

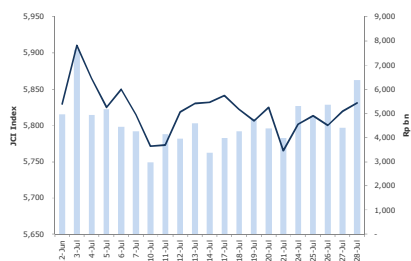
Premier Insight

31 July 2017

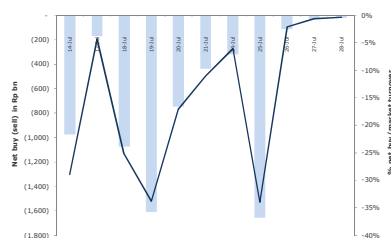
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,831	0.2%	11.8%	10.1%
LQ45	974	0.2%	9.1%	10.1%
DJI	21,830	0.2%	18.4%	10.5%
SET	1,581	-0.1%	3.7%	2.5%
HSI	26,979	-0.6%	23.2%	22.6%
NKY	19,960	-0.6%	20.5%	4.4%
FTSE	7,368	-1.0%	9.6%	3.2%
FSSTI	3,331	-0.7%	16.1%	15.6%
EIDO	27	0.3%	3.2%	11.1%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	49.7	1.4%	20.8%
CPO/tonne	620.2	-0.8%	15.4%
Soy/bushel	9.8	0.6%	-2.2%
Rubber/kg	1.8	-1.0%	-6.6%
Nickel/tonne	10,156	0.7%	-4.7%
Tins/tonne	20,730	-0.4%	16.7%
Copper/tonne	6,296	0.0%	28.9%
Gold/try.oz (Spot)	1,270	0.8%	-6.0%
Coal/tonne	86.0	0.8%	40.4%
Corn/bushel	3.5	0.0%	8.4%
Wheat/bushel*	146.5	5.8%	-7.0%

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BISI: Bisi International (BISI IJ; Rp1,605; Under Review) posted weak results in 2Q17;

- Net profit dropped 85% qoq and 84% yoy to Rp11.6bn in 2Q17, bringing 1H17 earnings to Rp87.8bn, down 36% yoy.
- Revenues in 2Q17 dropped 23% qoq and 7.5% yoy to Rp372bn, allowing 1H17 revenues to reach Rp852.7bn, increased 14.7% yoy, on the back of strong top-line growth of 40% yoy in 1Q17.
- We see accelerating costs in the production and operational levels, resulting in decrease operational margin to 11.3% in 1H17, from 23% recorded in 1H16.

Comment: We will review our forecast and valuation given this lower than expected 2Q17 results.

EXCL: XL Axiata (EXCL IJ; Rp3,300; Buy) released its 1H17 result which was largely inline at the operating level. The result highlights are as follows:

- Topline inched up 0.7% yoy 1H17 and increase +7.6% qoq in 2Q17, caused by a combination of slow down of substitution effect while growing data revenue.
- EBITDA dropped -7.9% yoy in 1H17 but improved +12.1% qoq in 2Q17. This shows that XL is on the right path of recovery. Operating profit jumped 92.7% qoq due to lower depreciation expenses. This could be one-off and depreciation to normalize in the coming quarters.
- XL also booked lower interest income of -27.7% yoy but flat qoq. We suspect some scheduled interest payment were moved into 3Q and 4Q, given the fact that gearing remains high. Together with booking of tax benefit, net profit jumped to Rp117bn in 1H17. We see that XL was able to maintain recovery momentum in 2Q17. Therefore we maintain our Buy call on the counter.

