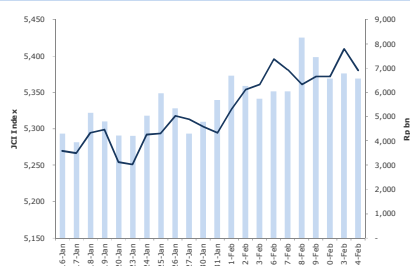


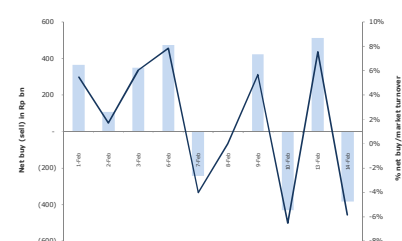
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,381	-0.5%	13.5%	1.6%
LQ45	894	-0.8%	7.5%	1.0%
DJI	20,612	0.5%	27.3%	4.3%
SET	1,573	0.1%	22.0%	2.0%
HSI	23,995	1.2%	25.5%	9.1%
NKY	19,438	1.0%	21.1%	1.5%
FTSE	7,302	0.5%	24.6%	2.2%
FSSTI	3,088	0.5%	16.8%	7.2%
EIDO	25	0.1%	10.6%	3.6%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	53.1	-0.2%	80.4%
CPO/tonne	667.5	0.3%	14.5%
Soy/bushel	10.5	1.6%	20.2%
Rubber/kg	2.9	-1.8%	120.9%
Nickel/tonne	10,874	1.5%	31.9%
Tins/tonne	19,843	-0.3%	29.0%
Copper/tonne	6,048	0.7%	32.3%
Gold/try.oz (Spot)	1,234	0.4%	2.8%
Coal/tonne	80.0	0.1%	57.8%
Corn/bushel	3.6	1.3%	2.7%
Wheat/bushel*	122.8	0.2%	-25.0%

* : 1 month change

Source : Bloomberg

BMRI: Bank Mandiri (BMRI IJ; Rp11,425; Buy) reported net profit of Rp13.8tn in FY16 (-32% yoy) on the back of modest loan growth (+11%), better NIM of 6.18% (+10bps yoy) and a doubling of credit cost to 4.0%. For 2017, the bank is guiding for its credit cost to decline, albeit remain elevated at 2.5-2.7%, while loan growth to be marginally stronger at 11-13% and NIMs at 5.7-5.8%. (Company).

Comment: BMRI's weaker than expected profits can be attributed to further major downgrades of its commercial loans in 4Q (NPL ratio: 9.32%), which led to much higher credit cost vs. guidance of 2.8-3.2%. Although the bank expects its NPL ratio to peak in 1Q17, we still see scope for much lower credit cost in 2017 given management assertion that its loan classifications are based on 3-pillars (repayment ability, business prospect, financial condition) vs. OJK's eased regulation that waive the last two factors from assessing NPLs. We reiterate our Buy rating on the stock.

SMGR: PT Semen Indonesia (SMGR IJ; Rp9,350; Buy) booked cement volume sales at 2.18mn MT (-0.3% yoy) on January 2017. SMGR targets 4% volume growth for 2017 to 27.6mn MT and capex at Rp6tn for factory expansion at Aceh and Kupang. (Kontan)

SMBR: PT Semen Baturaja (SMBR IJ; Rp2,160; Sell) booked cement volume sales at 128,416 MT (+23% yoy) on January 2017, thanks to Asian Games 2018 and Light Rail Transit (LRT) construction projects in South Sumatra. To note, South Sumatra grew +21% yoy to 82.625 MT and Lampung to 39,898 MT (+21% yoy). (Kontan)

WSKT: Waskita Karya (WSKT IJ; Rp2,580; Buy) reported net profit of Rp1.7tn in 12M16 (+64%), largely inline with ours of 94% achievement but above consensus estimates. Net margin dropped to 7.2% in FY16 from 7.4% in FY15 on the back of higher interest expense that increased to Rp982bn (vs. Rp340bn in FY15). However, company saw strong top line growth of 68% yoy to Rp23.8tn with gross and operating margin expanded to 16.7% and 13.4% in FY16 (vs. 13.6% and 9.9% in FY15), respectively. We will review our recommendation based on this set of result. (Bisnis Indonesia)

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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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