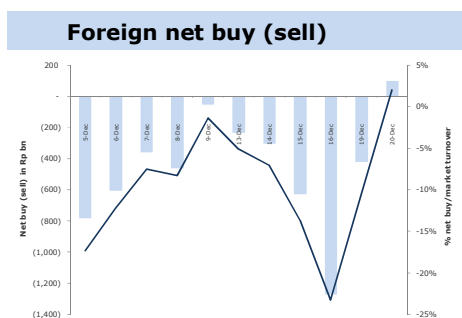
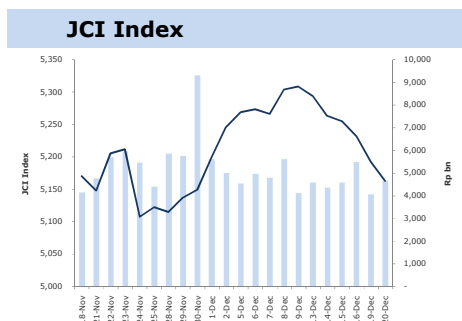


## Premier Insight

21 December 2016

## News &amp; Analysis

## Corporates



Key Indexes				
Index	Closing	1 day	1 year	YTD
JCI	5,162	-0.6%	15.0%	12.4%
LQ45	858	-0.8%	10.7%	8.4%
DJI	19,975	0.5%	15.8%	14.6%
SET	1,512	-0.7%	19.6%	17.4%
HSI	21,729	-0.5%	-0.3%	-0.8%
NKY	19,495	0.5%	3.1%	2.8%
FTSE	7,044	0.4%	16.7%	12.8%
FSSTI	2,911	-0.1%	2.3%	1.0%
EIDO	23	-1.7%	14.8%	11.3%

Commodity price			
Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	52.2	0.2%	50.4%
CPO/tonne	690.4	-1.6%	28.8%
Soy/bushel	9.9	-1.6%	11.4%
Rubber/kg	2.3	-2.7%	80.0%
Nickel/tonne	10,868	0.4%	24.6%
Tins/tonne	21,030	-1.3%	42.0%
Copper/tonne	5,489	0.0%	17.2%
Gold/try.oz (Spot)	1,132	-0.5%	5.0%
Coal/tonne	87.0	0.9%	66.7%
Corn/bushel	3.3	-0.9%	-8.7%
Wheat/bushel*	122.5	-0.6%	-25.9%

\*: 1 month change

Source : Bloomberg

**KINO:** Kino Indonesia (KINO IJ; Rp2,460; Hold) will allocate capex of Rp80bn in 2017, which is lower than 2016 capex of Rp250bn this year. Given the still low machine utilization rate, company will not invest in another machine and production facility. In 2017, company will continue to expand its portfolio with new variances and widen its export market.

*Comment: Considering the highly disappointing performance in 3Q16 and presumably in 4Q16. We still maintain HOLD on the stock. However, with the upcoming product launches, we expect the company to be able to regain its growth momentum.*

**SMRA:** Summarecon Agung (SMRA IJ; Rp1,350; Sell) will develop new township in Makassar starting 2018. The project will be under SMRA's subsidiaries, PT Bintang Mentari Indah. SMRA has revised its target twice this year to Rp3tn and now aiming for Rp4.5tn pre sales in FY17. (Bisnis Indonesia)

## Markets &amp; Sectors

**Automotive sector:** Toyota Motor Corporation of Japan has indicated to appoint Indonesia as an export hub for country destination such as ASEAN, Latin America, Middle East and East Europe. Toyota will need to find a model that is well-receipted in both domestic and export market, most likely compact cars or hybrids. Toyota subsequently will invest in spare parts of tier 1 to 3, to improve local content and supply chain efficiency. According to the CEO of Toyota Astra Motor, domestic auto demand is expected to grow 6.6% to 1.12mn units in FY17, with Toyota sales growing according to industry. (Investor Daily).

*Comment: Assigning Indonesia as export hub should have limited benefit to Astra International (ASII IJ; Rp7,550; Buy). However, Astra Otoparts (AUTO IJ; Rp1,990; Buy) could benefit from the investment in spare parts of tier 1 to 3. We think this is still a long term plans as Toyota still need to figure out the right model for domestic and export market.*

**Tobacco Sector:** Government to impose VAT on each chain in the tobacco industry. There will be an increase of VAT rate at the producer level to 9.1% from 8.7% and possible tax collection at the consumer level at 10%. However, this plan has not been finalized yet. (Kontan)

*Comment: we think this will further put pressure on cigarette producers in Indonesia such as HM Sampoerna (HMSP IJ; Rp3,930; Hold) and Gudang Garam (GGRM IJ; Rp62,975; Hold). Given the current muted demand, the additional tax will even hurt the cigarette volume sales.*

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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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