	1H17	1H16	%	2Q17	1Q17	%	FY17F	%
Turnover	10,934	10,854	0.7	5,668	5,266	7.6	21,947	49.8
EBITDA	3,921	4,256	-7.9	2,073	1,848	12.1	8,387	46.8
Operating Profit	637	417	52.7	419	218	92.7	341	187
Net Int. & Invest. Inc.	(695)	(960)	-27.7	-351	(344)	2.3	(2,150)	32.3
Forex gain (losses)	44	437	-90.1	5	39	-88.1	-	nm
Except. & Others	40	322	nm	26	15	76.7	1,247	3.2
Group Pretax	26	215	-88.1	98	(73)		(563)	-4.6
Taxation	117	9	1155.7	-2	119		-	na
Minorities	0	0	nm	0	0		-	
Net Profit	143	225	-36.3	97	47	107.8	(563)	-25.4
EBITDA Margin	35.9%	39.2%		36.6%	35.1%		38.2%	

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GGRM: Gudang Garam (GGRM IJ; Rp79,800; Hold) reported 2Q17 net profit of Rp1.2tn (+5.0% yoy), in-line with our/consensus estimates, on the back of 8.4% yoy revenue growth in the same period. GPM contracted by 30bps to 19.6% in 2Q17, where operating margin stood at 8.8%. As a result, net margin also showed slightly contraction by 20bps to 6% in 2Q17. (Company)

Comment: We continue to see that GGRM show stronger pricing points compared to HMSP. However, given the challenging backdrop of Indonesia's tobacco industry. Maintain HOLD on GGRM.

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	YoY	1H17	1H16	YoY
Revenue	20,558	18,970	8.4%	20,558	19,687	4.4%	40,245	36,963	8.9%
Gross Profit	4,030	3,773	6.8%	4,030	4,397	-8.4%	8,427	8,039	4.8%
Operating Profit	1,799	1,707	5.4%	1,799	2,753	-34.6%	4,552	4,343	4.8%
Net Profit	1,235	1,176	5.0%	1,235	1,890	-34.6%	3,125	2,869	8.9%
Gross Margin	19.6%	19.9%		19.6%	22.3%		20.9%	21.7%	
Operating Margin	8.8%	9.0%		8.8%	14.0%		11.3%	11.8%	
Net Margin	6.0%	6.2%		6.0%	9.6%		7.8%	7.8%	

Source: Company

KIJA: Kawasan Industri Jababeka (KIJA IJ; Rp316; Not Rated) reported earnings of Rp180bn(-32% yoy), in line with consensus estimates and , company's 3 years historical performance, contributing 38% of FY17 target. Despite increase in top line (+19%), gross, and net margin were cut off to 39% and 11% from 41% and 24% in FY16 respectively, due to faster growth in COGS (+22%) and huge decrease in finance income (-73%). The decrease from finance cost resulting the company to have huge finance expense (-Rp122bn) vs finance income in Rp22bn FY16.

KLBF: Kalbe Farma (KLBF IJ; Rp1,720; Buy) reported earnings of Rp628bn (+7.7% yoy) in 2Q17, in-line with consensus estimates, on the back of 3.2% yoy revenue growth in 2Q17. Gross margin was relatively stable at 49% on stable raw mats as well as forex, meanwhile net margin slightly expand by 50bps to 12.2% in 2Q17. (Company)

Comment: We think the stronger performance was driven by higher demand during Ramadan. The growth is mostly supported by volume as the company only imposed ASP hike on selected OTC products of 2-5% in 2Q17. Maintain BUY on KLBF.

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	QoQ	1H17	1H16	YoY
Revenue	5,168	5,006	3.2%	5,168	4,898	5.5%	10,066	9,556	5.3%
Gross Profit	2,514	2,469	1.8%	2,514	2,411	4.3%	4,925	4,663	5.6%
Operating Profit	819	787	4.0%	819	771	6.1%	1,590	1,516	4.9%
Net Profit	628	583	7.7%	628	588	6.8%	1,216	1,146	6.1%
Gross Margin	48.7%	49.3%		49.0%	49.0%		48.9%	48.8%	
Operating Margin	15.8%	15.7%		16.0%	16.0%		15.8%	15.9%	
Net Margin	12.2%	11.6%		12.0%	12.0%		12.1%	12.0%	

Source: Company

MPMX: Mitra Pinasthika Mustika (MPMX IJ; Rp835; Buy) reported net profit of Rp323bn in 1H17 (+79% yoy), above our/consensus expectation (forming 55%/69% respectively), on the back of lower interest expense due to divestment of MPMFinance. On the quarterly basis, 2Q17 earnings increased by 51% qoq/ 79% yoy. However, sales growth declines (-5% qoq,-11% yoy), which brings gross margin down to 7.1% (2Q16: 7.9%) and operating margin shrank to 4% (2Q16: 5.2%). Opex-to-sales remains stable.

