rice only. Hence, the impact will be limited in our view since Tiga Pilar Sejahtera (AISA IJ; Rp2,000; Buy) is focusing more on branded rice which has higher margin. (Kontan)

BISI: The government will control the floor price of seven food commodities including corn. State owned company, Perum Bulog will control the supply of corn to stabilize price. The floor corn selling price from the farmers is set at Rp3,150/kg, which will be reviewed in every four months. (Kontan)

Comment: This is positive for Bisi International (BISI IJ; Rp1,750; Buy) as the new regulation will encourage more plantings and increase corn seed demand, in our view. To note, our channel check suggest that the average corn production costs is around Rp2,000/kg (including labor costs). Thus, the floor selling price of Rp3,150/kg is very attractive for farmers.

HERO: Hero Supermarket (HERO IJ; Rp1,115; Not Rated) has closed 54 Starmart outlets in 1H16 and is expected to the rest of 30 Starmart outlets by FY16. Last year, HERO closed 74 stores including 39 Starmarts, 22 Guardian, 10 Hero and 3 Giant as of 1H15. The plan to discontinue the Starmart brand came about from its underperformance and the company begun closing down with 50 Starmart outlets in FY15. Company will be relocating its employees to operating stores. (Investor Daily)

Comment: Food retailing in Greater Jakarta and Java has seen tight competition in the past few years. We think the relieve in competitive environment will impact MPPA and RALS in a positive way.

KINO: Kino Indonesia (KINO IJ; Rp5,625; Buy) will continue the production and distribution of all "Cap Kaki Tiga" products despite Intellectual Property Right's (HAKI) decision to eliminate the brand. (Kontan)

Comment: Based on conference call with Kino yesterday, neither Supreme Court nor Intellectual Property Right can interfere with the production or distribution of any "Cap Kaki Tiga" products. Maintain BUY at TP Rp7,300.

NIRO: Nirvana Wastu Utama, a subsidiary of Nirvana Development (NIRO IJ; Rp100; Not Rated) has signed a sale purchase agreement to purchase Supermall Sukabumi at Rp135.3bn. the mall is located in West Java and has leasable area of 16k sqm with 90% are being leased. (Company)

WSKT: Waskita Karya (WSKT IJ; Rp2,480; Buy) will publish second bond of Rp900bn after previously launched the first bond of Rp2tn. This bond was part of total bond of Rp5tn. The second bond will be tagged with 8.5% coupon rate for five years duration. 90% of proceed will be used for working capital. (Kontan)

Markets & Sector

Cement sector: Domestic cement sales rebounded to almost 6.0mn tons (+56.4% mom, +8.7% yoy) in Aug16 which the monthly all-time-high for this year, a good sign for the industry. Cumulatively, total cement demand was 39.1mn tons (+3.9% yoy), leaving a significant gap of oversupply of about 30%.

Major cement players such as Semen Indonesia (SMGR IJ; Rp9,850; Buy) and Indocement (INTP IJ; Rp17,025; Buy) benefitted from such strong growth with sales volume slightly ahead of the national numbers. Nevertheless, Semen Indonesia was slightly better off than Indocement due to wider marketing area and facing less competition which is concentrated in Java.

Despite relatively strong rebound, pressure on ASP is still presence as the industry has not been able to enclose the oversupply gap. Semen Indonesia ASP weaken by -0.7% mom, indicating that pressure on ASP still exist.

Comment: Profitability of cement manufacturer remains under pressure from weak ASP. Increasing coal price might hurt the cement manufacturers in the long run.

	Jul-16	Aug-16	+/- %	Aug-15	+/- %	8M15	8M16	+/- %
Semen Indonesia	1,609,409	2,599,435	61.5	2,330,266	11.6	16,113,171	16,582,408	2.9
Indocement	978,493	1,580,642	61.5	1,492,458	5.9	10,529,980	10,493,311	(0.3)
Indonesia	3,817,772	5,971,330	56.4	5,492,507	8.7	37,619,116	39,070,366	3.9

Source: ASI

Industrial estate sector: Several companies are planning to increase their landbank. Kawasan Industri Jababeka (KIJA IJ; Rp296; Not Rated) has added 150ha in Kendal and now processing the licenses. As of June 2016, company has 484ha landbank in Kendal. Similarly, Puridelta Lestari (DMAS IJ; Rp236; Not Rated) is targeting to acquire 135ha. Currently company has obtained 90% of land acquisition target this year. (Bisnis Indonesia)

Telecommunication sector: Ministry of Communication and Informatics will lift certification on handset from Global manufacturer. Global handset will only need to enclose their specification and its own certification. Global brands tend to have stricter certification process than the local ones. This will shorten the distribution of new handset in the domestic market. However, distribution of global handset will also fulfill the local content requirement.

Comment: This will ease the distribution process of new handset for global producers. However, global producers will still need to develop manufacturing facility or software development in order to comply with local content ruling.

Economic

Volatile prices: The government has finalised regulation on food prices enacted in Trade Minister Regulation No 63/2016 which should set floor price guidance for farmers and ceiling price guidance for end customers of seven commodities. The seven include rice, corn, soy, sugar, chili, onion, and beef or buffalo meat – three of these commodities, namely rice, corn, and soy will be determined by State Logistics Agency (Bulog) whereas the rest will be determined by appointed Regional-owned Enterprises (BUMD) and private sector. In the first stage of this policy implementation, only Jakarta and sugar will be covered. Upon success, the implementation will expand to Greater Jakarta. So far, only rice (floor price at Rp7,300/kg and ceiling price at Rp9,500/kg), sugar (ceiling at Rp12,500/kg), and beef (ceiling at Rp80,000/kg) have been determined. (Kontan)

Comment: The success of this measure should help maintain the volatility of food prices, which are by far, the largest contributor in inflation. We are cautious, however, on the unclarity of the 'guidance' terminology as it could mean that policy prices will not be binding.

Deposit Insurance Rate: *The Deposit Insurance Agency (LPS) cut deposit insurance rate by 50bps to 6.25% from 6.75% earlier for rupiah-denominated deposit and maintains dollar-denominated deposit rate at 0.75%. (Jakarta Globe)*

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.