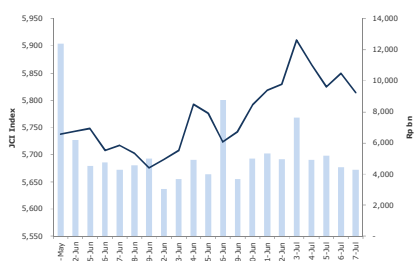


Premier Insight

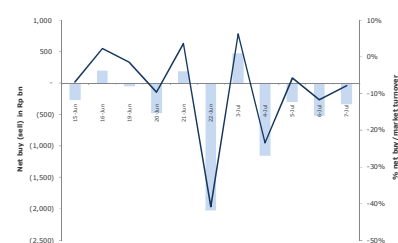
10 July 2017

News & Analysis
Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,815	-0.6%	17.0%	9.8%
LQ45	977	-0.6%	14.9%	10.5%
DJI	21,414	0.4%	18.0%	8.4%
SET	1,569	0.0%	7.8%	1.7%
HSI	25,341	-0.5%	23.2%	15.2%
NKY	19,929	-0.3%	31.9%	4.9%
FTSE	7,351	0.2%	11.5%	2.9%
FSSTI	3,229	0.1%	13.4%	12.1%
EIDO	27	-0.1%	9.6%	11.4%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	44.2	-2.8%	-2.0%
CPO/tonne	594.1	-0.3%	8.5%
Soy/bushel	9.7	1.6%	-6.8%
Rubber/kg	1.7	0.0%	-0.8%
Nickel/tonne	8,880	-1.7%	-8.5%
Tins/tonne	19,675	-2.1%	10.8%
Copper/tonne	5,804	-0.3%	24.2%
Gold/try.oz (Spot)	1,213	-1.0%	-11.2%
Coal/tonne	82.6	-0.8%	40.0%
Corn/bushel	3.7	0.6%	10.3%
Wheat/bushel*	146.5	5.8%	-7.0%

*: 1 month change

Source : Bloomberg

JSMR: Jasa Marga (JSMR IJ; Rp5,275; Buy) is close to finalize its asset securitization scheme, while waiting for tax clearance from the tax office. Asset securitization is likely to be subject of tax similar to bonds. Jasa Marga is likely to securitize revenue from Jagorawi toll road. This toll road is able to generate revenue of Rp700bn per year. The company aims to securitize Rp400bn for the next five years, which will result to fresh funding of Rp2tn. The remaining balance of Rp300bn will be withheld by the company. Other sections that are up for securitization are Jakarta-Tangerang and Jakarta-Cikampek. (Bisnis Indonesia)

Comment: Asset securitization scheme will help Jasa Marga to raise fresh funding to finance its capex. Nevertheless, equity investor will need to stretch investment period to gain return from newly developed toll road. In short term, fewer cash flow will be allocated for minority shareholders as operating cash flow is allocated to serve the securitization. We maintain our Buy call due to long term growth prospects.

PTPP: PT Pembangunan Perumahan (PTPP IJ; Rp3,310; Buy) through its subsidiary, PP Urban, will develop low cost housing for low income citizen (MBR) with BPJS Ketenagakerjaan with PP Urban's ownership at 20% and BPJS at 80%. The development will take place in Bugel on 20 ha land, although not all the area will be developed for MBR. (Kontan)

Comment: This will give limited impact to PTPP considering limited ownership on the project. Low cost housing also tends to have lower margin compared to normal property sales. Maintain BUY.

ROTI: Nippon Indosari (ROTI IJ; Rp1,195; Buy) plans to build 3 new factories in Indonesia and 1 new factory in Philippines by using the fund proceeds from the right issue. Company sets revenue growth target of 20% in 2017. Based on AGM, the action has been approved where ROTI will release 1.15bn shares with nominal value of Rp20/share. However, further details have not been disclosed. (Kontan)

Comment: Despite a rather disappointing performance in 1Q17, we remain positive on ROTI's robust expansion given the still low bread penetration in Indonesia. Maintain BUY on ROTI.

WTON: Wijaya Karya Beton (WTON IJ; Rp595; Buy) has accumulated Rp2.6tn (+36% yoy) of new contract in 1H17, 43% of FY17 target. Even so, WTON's management predicts new contract to reach Rp7tn given strong seasonality in 2H17. Most of new contract comes from infrastructure (toll road, LRT and MRT) and energy. (Kontan)

Markets & Sector

Pharmaceutical Sector: National pharmaceutical industry is predicted to growth at 8% in 2Q17 driven by the drugs demand from National Healthcare Program (JKN). However, producers will not enjoy better margin as government has set lower drugs price by 10-20% compared to previous period. (Bisnis Indonesia)

Comment: We truly think JKN only offers growth in terms of vol and not profitability. However, we think will have little impact on Kalbe Farma (KLBF IJ; Rp1,625; Buy) given its limited contribution to JKN. Maintain BUY.

Plantation sector: The government, through the Ministry of State Secretary instructed the Ministry of Agriculture to stop the drafting of palm oil legislation as it is considered as pro deforestation. Initially the draft regulation will be given to the house of representative for final assessment and revisions before being legalized. Separately, Indonesia bio-diesel consumption reached 1.48mn KL in 1H17, reaching 32.2% of FY17 target of 4.6mn KL, which is expected to increase by 26% from 3.65mn KL in 2016. (Investor Daily, Kontan)

Comment: Neutral impact from these news to palm oil price, in our view. We believe positive sentiment will come from increasing temperature in the equatorial area in the Pacific Ocean which will cause draught in Indonesia and Malaysia in 2H17. Thus, will be supportive to price. PP London Sumatera (LSIP IJ; Rp1,430; Buy) remains our top-pick in the sector.

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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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