Comment: We are positive with MPMX divestment in MPMF which brought lighter balance sheet and lower interest expense to the book. However, we are negative to 2Q17 top-line achievement due to weak auto distribution business. Despite weak top-line, we still maintain Buy for MPMX as we expect another cost efficiency to continue with more benefit from MPMF divestment.

NRCA: Nusa Raya Cipta (NRCA IJ; Rp406; Not Rated) booked a net profit of Rp107bn (+164% yoy) on the back of one-off from other income, resulting sudden jump on other income to Rp109bn vs 10bn in FY16 and net margin improvement to 10% from 3% in FY16. Despite negative growth on revenue (-22%), gross margin improved by 1% due to faster decrease in COGS (-23%). Note: without one off from other income, company's core profit is (-Rp2bn).

PRDA: Prodia Widiyahasada (PRDA IJ; Rp3,730; Buy) reported net profit of Rp59bn (+50% yoy) in 1H17 with net margin improved to 8.7% (vs. 4.3% in 1H17), as a result from rising other income (+29% yoy). Revenue grew slightly by 4% yoy while gross profit only increased 2% yoy, resulted in depressed gross and operating margin to 57.5% and 7% (vs. 58.5% and 9.1% in 1H16). (Company)

Comment: Despite weak operational result, net profit was above our and consensus estimates. Maintain BUY at TP of Rp7,500.

POWR: Cikarang listrindo (POWR IJ; Rp1,080; Buy) has released its 1H17 result which inline with our expectation. The company has yet to release operational numbers. Total revenue only increased by +2.2% yoy in 1H17 and +2.5% qoq in 2Q17 mainly driven by 5% volume growth from IE but negated by volume decline from PLN. Operating income grew +10.5% yoy and 9.2% qoq due to other income of US\$3.0mn in 1H17, which might not be sustainable. The net income dropped -47.4% yoy in 1H17 due to absence of tax benefit in 1H16. In 2Q17, net income grew +3.9% driven by operational growth.

	1H17	1H16	+/- %	2Q17	1Q17	+/- %	FY17	% of FY17F
Revenue	280.7	274.7	2.2%	142.1	138.6	2.5%	599.9	46.8
EBITDA	91.9	89.2	3.0%	47.2	44.6	5.9%	236.4	38.9
Gross profit	98.1	93.1	5.5%	51.7	46.4	11.5%	237	41.4
Op profit	75.8	68.6	10.5%	39.6	36.2	9.2%	181.5	41.8
EBT	71.5	60.6	18.1%	36.9	34.6	6.6%	150.7	47.5
Net profit	56.1	106.5	-47.4%	28.6	27.5	3.90%	112.7	49.7

Source: Company

RALS: Ramayana (RALS IJ; Rp945; Buy) reported net profit of Rp369bn in 1H17 (+45% yoy) with net margin at 11% (1H16: 8%). On quarterly basis, 2Q17 net profit increased by +49% yoy. Sales growth improves (+15% yoy), which brings gross margin up to 41% (2Q16: 39%). Operating margin improves to 18% (2Q16: 13%), stable opex growth in 2Q.

Comment: We are positive with RALS' achievement in 2Q17. 2Q sales achievement is slightly above our expectation (forming 38%), which put 1H17 sales at 56% of our forecast. At this stage, we maintain our Buy rating for RALS.

SMGR: Semen Indonesia (SMGR IJ; Rp10,050; Hold) released its financial result 1H17, which was slightly below our and consensus numbers driven by weak ASP and increasing production and operating cost. The result highlights are as follows:

- Total revenue grew +2.0% yoy in 1H17, but dropped -1.3% qoq in 2Q17. Cement sales volume was nearly flat as ASP dropped -7.9% yoy in 1H17 but compensated with increase of sales volume by +3.8% yoy. Other income from ready mix (+212.9% yoy) has helped to support topline but contribution was only 6% of total revenue.
- EBITDA margin was under pressure as raising production cost from fuel, administration and other cost were not well covered by increase of ASP as competition remains stiff. 2Q17 EBITDA margin stood at 18.7% which is well of the average historical margin of 27-30%.
- As a result net income dropped significantly -44.4% yoy in 1H17 and -56.6% qoq in 2Q17. We do not expect any turnaround anytime soon. We believe that the industry will need consolidation before any improvement in profitability. 2Q17 is also affected by seasonality as logistic are disturbed by Ramadhan holidays. We expect a slight improvement in margin and volume in 3Q and 4Q as logistics are back to normal
- We maintain our Hold recommendation on the counter as Semen Indonesia remains healthy in cash flows. Demand and supply remained unbalance due to lack of demand from property which also indicate no immediate recovery.

