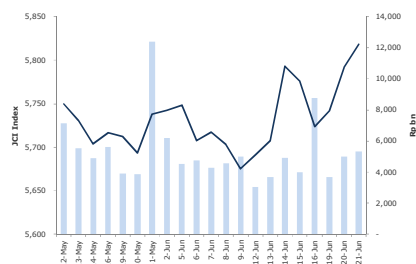


## Premier Insight

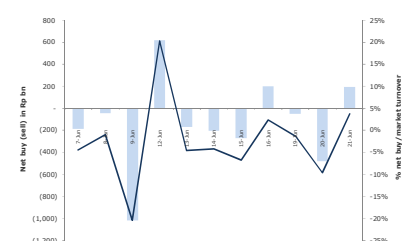
22 June 2017

News & Analysis  
Corporates

## JCI Index



## Foreign net buy (sell)



## Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,819	0.5%	18.8%	9.9%
LQ45	979	0.4%	17.1%	10.6%
DJI	21,410	-0.3%	20.4%	8.3%
SET	1,577	-0.1%	10.7%	2.2%
HSI	25,695	-0.6%	23.6%	16.8%
NKY	20,139	-0.5%	25.4%	5.4%
FTSE	7,448	-0.3%	19.0%	4.3%
FSSTI	3,202	-0.9%	14.9%	11.1%
EIDO	27	0.7%	15.6%	12.3%

## Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	42.3	-2.1%	-13.4%
CPO/tonne	569.7	-1.0%	2.9%
Soy/bushel	8.9	-0.7%	-20.7%
Rubber/kg	1.8	-1.6%	7.4%
Nickel/tonne	8,953	2.1%	-2.1%
Tins/tonne	19,625	0.0%	14.2%
Copper/tonne	5,718	1.5%	22.7%
Gold/try.oz (Spot)	1,247	0.3%	-1.6%
Coal/tonne	80.7	-0.1%	53.0%
Corn/bushel	3.4	-0.4%	-11.7%
Wheat/bushel*	138.4	-5.5%	-15.3%

\*: 1 month change

Source : Bloomberg

**ADHI:** Investment value of light rail transit (LRT) will be revised down by Rp1.6tn (vs Rp23.5tn currently). The revision is done after negotiation between consultant and transportation ministry. Adhi Karya (ADHI IJ; Rp2,150; Buy) has allocated capex of Rp9tn for the project until Dec 2017. The revision is currently under review by the ministry before officially announced. (Bisnis Indonesia)

*Comment: The revision is not significant enough for the whole project. Maintain BUY on ADHI with TP of Rp2,500.*

**BBCA:** Bank BCA (BBCA IJ; Rp18,200; Hold) announced acquisition of a further 15% stake in BCA Sekuritas from an affiliated shareholder for Rp75.9bn, thus increasing its ownership in the securities unit to 90% (from 75%). (Company).

*Comment: Despite the affiliated transaction, which may raise concern over valuation fairness, we view the transaction value as insignificant (at just 0.06% of BBCA's equity capital), and it should not affect our Hold rating on the stock.*

**MPPA:** Matahari Putra Prima (MPPA IJ; Rp730; Hold) announced its plan to buy 5.3mn new shares with transaction value of Rp121bn to increase its stake in GEI (shareholder of MatahariMall.com) to 10.55% from 8.08%. (Company)

*Comment: The transaction value is considered small (5.0% of MPPA equity capital), thus this does not change our negative view on MPPA due to its exposure to hyper mart segment which is no longer lucrative. Maintain HOLD.*

**UNTR:** United Tractors (UNTR IJ; Rp27,200; Buy) reported good May'17 operation performance as follow:

- Heavy equipment sales in May'17 reached 302 units, down 11% mom but up 69% yoy, bringing 5M17 sales to 1,488 units (+71% yoy) which accounted for 55% of our FY17F sales estimate of 2,700 units (+24% yoy). Sales improvement was mostly helped by increasing demand from the mining sector, which formed 50% of total 5M17 sales (vs. 21% in 5M16).
- PAMA recorded 5M17 OB removal of 297.6m bcm (+6.9% yoy) and coal mining volumes of 43.6m tons (+5.6% yoy). PAMA performance came in relatively in-line with our forecast. To note, OB removal of 65.4m bcm and coal mining of 9.5m tons in May'17 are the highest this year.
- Coal mining division posted coal sales volumes of 3.1m tons (-6.3% yoy) in 5M17, came in slightly above our estimate (46% of our FY17F forecast).

*Comment: We are reviewing UNTR earnings forecast and recommendation give better than expected machinery sales. UNTR remain our top pick in the minin sector. At this stage, we maintain our TP of Rp28,500, Buy.*

## Economic

**Investment:** President Jokowi held an unscheduled meeting on Tuesday to discuss about loosening up barriers to boost investment. No conclusion has been made due to technical barriers, but follow-up meeting will be set up within the Coordinating Ministry of Economic Affairs (CMEA) in talk to add pharmaceutical and transportation sectors in the revision of negative investment list. (Jakarta Post)

*Comment: It is mentioned in the news that president Jokowi held meeting days after the launch of World Bank's Jun17's IEQ. The Bank's report highlights some policy reforms need to be undertaken in order to boost DNI on foreign equity -*

Refer to Important disclosures in the last page of this report

*limits, reservations for SMEs, and local content requirements (TKD). It also mentions about the "lartas" (limited restrictions) which has been hindering more FDI to come. We believe the president's move is to take into account the addressed issues.*

**Infrastructure:** We met with Purbaya Yudhi Sadewa who is a staff for Coordinating Maritime Minister Luhut Binsar Pandjaitan yesterday and obtain the following key notes:

- The govt has now agreed on a single sea toll concept, where there will be two main international ports in Bitung (North Sulawesi) and Kuala Tanjung (North Sumatra), serving as two main hubs for international access. There will be total seven main ports developed and revamped located around the two main ports, namely Tanjung Priok, Tanjung Perak, Makassar, Bitung, Sorong, on top of Bitung and Kuala Tanjung. Financing for port development, including small ports, comes in various schemes such as through the state budget and cooperation with international investors, from China and Japan.
- Three focuses in maritime development is create Indonesia-centric development, increase of competitiveness, and value added creation. With the third focus, it is emphasised that smelters construction will be continued and not reversed.
- Jokowi's administration is keen to improve ease of doing business, targeting for 50<sup>th</sup> rank by 2019 (note that Indonesia has improved ranking to 91 from 106 in 2016). Measures implemented have so far resulted in this progress and will be continued going forward. A team under Purbaya's supervision is responsible for debottlenecking process.
- Another priority is to develop tourism in three (out of 10 announced) areas namely Danau Toba, Mandalika, Borobodur. Development includes airport, lodging construction and sites expansion into fully-functioning tourism sites.

*Comment: While we think that narrowing down maritime fulcrum focuses itself is a good progress, we believe that such plans will be unlikely to be accomplished by 2019. With chance of Jokowi to be reelected again for the 2nd time, this note should be taken as a medium-term view of development agenda that will impact the economy and the market slowly and gradually, upon 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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