

## Premier Insight

13 October 2016

## News &amp; Analysis

## Corporates

**MDLN:** Modernland Realty (MDLN IJ; Rp428; Not Rated) targets Rp3.4tn pre sales from land sales to its JV company with Astra land, a subsidiary of Astra International (ASII IJ; Rp8,300; Buy) and Hongkong Land. Conditional sales & purchase agreement (CSPA) will be signed this month while payment will be made by stages. Terms of payment: 40% upon signing CSPA (in Oct'16), 30% within 12 months thereafter and the remaining 30% in 18 months after CSPA date. As of 9M16, MDLN has accumulated Rp886.1bn marketing sales. Note that in September 2016, MDLN has signed CSPA with IKEA of land sales 3.7ha with transaction value of Rp297bn. (Company, Bisnis Indonesia)

**HMSP:** HM Sampoerna (HMSP IJ; Rp4,020; Hold) aims to capture Australia and European market. However, there will be some strict regulation of which product can enter the European market. For instance, Europe only allows cigarette that has maximum tar limit of 10% to be sold in the countries. (Kontan)

*Comment: There will be a lot more obstacles to realize this plan. However, this might benefit HMSP in the longer term. Maintain HOLD on HMSP.*

## Markets &amp; Sector

**Automotive sector:** According to the automotive association, Gaikindo, current inventory level for 4W is in a healthy state at 5,647 units, which is only 6.2% of the average monthly demand. Nevertheless, 4W manufacturer will tend to manage inventory in 4Q slightly tighter due to lower demand from seasonality. The association thinks despite lower mom volume in Sep16, volume numbers were better on yoy basis, leading to a healthy momentum. (Bisnis Indonesia).

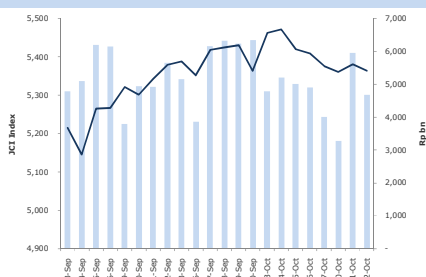
**E-commerce sector:** Having recently celebrated its first year in business, MatahariMall.com is seeking to secure more investment dedicated to improving technology as it is beginning to enter the second phase of its growth as an e-commerce platform in order to make it profitable. The e-commerce previously received Rp 500bn from holding company Lippo Group and expects to have at least 35% market share in the \$88bn e-commerce industry in ten years. (Jakarta Globe)

**Industrial estate sector:** Government will loosen landbank limitation which is currently only allows a company to have maximum of 400ha in a province and maximum 4,000ha in Indonesia. According to deputi of KEK implementation, aside from landbank limitation, companies also difficult to extend their landbank due to uncertainty of birocracy. (Kontan)

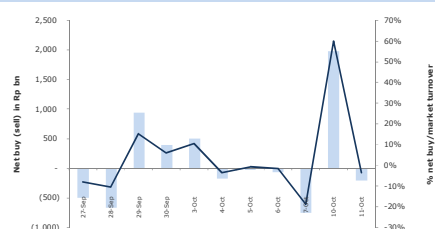
**Telecommunication sector:** The unlisted telco operator, Hutchison Tri Indonesia, has been reported to have 56.6mn subscribers as of 1Q16 with data usage of 1700TB. This translates to a usage of 3GB per month per user. Meanwhile 4G penetration has reach 20% of its total subscribers using 800 BTS. (Bisnis Indonesia)

*Comment: the operational number of Hutchison Tri Indonesia looks lucrative, with some matrix better than incumbent operators. This will make Hutchison the third largest operator above XL Axiata (EXCL IJ; Rp2,610; Hold) based on number of subscribers. But it is still questionable whether Tri is making positive cash flow from its operation.*

## JCI Index



## Foreign net buy (sell)



## Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,365	-0.3%	19.7%	16.8%
LQ45	920	-0.5%	20.6%	16.2%
DJI	18,144	0.1%	6.2%	4.1%
SET	1,406	-2.5%	0.0%	9.2%
HSI	23,407	-0.6%	3.6%	6.8%
NKY	16,840	-1.1%	-7.6%	-10.9%
FTSE	7,024	-0.7%	10.7%	12.5%
FSSTI	2,814	-1.5%	-5.7%	-2.4%
EIDO	26	0.4%	26.9%	25.3%

## Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	50.2	-1.2%	6.5%
CPO/tonne	632.5	1.6%	17.5%
Soy/bushel	9.3	-0.9%	6.0%
Rubber/kg	1.7	0.0%	23.2%
Nickel/tonne	10,521	1.4%	-0.9%
Tins/tonne	19,853	-0.1%	24.7%
Copper/tonne	4,791	0.0%	-10.1%
Gold/try.oz (Spot)	1,255	0.2%	7.4%
Coal/tonne	86.0	1.9%	62.4%
Corn/bushel	3.1	-2.6%	-14.1%
Wheat/bushel*	127.9	-4.3%	-26.3%

\*: 1 month change

Source : Bloomberg

## Economic Update

**Investment rating:** Finance minister Sri Mulyani held a meeting with Standard & Poor's Rating Service during her annual meeting session with the World Bank and the IMF on 4-9 October 2016 in a bid to have the agency's rating upgrade to investment grade. Sri is said to elaborate the tax amnesty implementation which expands Indonesia's tax base and should reduce the fiscal risk. (Kontan, CNN)

*Comment: We expect the meeting with S&P would increase the agency's assessment for Indonesia. Fiscal risk was among the concerns addressed for Indonesia's failure for rating upgrade in Jun16 which should see improvement under the finance minister's budget discipline.*

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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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