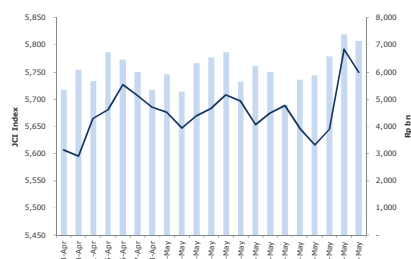


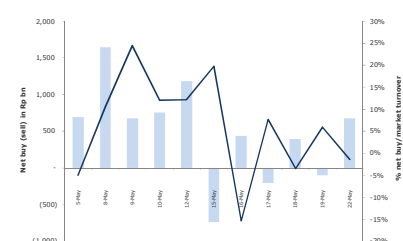
## News & Analysis

### Corporates

#### JCI Index



#### Foreign net buy (sell)



#### Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,749	-0.7%	21.2%	8.5%
LQ45	961	-1.0%	18.3%	8.6%
DJI	20,895	0.4%	19.4%	5.7%
SET	1,558	0.5%	12.7%	1.0%
HSI	25,391	0.9%	28.2%	15.4%
NKY	19,678	0.4%	18.2%	2.8%
FTSE	7,496	0.3%	22.2%	4.9%
FSSTI	3,214	-0.1%	16.1%	11.8%
EIDO	27	-0.7%	24.3%	12.8%

#### Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	50.7	0.8%	6.2%
CPO/tonne	619.7	1.0%	5.3%
Soy/bushel	9.3	0.4%	-12.5%
Rubber/kg	2.3	1.3%	25.3%
Nickel/tonne	9,352	0.3%	10.6%
Tins/tonne	20,640	0.4%	25.4%
Copper/tonne	5,689	0.4%	24.0%
Gold/try.oz (Spot)	1,261	0.4%	0.9%
Coal/tonne	74.8	0.7%	46.8%
Corn/bushel	3.5	0.7%	-8.1%
Wheat/bushel*	146.4	-0.6%	-10.8%

\* : 1 month change

Source : Bloomberg

**BSDE:** Bumi Serpong Damai (BSDE IJ; Rp1,800; Buy) reported net profit of Rp733bn in 1Q17 (+183% yoy, +15% qoq), inline with ours and slightly above consensus estimates. Net margin expanded to 41.8% (vs 23.4% in 1Q16) supported by Rp125bn net gain from bargain purchase PT Kerawang Bukit Golf and decrease in net of other expense due to lower average borrowing cost. BSDE's top line grew strong at 59% yoy on back of faster revenue recognition from landed houses and land sales, despite gross margin notably lower at 67% in 1Q17 (vs 75% at 1Q16) due to higher contribution from landed houses at 53% (33% in 1Q16). (Company)

*Comment: We like BSDE strong 1Q17 earning's achievement at 27% which was notably better from 1Q16 at 11%. Despite lack of launch in 1Q17 of only one cluster (vs. three clusters in 1Q16), it has shown 100% take up rate which was notably better than last year average at 70-100%. Maintain BUY at TP Rp2,500/share, implied FY17 PE target of 15.9x*

**DMAS:** Puradelta Lestari (DMAS IJ; Rp238; Not Rated) already booked 36ha marketing sales as of 4M17, which is 60% of its FY17 targets of 60ha. DMAS also claims to be in the negotiation process with warehousing company for the sales of 50ha commercial estate. DMAS will use Rp200bn of 2017 capex to acquire 10ha of landbank to add their 400ha unsold industrial estate. Company is set to launch two new housing clusters with the ranged Rp900bn-Rp1.3tn per unit. (Investor)

**ISAT:** Indosat (ISAT IJ; Rp7,325; Buy) has released its 1Q17 result which was on the weaker side of our expectation and consensus. The highlights are:

