

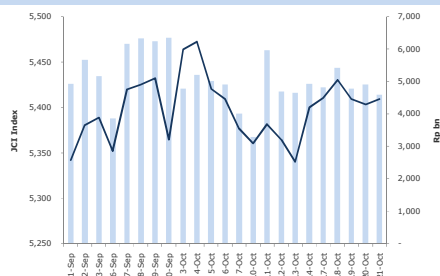
## Premier Insight

24 October 2016

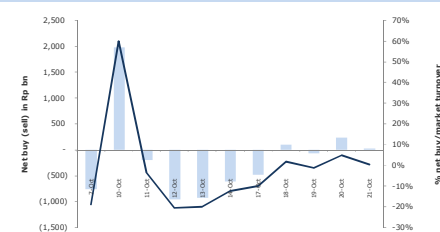
## News &amp; Analysis

## Corporates

JCI Index



Foreign net buy (sell)



## Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,409	0.1%	16.2%	17.8%
LQ45	930	0.1%	15.6%	17.5%
DJI	18,146	-0.1%	2.8%	4.1%
SET	1,500	0.5%	5.9%	16.5%
HSI	23,374	0.3%	1.7%	6.7%
NKY	17,185	-0.3%	-8.7%	-9.8%
FTSE	7,020	-0.1%	8.9%	12.5%
FSSTI	2,831	-0.4%	-7.7%	-1.8%
EIDO	26	0.3%	20.6%	26.9%

## Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	50.6	0.2%	13.2%
CPO/tonne	652.1	0.2%	15.1%
Soy/bushel	9.7	0.8%	6.9%
Rubber/kg	1.7	0.0%	26.4%
Nickel/tonne	9,918	-1.7%	-3.2%
Tins/tonne	20,092	0.7%	25.7%
Copper/tonne	4,614	-0.4%	-10.9%
Gold/try.oz (Spot)	1,266	0.0%	8.7%
Coal/tonne	92.8	1.6%	74.3%
Corn/bushel	3.3	0.5%	-10.3%
Wheat/bushel*	127.9	-4.3%	-26.3%

\*: 1 month change

Source : Bloomberg

**AMRT:** Sumber Alfaria Trijaya (AMRT IJ; Rp510; Not Rated) is being sued by one of its consumers, Mr. Mustholih Siradj, an activist of Smart Consumer Movement (Gerakan Konsumen Cerdas), regarding transparency of managing the return of money collected from consumers for donation. AMRT denies the claim as the collection of donations already has a legality that can be accounted for, including the organizations to conduit. AMRT said Rp33.1bn were collected from consumers for donations and channeled to 8 organizations in FY15. The case has been brought up to Information Centre Commission (KIP) for trial and will proceed 1 November, 2016. (Kontan)

**BMRI:** Bank Mandiri (BMRI IJ; Rp11,225; Buy) will raise its loan provisions to Rp18-20tn for 2016 (2015: Rp11.5tn), according to the bank's CEO, and he expects its provisions to decline, albeit remain large, to between Rp14tn and Rp16tn in 2017. The bank's NPLs has spread beyond commodity sector to other sectors such as consumer and property, with mid-sized businesses more vulnerable than big corporations. The bank will expand in the region with plans to invest at least US\$72m to open 10-12 branches in Malaysia over the next three years. (Jakarta Post).

*Comment: BMRI's indicative provisioning for 2016 and 2017 are in line with our forecast assumption of Rp18.8tn and Rp15.2tn, respectively. Although the bank's earnings visibility is low (as the timing of its NPLs peaking is still uncertain), we believe there is scope for earnings recovery in 2017 as we forecast earnings to decline 13% to Rp17.7tn in 2016 (Bloomberg consensus: Rp17.1tn). The bank plans to release its 3Q16 results on 25th October. We maintain our Buy rating at this stage.*

