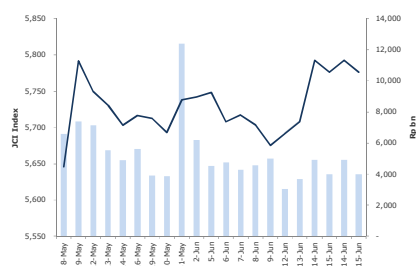


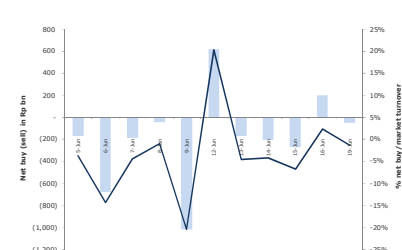
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,742	0.3%	18.1%	8.4%
LQ45	964	0.3%	16.1%	9.0%
DJI	21,529	0.7%	20.9%	8.9%
SET	1,581	0.3%	11.2%	2.5%
HSI	25,925	1.2%	26.4%	17.8%
NKY	20,068	0.6%	25.7%	6.1%
FTSE	7,524	0.8%	21.3%	5.3%
FSSTI	3,247	0.5%	15.9%	12.7%
EIDO	27	0.3%	15.6%	12.4%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	44.2	-1.2%	-7.9%
CPO/tonne	580.9	0.2%	1.6%
Soy/bushel	9.1	-0.1%	-21.1%
Rubber/kg	1.9	-1.5%	18.3%
Nickel/tonne	8,953	0.8%	-0.7%
Tins/tonne	19,675	-0.6%	15.4%
Copper/tonne	5,703	1.1%	25.6%
Gold/try.oz (Spot)	1,243	-0.8%	-3.6%
Coal/tonne	81.2	0.4%	54.5%
Corn/bushel	3.5	-2.5%	-18.8%
Wheat/bushel*	138.4	-5.5%	-15.3%

* : 1 month change

Source : Bloomberg

INTP: Indocement (INTP IJ; Rp18,250; Hold) will diversify into manufactured cement products, slag cement and intensify Rajawali branding. Going into manufactured cement products is aimed at the housing program of the Government. These products are aimed to build a 36sqm landed house within two weeks. Meanwhile slag cement will use waste (steel slag) from the steel industry. Slag cement is cement with high density that is suitable for development of port or infrastructure in sea. Thirdly, Indocement aims to intensify the Rajawali brand as a fighting brand against smaller competitors.

Comment: We do not think that these diversification efforts will have immediate impact. Manufactured cement products will need the change of behavior of building houses, which will need time. Meanwhile, slag cement usage will be very limited since it is a special purpose cement. Lastly, Rajawali brand is a fighting brand to face competition in selective regions. It is meant to support market penetration at the cost of profitability. We maintain our Hold call on the counter.

PRDA: Yesterday we attended Prodia's (PRDA IJ; Rp3,940; Buy) analyst meeting and took some key takeaways:

- 2H17 progress development as follows: 1) 7-8 clinical labs; 2) one specialty clinic, PWHC in Jakarta (another one, PSHC, to open in 4Q17); 3) Jakarta regional reference lab; 4) 13-14 Point of care (POC); 4) 2 hospital labs. Reference lab in Medan is expected to finish in 2017 while the construction of Semarang reference lab to start in 2018 and fully operational in 2019.
- Company highlights opportunity to collaborate with premium insurance and regional hospital to increase utilization rate of esoteric tests in Regional reference lab. Note that company has added 4 new tests in esoteric until 1Q17. Company already started operating next generation lab in Jakarta in June 2017 which will focus on personalized medicine.
- Company is preparing for collection of cancer screenings test types which will be used to work together with BPJS. Company mentioned enormous demand from BPJS, but will cautiously select the project as it tends to have lower test per patient.

Comment: Reiterate BUY on Prodia on the back of in line execution plan and solid company's plan. PRDA is now trading cheap at EV/EBITDA FY17F of 13.4x, lower compared to its peers, Mitra Keluarga (MIKA IJ; Rp2,050; Bu) at 28.8x and Siloam International Hospitals (SILO IJ; Rp11,550; Buy) at 18.8x EV/EBITDA FY17 on Bloomberg consensus.

Markets & Sector

Consumer Sector: In accordance, with the Samyang incident, Government to tighten the supervision of F&B and cosmetic products to prevent the same thing from happening. In addition, Indonesia National Agency of Drug and Food control (BPOM) will pay more attention on illegal cosmetic originated from China. (Bisnis Indonesia)

Comment: we think the recent incident might cause people to switch back to consume local instant noodles which have been certified Halal such as Indomie, which we think will be positive for Indofood CBP (ICBP IJ; Rp8,675; Hold). At this stage, maintain HOLD on ICBP.

Energy sector: State Electricity Company (PT PLN) take over 14 geothermal concessions and planning to expand to coal mining business. PLN plans to expand to the upstream business to secure supply for its fuel consumption while also improving its efficiency in fuel costs. PLN consumes approximately 86mn tons of coal per annum and will need an additional coal of 65-70mn tons pa post the operation of the 35GW power plant mega project. (Kontan)

Comment: PLN's expansion plan to the coal mining business will have minimal impact to Bukit Asam (PTBA IJ; Rp11,425; Buy). Additional PLN's coal demand (~70mn tons pa) is significantly higher than PTBA's current production capacity of around 25mn tons per annum.

Utility sector: According to the Government, electricity consumption grew 2.4% yoy to 106tWh in 1H17 which was low compared to last year's growth of 7.8% yoy in 1H16. Demand from house hold and industry was relatively stagnant during the 1H17, despite PLN's effort to increase penetration. Electricity tariff was relatively stable at Rp1,467/kWh for low voltage, Rp1114/kWh for medium voltage and Rp996/kWh for high voltage. Household remains the largest contributor of 43% of total demand, followed by industry of 31%, business 17.5% and Government of 8.5%.

Comment: Low demand growth of electricity might also reflect on demand of electricity of Cikarang Listrindo (POWR IJ; Rp1,135; Buy). Demand from PLN is expected to be at minimum while demand from industrial estate could also be flattish. We maintain our Buy call at the moment as valuation remains attractive.

Retail sector: Sales realization until this week has not shown better performance compared to same period last year. However, retailers such as Ramayana and Matahari are still optimistic to book good performance during 2Q17. On the separate news, Jokowi will ensure all civil servants to receive their religious holiday allowance (THR) the latest by today. (Bisnis Indonesia, Investor Daily)

Comment: due to rather late distribution of THR, we expect the sales to improve in these coming days. Therefore, maintain BUY on RALS and LPPF.

Economic

Economic growth: Bank Indonesia projects economic growth in 2Q17 to be slower than initially expected at 5.11%. No new figure has been announced until this point and FY17's growth remains to be predicted at 5-5.4%. The slowing growth should happen as an impact of postponement in salary payment for civil servants, military-, and policemen to Jul17, causing spending to occur as fast as the third quarter. BI Governor Agus Martowardojo, however, says that private investment in general starts to revive, both in building and non-building forms. (Kontan)

Comment: Despite the revision for 2Q17, we believe growth would remain above 5% in the 2Q17 – a view also implicitly shared by the central bank, having announced its intact FY17's projection of 5-5.4% with median 5.17% growth. However, if growth in 2Q17 does not reach 5.1%, the projection of growth to be 5.2% by FY17 will be more difficult. Past evidences show slowing growth in the second quarter usually emerged from slowing government spending.

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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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