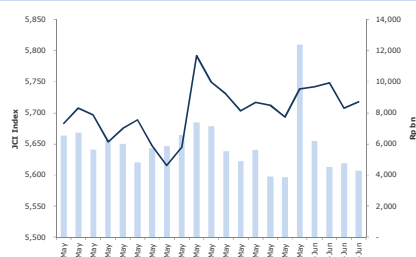


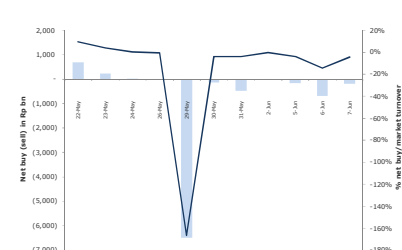
## News &amp; Analysis

## Corporates

## JCI Index



## Foreign net buy (sell)



## Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,717	0.2%	16.3%	7.9%
LQ45	959	0.3%	13.5%	8.4%
DJI	21,174	0.2%	17.6%	7.1%
SET	1,567	-0.2%	8.4%	1.5%
HSI	25,974	-0.1%	22.0%	18.1%
NKY	19,985	0.0%	18.7%	4.7%
FTSE	7,479	-0.6%	18.7%	4.7%
FSSTI	3,230	-0.2%	12.9%	12.1%
EIDO	27	-0.1%	13.3%	11.7%

## Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	45.7	-5.1%	-9.2%
CPO/tonne	575.2	-1.8%	-5.5%
Soy/bushel	9.0	0.8%	-19.8%
Rubber/kg	1.8	-0.5%	12.2%
Nickel/tonne	8,755	-0.7%	2.5%
Tins/tonne	19,412	-1.9%	14.6%
Copper/tonne	5,592	0.1%	22.5%
Gold/try.oz (Spot)	1,287	-0.5%	1.9%
Coal/tonne	78.5	1.9%	44.9%
Corn/bushel	3.5	0.4%	-14.6%
Wheat/bushel*	138.4	-5.5%	-15.3%

\* : 1 month change

Source : Bloomberg

**AISA:** Tiga Pilar (AISA IJ; Rp1,920; Buy) plans to release 20%-30% shares of Dunia Pangan, its rice subsidiary to public by end of this year. The IPO proceed is expected to reach Rp400bn which will be used for working capital. Going forward, AISA plans to capture 5% of market share in Indonesia rice industry. (Bisnis Indonesia)

*Comment: We think this will be positive for AISA. Therefore, maintain BUY.*

**ASII:** Astra International (ASII; Rp8,900; Buy) has targeted capex of Rp3.8tn in 1H17 from the total capex allocated of Rp15tn for FY17. Large portion of the capex will be allocated for United Tractors (UNTR IJ; Rp27,150; Buy) due to increase demand in heavy equipment, power infrastructure, and toll roads construction. Meanwhile capex for the agribusiness line is allocated Rp2.2tn and the automotive distribution division is allocated capex of Rp2.0tn. (Bisnis Indonesia)

**TAXI:** PT Express Transindo (TAXI IJ; Rp122; Sell) cut its daily driver fee to Rp150k (from Rp240k/day) and still has an agenda to sell its 14ha unused land with book value of c.Rp500bn. Company targets FY17F sales growth at 5% and increase fleet utilisation rate to 60% this year (2016: 50%) with total fleets at 9,000. (Kontan)

*Comment: In our view, selling its unused asset in this year is crucial for TAXI to pay its outstanding debt, given the operating cash flow unable to cover its interest expense. In addition, by lowering daily driver fee will continue to reduce its mounting receivables (Rp448bn in 1Q17) and improve cash receipt from existing drivers. We maintain Sell rating.*

**UNTR:** Management of United Tractors (UNTR IJ; Rp27,150; Buy) raise FY17F machinery sales target to 3,000 units (from 2,700 units) due to increasing pre-orders from the customers. (Investor Daily)