	1H17	1H16	%	2Q17	1Q17	%	FY17	%
Turnover	12,714	12,470	2.0	6,315	6,399	(1.3)	25,784	49.3
Gross profit	3,857	4,988	(22.7)	1,914	1,943	(1.5)	8,828	43.7
EBITDA	2,526	3,328	(24.1)	1,181	1,345	(12.2)	5,452	46.3
Operating profit	1,616	2,563	(37)	720	896	(19.7)	3,543	45.6
Net Int. & Invest. Inc.	(195)	(57)	244.7	(132)	(63)	109.6	-222	88.2
Forex gain (losses)	-	-	nm	-	-	nm	-	nm
Except. & Others	73	67	8.8	31	43	nm	-	nm
Group Pretax	1,494	2,574	(42)	618	876	(29.4)	3,321	45
Taxation	(389)	(583)	(33.3)	(264)	(125)	111.3	(731)	53.2
Minorities	(12)	(26)	(54.7)	(8)	(4)	87.4	(15)	80.5
Net Profit	1,093	1,965	(44.4)	346	747	(53.6)	2,576	42.4
EBITDA Margin	19.9%	26.7%		18.7%	21.0%		21.1%	

Source: Company

SMRA: Summarecon Agung (SMRA II; Rp995; Buy) posted net income of Rp48.8bn (+99% yoy) with net margin expanded to 1.8% from 1.1% in 1H16. The growth was due to lower minority interest of Rp76.3bn (vs. Rp103bn in 1H16). Revenue grew modestly by 16% yoy while gross and operating margin decelerate to 43.0% and 20.1% (vs 45.8% and 22.6%) due to rising cost. (Company)

Comment: 1H17's achievement was better than last year and inline with ours and consensus. Company still sees high financing cost at 0.95x DER (vs. 0.91x in FY16). Maintain BUY.

UNVR: Unilever Indonesia (UNVR IJ; Rp48,375; Hold) reported earnings of Rp1.6tn (-4% yoy) in 2Q17, slightly below our/consensus estimates, on the back of revenue deceleration of 3% yoy in 2Q17. On a cumulative basis, 1H17 earnings still grew by 10% yoy on the back of 2% yoy revenue growth. 2Q17 Gross margin was maintained at 50.8% where operating margin also stable at 21.5%. As a result, net margin stood at 16.0% in 2Q17.

Comment: We think the growth deceleration is still underpinned by weak consumer purchasing power despite the timing of Ramadan in 2Q17. Note that last ASP hike of 1.3% was done in February.

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	QoQ	1H17	1H16	yoy
Revenue	10,418	10,757	-3%	10,418	10,846	-4%	21,264	20,746	2%
Gross Profit	5,288	5,470	-3%	5,288	5,625	-6%	10,913	10,491	4%
Operating Profit	2,242	2,332	-4%	2,242	2,661	-16%	4,903	4,478	9%
Net Profit	1,663	1,728	-4%	1,663	1,961	-15%	3,624	3,298	10%
Gross Margin	50.8%	50.9%		50.8%	51.9%		51.3%	50.6%	
Operating Margin (%)	21.5%	21.7%		21.5%	24.5%		23.1%	21.6%	
Net Margin	16.0%	16.1%		16.0%	18.1%		17.0%	15.9%	

Source: Company

Economic

2017 revised state budget: The House of Representatives just approved of the 2017 state budget amendment. Of the amended state budget, key highlights include:

