

## News &amp; Analysis

## Corporates

**PTPP:** PT Pembangunan Perumahan (PTPP IJ; Rp4,190; Buy) projects new contract to reach Rp23.5tn in 9M16, represents 76% of FY16 target. Note that until third week of September, company accumulated Rp21tn of new contract (68% of FY16 target). Major project taken were two toll roads (Rp5.7tn) and PLMTG Lombok (Rp1.42tn). (Investor Daily)

*Comment: compared yoy, 9M16 new contract target was higher by 39% which is the strongest achievement in last 2 years. Company is also aiming for more power plants projects that have better margin. maintain Buy on PTPP.*

## Markets &amp; Sector

**Consumer sector:** Government is set to impose excise tax on all type plastic packaging starting 2017. In the first stage, the excise will be imposed on plastic bag with lower tariff than Rp200. (Bisnis Indonesia)

*Comment: we think this will affect beverage sales due since beverage producers need to increase selling price to offset the excise tax payment to government. This might affect KINO Indonesia (KINO IJ; Rp4,200; Buy) since its packaging for Cap Kaki Tiga and Juice products, Tampico Juice, are plastic based.*

**Transportation sector:** Government will impose higher tariff by changing the basis for motor vehicle tax (PKB) and vehicle transfer title fees (BBNKB) based on the Governor Regulation No.181/2016. Government will subsidize 70% for public land transportation and 50% for public transit goods. (Bisnis Indonesia)

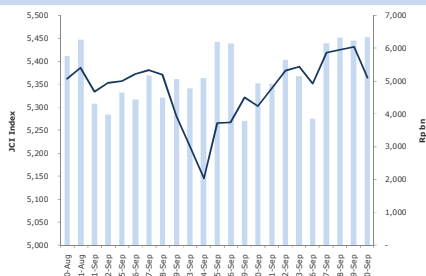
*Comment: As the government subsidizes 70% for the tariff hike in public land transportation, we expect conventional taxi players should have minimal effect in operating cost. However, this will hinder the online-transportation business to comply with Transportation Regulation No.32/2016 in transferring vehicle registration from private to corporate/cooperative scheme.*

**Pharmaceutical sector:** Indonesia pharmaceutical market is forecasted to reach Rp85.6tn in 2016 (+9.3% yoy) which is mainly driven by National Healthcare Program (JKN). The program is expected to over all Indonesia population by 2019 including foreign workers which have been residing in Indonesia for at least 6 months. (Investor Daily)

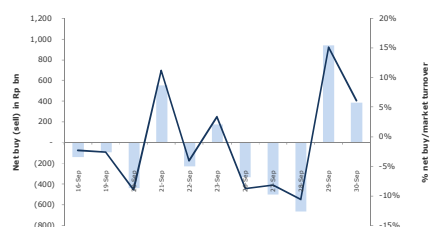
*Comment: The program will contribute more on the volume sales rather than value. We expect Kimia Farma (KAEF IJ; Rp2,470; Not Rated) and Indofarma (INAF IJ; Rp2,490; Not Rated) to benefit the most due to its high exposure to generic drugs, and also Kalbe Farma (KLBF IJ; Rp1,715; Hold).*

**Retail sector:** Indonesian Retail Association (APRINDO) has stopped the plastic bag charge effective on 1 October 2016 due to weak legal basis. The trial phase to charge Rp200/plastic bag lasted from February till May successfully reduced 25%-30% of plastic bag usage in efforts to care for environment. However, the program will stop until there are clearer regulations from the government in implementing the plastic bag charge. (Kontan)

JCI Index



Foreign net buy (sell)



## Key Indexes

| Index | Closing | 1 day | 1 year | YTD    |
|-------|---------|-------|--------|--------|
| JCI   | 5,365   | -1.2% | 27.5%  | 16.8%  |
| LQ45  | 922     | -1.9% | 31.5%  | 16.4%  |
| DJII  | 18,308  | 0.9%  | 11.1%  | 5.1%   |
| SET   | 1,483   | -0.6% | 10.2%  | 15.2%  |
| HSI   | 23,297  | -1.9% | 8.3%   | 6.3%   |
| NKY   | 16,450  | -1.5% | -7.2%  | -12.9% |
| FTSE  | 6,899   | -0.3% | 12.6%  | 10.5%  |
| FSSTI | 2,869   | -0.6% | 2.7%   | -0.5%  |
| EIDO  | 26      | -0.5% | 47.6%  | 26.7%  |

## Commodity price

| Commodities        | Last price | Ret 1 day | Ret 1 year |
|--------------------|------------|-----------|------------|
| (in USD)           |            |           |            |
| Oil/barrel (WTI)   | 48.2       | 0.9%      | 7.0%       |
| CPO/tonne          | 638.7      | 0.8%      | 11.0%      |
| Soy/bushel         | 9.4        | 0.4%      | 5.9%       |
| Rubber/kg          | 1.6        | -1.7%     | 16.4%      |
| Nickel/tonne       | 10,528     | 1.3%      | 1.6%       |
| Tins/tonne         | 20,164     | 0.1%      | 28.4%      |
| Copper/tonne       | 4,848      | 0.5%      | -6.3%      |
| Gold/try.oz (Spot) | 1,316      | -0.3%     | 15.5%      |
| Coal/tonne         | 78.5       | -0.6%     | 45.7%      |
| Corn/bushel        | 3.1        | 2.5%      | -16.0%     |
| Wheat/bushel*      | 127.9      | -4.3%     | -26.3%     |

\* : 1 month change

Source : Bloomberg

*Comment: Although the effect is minimal, halt on plastic bag charge program will slightly benefit food retailers in terms of sales including Matahari Putra Prima (MPPA IJ; Rp1,770; Hold), Sumber Alfaria Trijaya (AMRT IJ; Rp525; Not Rated) and Ramayana Lestari Sentosa (RALS IJ; Rp1,100; Buy). Consumers are less likely to postpone their shopping purchases when they don't need to pay for plastic bags.*

## Economic

**Government spending:** The government is mulling a plan to increase capital expenditure by Rp100tn from the current allocation of Rp302tn for 2017 budget. – consisting of Rp171tn for infrastructure spending and Rp131tn for goods spending. No detail has been distributed regarding the allocation of Rp100tn except that the President seems want it to be shared among the four line ministries, namely Ministry of Public Works and Housing, Ministry of Transportation, Ministry of Human Resources, and Ministry of Agriculture. (Bisnis Indonesia)

*Comment: While remain in discussion, we think upon approval, the news would be a positive stimulus for constructing companies such as Wijaya Karya (WIKA IJ; Rp2,800; Buy), Waskita Karya (WSKT IJ; Rp2,620; Buy), Adhi Karya (ADHI IJ; Rp2,360; Buy), PT Pembangunan Perumahan (PTPP IJ; Rp4,190; Buy), and Jasa Marga (JSMR IJ; Rp4,600; Buy).*

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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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