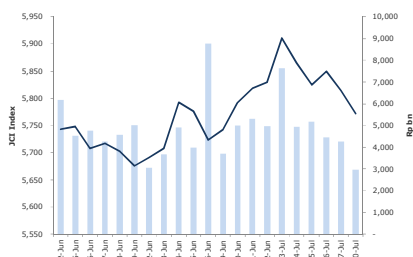


Premier Insight

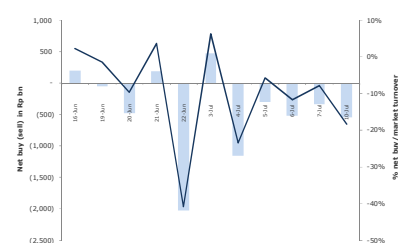
11 July 2017

News & Analysis
Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,772	-0.7%	13.9%	9.0%
LQ45	967	-1.0%	10.9%	9.3%
DJI	21,409	0.0%	17.5%	8.3%
SET	1,569	0.0%	7.8%	1.7%
HSI	25,500	0.6%	22.1%	15.9%
NKY	20,081	0.8%	27.8%	5.2%
FTSE	7,370	0.3%	10.3%	3.2%
FSSTI	3,246	0.5%	12.9%	12.7%
EIDO	27	-0.3%	7.7%	11.0%

Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	44.4	0.4%	-2.2%
CPO/tonne	603.9	1.5%	15.7%
Soy/bushel	10.0	2.3%	-7.6%
Rubber/kg	1.7	0.0%	-0.8%
Nickel/tonne	8,962	0.9%	-8.9%
Tins/tonne	19,993	1.6%	12.2%
Copper/tonne	5,796	-0.1%	23.4%
Gold/try.oz (Spot)	1,214	0.1%	-10.4%
Coal/tonne	82.4	-0.2%	39.0%
Corn/bushel	3.8	2.7%	9.0%
Wheat/bushel*	146.5	5.8%	-7.0%

*: 1 month change

Source : Bloomberg

AMRT: Sumber Alfaria Trijaya (AMRT IJ; Rp615; Not Rated) to continue its partnership with Mitsubishi Corporation in F&B sector especially bread products, under the brand MyRoti. The brand was established back in 2014 and currently, there are 23 SKUs. However, company do not disclosed the contribution of F&B sales in its financial statement. (Kontan)

Comment: We do not think MyRoti to be a serious threat to Nippon Indosari (ROTI IJ; Rp1,175; Buy) given the greater capacity; more product variants, and higher brand equity that ROTI possess. Maintain BUY on ROTI.

KRAS: Krakatau Steel (KRAS IJ; Rp600; Not Rated) expects to make profit in FY17, after booking a losses for the past five years. Company hopes to reverse their losses due to demand for pipes and rails from energy and railway projects from government infrastructure projects. Company targets earning of US\$10mn in FY17 vs. US\$172mn loss in FY16. The projects include:

- 1.) Pertamina installment of 95km pipeline from Cilacap-Yogyakarta, Cilacap to Bandung, and Cilacap to Boyolali, which would require roughly 600,000 tons of hot rolled coil (HTC).
- 2.) Pertamina project to build 176km gas pipeline in Dumai, Riau.
- 3.) PT. KErta Api Indonesia (KAI) railways and Light Rapid Transit (LRT) railways.
- 4.) Jakarta-Cikampek II Elevated toll road, which require roughly 225,000 tons of steel products.
- 5.) Various seaports projects across the country which also require thousands more tons. (Bisnis Indonesia)

SMRA: Summarecon Agung (SMRA IJ; Rp1,210; Buy) reported weak pre sales of Rp1.4tn in 1H17, flat yoy, achieving 32% of FY17 target. Significant monthly pick up are seen in Bekasi and Serpong which booked pre sales of Rp174bn and Rp138bn in June 2017 alone (vs Rp37.5bn and Rp58bn in May 2017). (Company)

Comment: SMRA 1H17's pre sales was weaker compared to 1H16's achievement at 41%. Despite so, the company saw strong pick up in Bekasi and Serpong in June which might resilient sales in Bekasi and Serpong. Maintain BUY on SMRA with TP of Rp1,810

WTON: We met with Wijaya Karya Beton (WTON IJ; Rp580; Not Rated) yesterday and took some key takeaways:

- WTON's 1H17 new contract at Rp2.6tn, 43% of FY17 target. Largest contributor come from PLN from construction of electric poles made of concrete and its parent company, Wijaya Karya (WIKI IJ; Rp x; Buy). The company targets revenue of Rp5tn and net margin of 7% in FY17.
- Allocated capex FY17 stands at Rp682bio which will be used to increase production capacity to 3million ton from 2.5million ton FY16. Company targets to increase its production capacity at 7.4% CAGR 2016-18F. Going forward, company will increase its production line to increase its product variant for deeper market penetration.
- Company only affected by turnkey projects through longer payment period (six months), compared to normal project of three months. Despite so, payment is still completed from the affected clients, which allow WTON to act as a substitute from SOE construction companies which have higher exposure to turnkey projects. (Company)

WSKT: Waskita Karya (WSKT IJ; Rp2,250; Buy) WSKT as the parent company of WSBP encourage its subsidiaries to conduct a buy-back action in the near future. The action is expected to push WSBP's price above the IPO price (Rp490) and reflects fundamental performance of the company. (Bisnis Indonesia)

Markets & Sector

Automotive sector: The automotive association proposed to the Government to amend luxury tax for sedan. Currently sedans are subject to luxury value added tax of 30-125% with most of the segment subject to 40%. Gaikindo wants to lower this tax to 20-40% which will reduce selling price while induce volume. Some auto manufacturers are positive while others are skeptical. Local demand is tilting more towards MPVs and SUVs with large capacity. Lowering tax is expected to have limited impact on demand. This policy will also be less effective to boost exports as Thailand and Malaysia are the production base for sedans in the region. (Bisnis Indonesia)

Comment: We do not expect any significant impact if the import tax is lowered. We do see that demand is favoring MPVs and SUVs. Meanwhile export base is designated in Thailand and Malaysia.

Economic

Business survey: Business in 2Q17 was improving by 17.4% qoq according to BI's business survey. The highest improvement took place in trade, hotel, and restaurant (4.32% qoq) as well as manufacturing sectors (3.81% qoq). Expansion took place in all but mining and quarrying sector and by higher percentage in comparison with last year's performance, except for transportation and communication. It is seen that business improvement took place due to cyclicalities, in which *Ramadan* and *Eid* holiday were due during the quarter. There will be limited expansion expected in 3Q17 of 14.93% qoq supported by manufacturing and financial, real estate, and company service sectors. (Bank Indonesia, Investor Daily)

Comment: We believe the result in this survey contradicts previous concerns of declining trade, which was seen indicatively by decrease in retail service – quite possibly because sampling in retail service was taken solely from physical stores. Generally, we also see the increasing sectoral activities in comparison to last year's performance as positive indication for business in 2017 but we would remain cautious on general business performance as utilisation rate was declining.

Head Office**PT INDO PREMIER SEKURITAS**

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

Jakarta 10210 - Indonesia

p +62.21.5793.1168

f +62.21.5793.1167

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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