*Comment: UNTR remains our top pick in the mining sector. Buy (TP: 28,500).*

**WSKT:** Waskita Karya's (WSKT IJ; Rp2,240; Buy) subsidiaries, Waskita Realty will acquire land of 500ha to expand its property business. Company has allocated capex of Rp1.4tn which 42% is obtained through loan to its parent, WSKT, and bank loan. Waskita Realty is looking for landbank around WSKT's toll road. (Bisnis Indonesia)

## Markets &amp; Sector

**Consumer Sector:** according to survey carried out by Bank Indonesia, consumer optimism in May 2017, which reached 125.9, is the highest during the past 3 years. Factors including fasting and Ramadhan season, the availability of jobs vacancy and higher income have boosted the consumer purchasing power. (Kontan)

*Comment: We take this news positively and therefore the impact should be to increase consumer expenditure ahead of May17, notably considering the relatively weak confidence in 1Q17. However, there is a tendency that this confidence was affected due to both seasonal and occasional patterns which are the Ramadan, Eid al-Fitr holiday, as well as beginning of school term. In accordance with the recovery in consumer purchasing power, this will give positive sentiment for consumer companies such as Tiga Pilar (AISA IJ; Rp1,920; Buy), Kalbe Farma (KLBF IJ; Rp1,560; Buy), Unilever Indonesia (UNVR IJ; Rp47,200; Hold), Nippon Indosari (ROTI IJ; 1,320; Hold), and Mayora Indah (MYOR IJ; Rp2,150; Hold) and probably retailers such as RALS IJ; Rp1,230; Buy).*

**Coal sector:** Coal price in China domestic market increased on the back of;

- Higher burn rate of the power generations due to increasing demand from industries and household customers. Household power consumption improved due to increasing use of air conditioning as air temperature rising.
- Low precipitation reduced hydro power output.
- We maintain Adaro Indonesia (ADRO IJ; Rp 1,600; Buy) (TP: 2,000) and UNTR (TP: 28,500) as our top picks in the coal sector.

**Consumer Sector:** Despite the revitalization and addition of sugar facilities, expert still doubts that Indonesia could reach self-sufficiency in sugar by 2019. Government will need to boost the productivity and quality of sugar cane farms in Indonesia or else Indonesia still needs to import the raw materials. (Bisnis Indonesia)

*Comment: We are a bit pessimistic with the target as Indonesia was expected to be sugar self-sufficient back in 2014. This means that F&B companies such as MYOR, KINO, ROTI and UNVR will still need to depend on imported sugar for their raw materials.*

**Construction sector:** Ministry of public works and housing (PUPR) obtained indicative budget at Rp106tn in state budget (RAPBN) 2018. This is lower than initial estimate of Rp148tn and relatively flat compared to FY17E at Rp103tn. Rp106tn will then be divided into Ditjen Bina Marga (Rp41tn), Ditjen sumber daya air (Rp37tn), Ditjen Cipta Karya (Rp16tn), Ditjen Penyediaan Rumah (Rp9tn), Ditjen Pembiayaan Perumahan (Rp259bn), and remaining to other divisions. (Bisnis Indonesia)

*Comment: Despite having relatively flat growth, the main focus for RAPBN 2018 is to build infrastructure to increase economy growth. Maintain BUY on our top picks: Waskita Karya (WSKT IJ; Rp2,240; Buy) on the back of sell-off of its subsidiaries (WTR) that will lighten cash flow for the company and PT Pembangunan Perumahan (PTPP IJ; Rp3,100; Buy) on good new contract achievement at 4m17 (23% of FY17 target).*

**Telco Sector:** The Government will soon start auction of additional spectrum for cellular communication in 2.1GHz and 2.3GHz with a total bandwidth of 40Mhz (10Mhz in 2.1GHz and 30Mhz in 2.3GHz). The floor price for 5Mhz is set at Rp296.7bn for 2.1Ghz and Rp183.4bn for 2.3Ghz. It seems that Hutchinson 3 Indonesia is interested to participate in this auction. Similarly for Telkomsel, subsidiary of Telkom (TLKM IJ; Rp4,320; Buy) and Indosat (ISAT IJ; Rp6,100; Buy) has addressed intention to participate. (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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