**HMSP:** HM Sampoerna (HMSP IJ; Rp4,170; Hold) reported net profit of Rp2.9tn in 3Q16 (+13.5% yoy, -3.2% qoq), in-line with our/consensus expectation, on the back of 5.3% yoy revenue growth. SKM reported highest revenue growth of 10.6% yoy, while SKT decline by 6.1% yoy. Gross margin contracted by 70bps on changes in product mix. (Company)

*Comment: Despite further decline in cigarette volume sales, HMSP's earnings were still in-line with our/consensus expectation. Sampoerna A remains #1 cigarette brands in Indonesia, while we still see a declining trend in SKT segments but seems to be stabilizing.*

(in Rp bn)	3Q16	3Q15	YoY	3Q16	2Q16	QoQ
<b>Revenue</b>	<b>22,939</b>	<b>21,775</b>	<b>5.30%</b>	<b>22,939</b>	<b>25,415</b>	<b>-9.70%</b>
SKM	14,942	13,514	10.6%	14,942	16,038	-6.8%
SKT	4,413	4,701	-6.1%	4,413	5,157	-14.4%
SPM	3,351	3,277	2.3%	3,351	3,968	-15.6%
Gross Profit	5,619	5,487	2.4%	5,619	5,653	-0.6%
Operating Profit	3,714	3,525	5.4%	3,714	3,922	-5.3%
Net Profit	2,933	2,585	13.5%	2,933	3,119	-5.9%
Gross Margin (%)	24.5%	25.2%		24.5%	22.2%	
Operating Margin (%)	16.2%	16.2%		16.2%	15.4%	
Net Margin (%)	12.8%	11.9%		12.8%	12.3%	

Source: Company

**MPMX:** Mitra Pinasthika Mustika (MPMX IJ; Rp680; Not Rated ) sets FY16 net profit at Rp342bn (+20% yoy). Top-line target is at Rp18.3tn (+10% yoy). Management has allocated capex of Rp900bn which will be funded internally and has absorbed 80% of capex until September. Management expects sales will improve as spending increases and economy recovers. (Kontan)

*Comment: We view the targeted FY16 bottom-line from management is reasonable due to the low base last year. The 2W distribution sales figure in September grew 2% yoy (75% of FY), while 9M16 FKT sales grew +10% yoy, surpassing FY15 achievement.*

**SRTG:** Saratoga Investama Sedaya (SRTG; Rp3,510; Not Rated) has acquired shares from Famon Awal Bros Sedaya which worth Rp75bn. With the transaction, SRTG has become minority shareholder of Famon Awal Bros Sedaya. Saratoga expects investment on Famon Awal Bros Sedaya to serve as opportunity to enter hospital business. Famon Awal Bros Sedaya has hospitals in Jakarta, Bekasi, Tangerang and Makassar and has been accredited by hospital accreditation committee (KARS). (Kontan)

**TOWR:** Protelindo a subsidiary of Sarana Menara Nusantara (TOWR IJ; Rp3,850; Not Rated) has issue revolving bonds of Rp6.5tn with the initial issuance of Rp1.5tn offered in three tranches with tenor of 3,5, and 7 years. The proceed will be used to finance rental extension, maintenance expenses and working capital. The company aims revenue growth of 9% for FY16, post of the tower acquisition from XL Axiata.

## Markets & Sector

**Cement sector:** The Indonesian Cement Association (ASI) estimates demand to grow by 8.04% in FY17 supported by continuous demand from government spending on infrastructure. However, this growth rate will not be sufficient to enclose the oversupply gap. In the past couple of year additional capacity was about 13.0mn tons while demand only grew 7mn tons. Currently, Indonesia has 92mn tons of capacity leading to a utilization rate of 74% in FY17 based on ASI's assumption. ASI has also proposed to the government not to issue any new permit for investment in the cement sector up to FY19. Surrounding neighboring countries such as Thailand and Vietnam are also experiencing oversupply causing lower possibility to engage in the export market. (Investor Daily)

*Comment: We think that with the absence of the property sector, demand could only reach 5-6% in FY17. We only see a few property projects being offered in the 4Q16. Therefore, demand on property still remains relatively slow. This certainly will not help cement demand growth.*

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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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