- Revenue grew +7% yoy, but declined -4.8% qoq due to seasonality. Overall, voice revenue fell -4.8% yoy and -6.6% qoq, with SMS also falling -10.9% yoy and -11.5% qoq due to substitution effect against data. As a result data revenue increased +40.5% yoy and +13.1% qoq. Despite strong data revenue growth price remains competitive as other operators are providing generous bonuses on 4G.
- EBITDA grew +4.7% yoy but down -8.8% qoq link to growth represented in revenue. EBITDA margin fell to 42.5% in 1Q17 vs 43.5% in 1Q16 and 44.4% in 4Q16. Normalized EBITDA margin should stand at 43.6% from adjustment from deferred employment benefit and upfront payment.
- Net add of subs jumped 10mn in 1Q17 driven by adjusted validity day from 30 days to 60 days. This also affected ARPU to decline to Rp21.7k (-17.8% yoy, -11.3% qoq). We do not expect significant revenue growth from this net add in the coming quarters. There might be an increase of churn rate post the adjustment period.
- Indosat aims to participate in the upcoming spectrum auction. The company might bid for one block of spectrum in either 2100Mhz or 2300Mhz. The company is clear to choose which one is cheaper between new spectrum or to increase network density.
- The network collaboration with XL remains unclear as it will depend on the issuance of the presidential decree. At the moment, the Government seems not to put network consolidation in its priority list. There for network consolidation will not happen any time soon.
- Overall, we see Indosat to post decent result with slight slow down in growth momentum. Nevertheless we remain positive on the industry growth and maintain our Buy call on the counter.

	1Q17	1Q16	%	1Q17	4Q16	%	FY17	%
<b>Turnover</b>	7,290	6,813	7.0	7,290	7,660	(4.8)	31,653	23.0
EBITDA	3,100	2,961	4.7	3,100	3,398	(8.8)	14,165	21.9
Operating profit	827	743	11.4	827	1,094	(24.4)	4,876	17.0
Net Int. & Invest. Inc.	(528)	(565)	(6.5)	(528)	(516)	2.4	(2,188)	24.1
Forex gain (losses)	41	330	(87.5)	41	(153)	(126.8)	-	nm
Except. & Others	(31)	(137)	nm	(31)	30	nm	-	nm
<b>Group Pretax</b>	309	370	(16.5)	309	455	nm	2,829	10.9
Taxation	98	115	(14.9)	98	130	(24.9)	(707)	-13.8
Minorities	37	-	nm	37	65	(42.8)	(150)	-24.9
<b>Net Profit</b>	174	255	(31.9)	174	260	(33.0)	1,972	8.8
<i>EBITDA Margin</i>	42.5%	43.5%		42.5%	44.4%		44.8%	

Source: Company

**PPRO:** PT PP Properti (PPRO IJ; Rp236; Not Rated) will increase recurring income to 15% in 2020 from 10% currently. To do so, company will soft launch Lagoon Avenue mall in Bekasi which is part of five malls PPRO owns. Company will also increase its landbank to support its long term pipeline. (Investor Daily)

**SMGR:** According to Semen Indonesia (SMGR IJ; Rp9,400; Hold) only 5 cement manufacturer have healthy utilization rate above 60%. Under such condition, inefficient cement manufacturers are forced to find new investors. Therefore, Semen Indonesia opens the possibility to acquire domestic cement manufacturers which are in financial trouble. So far, Semen Indonesia has not been approached by any cement player. Furthermore, Semen Indonesia expects consolidation to start in FY18.

*Comment: We think that Semen Indonesia has the financial strength to execute such corporation action if required. We think the concern will be acquisition price and domestic demand condition. Indocement (INTP IJ; Rp18,000; Hold) has also expressed similar intention and also supported by strong balance sheet.*

## Markets & Sector

**Cosmetic sector:** Indonesia Cosmetic Industry has been facing many challenges due to the governments' policy to exempt imported cosmetic products from verification since the end of 2015. As a result, illegal cosmetic products have flooded the Indonesian market taking the toll on the national industrial growth. Recently, BPOM has found 450 illegal cosmetic products, originated from Philippine and Thailand, with the approx. value amounting to Rp26bn. (Bisnis Indonesia)

*Comment: We see this has also affected Kino Indonesia's (KINO IJ; Rp2,200; Hold) performance especially in its personal care segment. We think it would be necessary for government to intervene and set clear rules to prevent further damage.*

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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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