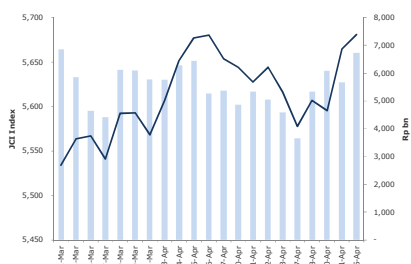


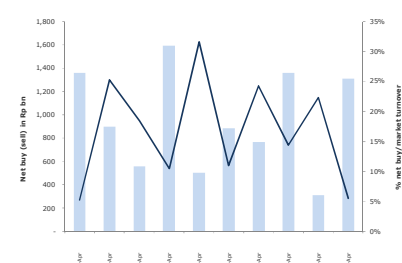
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,681	0.3%	18.0%	7.3%
LQ45	941	0.3%	13.3%	6.4%
DJI	20,996	1.1%	16.7%	6.2%
SET	1,562	-0.2%	10.1%	1.3%
HSI	24,456	1.3%	14.2%	11.2%
NKY	19,079	1.1%	9.9%	0.6%
FTSE	7,276	0.2%	15.8%	1.9%
FSSTI	3,164	0.6%	9.3%	9.8%
EIDO	27	0.0%	13.5%	9.9%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	49.2	0.7%	19.3%
CPO/tonne	569.8	-1.7%	-6.4%
Soy/bushel	9.3	-0.7%	-7.0%
Rubber/kg	2.3	0.5%	20.8%
Nickel/tonne	9,271	0.7%	1.9%
Tins/tonne	19,675	-0.1%	12.4%
Copper/tonne	5,678	0.9%	13.4%
Gold/try.oz (Spot)	1,264	-0.9%	1.7%
Coal/tonne	83.9	-0.1%	64.4%
Corn/bushel	3.5	1.7%	-6.0%
Wheat/bushel*	146.4	-0.6%	-10.8%

* : 1 month change

Source : Bloomberg

BMRI: Mandiri (BMRI IJ; Rp11,550; Buy) reported profit of Rp4.1tn in 1Q17 (+7% yoy) on the back of 14% loan growth, lower NIM of 5.9% (-52bps yoy), higher credit cost of 3.32% (+13bps yoy). Core profit (PPOP) grew 12% yoy due to strong non-interest income growth and lower cost ratio. New NPLs appears to have peaked, with Rp3.4tn in 1Q17 (4Q16: Rp8.5tn; 1Q16: Rp4.8tn), while NPL ratio unchanged at 4.0%. Management is guiding for high single digit PPOP growth and credit cost of 2.5-2.7% for FY17F (FY16: 4.0%). (Company)

Comment: BMRI's 1Q results were good news albeit still within expectations (forming 20.7% of FY17F consensus. We believe the bank could potentially beat consensus expectations If its credit cost fell to 2.3-2.5% in coming quarters (as per guidance). We reiterate BMRI as one of our top sector picks, aside from Bank Tabungan Negara (BBTN IJ; Rp2,350;Buy)

KLBF: Kalbe Farma (KLBF IJ; Rp1,600; Buy) to distribute up to 50% of FY16 earnings to shareholders. In 2017, KLBF sets revenue growth target of 8-10% yoy. Capex allocation will be Rp1.2tn for capacity and distribution expansion. (Kontan)

PPRO: PP Property (PPRO IJ; Rp268; Not Rated) post flat earnings of Rp91.2bn in 1Q17 with net margin dropped to 16.2% from 17% in 1Q16. Despite slight increase in revenue of 6% yoy, company saw higher cost in property and operating cost that pressure gross and operating margin to 24.7% and 21.3% in 1Q17 from 27% and 23.7% in 1Q16. (Investor Daily)

Markets & Sector

Coal sector: Coal price in China domestic market declined as power generation demand seasonally lower due to lower electricity demand as weather in April-May is favorable resulting in lower electricity consumption for heater or air conditioner. Coal inventory in Qinhuangdao port increased slightly by 130k tons to 5.15m tons. (Platts, Bloomberg).

Comment: We reiterate our Buy rating on ADRO (TP: Rp2,000) and PTBA (TP: Rp15,000) as coal price of \$78/ton remain higher than our conservative coal price estimate of \$65/ton in 2017-18.

Economic

State spending: The finance minister Sri Mulyani said that Indonesia does not need to repeat major spending cut it took last year, as the government's revenue projections look on track. The government would instead reallocate some spending within the budget to more productive areas which can enhance growth such as land acquisition for infrastructure projects. (Reuters, Jakarta Globe)

Comment: We believe the news should be positive for the market. To note, realised government revenue was 16.5% of target in 1Q17 (higher than last year's achievement of 13.9%) and spending was 19% of target. Last year, Sri Mulyani, upon taking office, cut more than Rp130tn in spending due to low projected revenue realisation.

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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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