- Changes in macroeconomic assumptions: growth of 5.2% (vs 5.1%), inflation of 4.3% (vs 4%), Treasury note rate of 5.2% (vs 5.3%), exchange rate of 13,400 (vs 13,300), crude oil price of US\$48 (vs US\$45)
- Changes in revenue items where: (i) Tax revenue is decreased by Rp26.2tn and (ii) Non-tax revenue is increased by Rp10.2tn
- More spending of Rp51.5tn to be made on ministries and non ministries
- Changes in subsidy where energy subsidy is to be increased by Rp12.6tn and non-energy subsidy (subsidy for interest) decreased by Rp2.8tn
- Increase of transfer to village of Rp1.4tn
- Deficit to widen to 2.92% of GDP (but expectation is this deficit will narrow to 2.67% due to natural absorption) and consequently, sovereign bond emission to increase by Rp67tn
- More investment to be made to SOEs notably to PT KAI (Rp2tn) and PT Djakarta Lloyd (Rp0.4tn)

(Ministry of Finance)

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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.

DISCLAIMERS

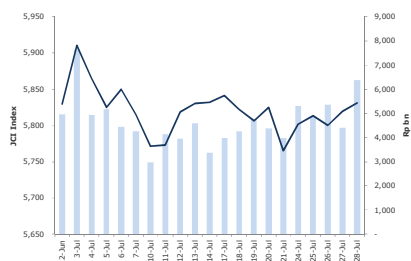
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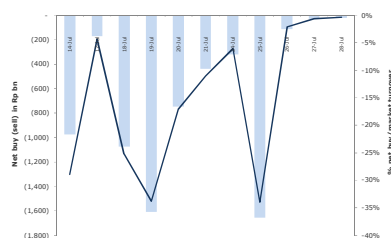
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Operating Profit	1,799	1,707	5.4%	1,799	2,753	-34.6%	4,552	4,343	4.8%
Net Profit	1,235	1,176	5.0%	1,235	1,890	-34.6%	3,125	2,869	8.9%
Gross Margin	19.6%	19.9%		19.6%	22.3%		20.9%	21.7%	
Operating Margin	8.8%	9.0%		8.8%	14.0%		11.3%	11.8%	
Net Margin	6.0%	6.2%		6.0%	9.6%		7.8%	7.8%	

Source: Company

KIJA: Kawasan Industri Jababeka (KIJA IJ; Rp316; Not Rated) reported earnings of Rp180bn(-32% yoy), in line with consensus estimates and , company's 3 years historical performance, contributing 38% of FY17 target. Despite increase in top line (+19%), gross, and net margin were cut off to 39% and 11% from 41% and 24% in FY16 respectively, due to faster growth in COGS (+22%) and huge decrease in finance income (-73%). The decrease from finance cost resulting the company to have huge finance expense (-Rp122bn) vs finance income in Rp22bn FY16.

KLBF: Kalbe Farma (KLBF IJ; Rp1,720; Buy) reported earnings of Rp628bn (+7.7% yoy) in 2Q17, in-line with consensus estimates, on the back of 3.2% yoy revenue growth in 2Q17. Gross margin was relatively stable at 49% on stable raw mats as well as forex, meanwhile net margin slightly expand by 50bps to 12.2% in 2Q17. (Company)

Comment: We think the stronger performance was driven by higher demand during Ramadan. The growth is mostly supported by volume as the company only imposed ASP hike on selected OTC products of 2-5% in 2Q17. Maintain BUY on KLBF.

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	QoQ	1H17	1H16	YoY
Revenue	5,168	5,006	3.2%	5,168	4,898	5.5%	10,066	9,556	5.3%
Gross Profit	2,514	2,469	1.8%	2,514	2,411	4.3%	4,925	4,663	5.6%
Operating Profit	819	787	4.0%	819	771	6.1%	1,590	1,516	4.9%
Net Profit	628	583	7.7%	628	588	6.8%	1,216	1,146	6.1%
Gross Margin	48.7%	49.3%		49.0%	49.0%		48.9%	48.8%	
Operating Margin	15.8%	15.7%		16.0%	16.0%		15.8%	15.9%	
Net Margin	12.2%	11.6%		12.0%	12.0%		12.1%	12.0%	

Source: Company

MPMX: Mitra Pinasthika Mustika (MPMX IJ; Rp835; Buy) reported net profit of Rp323bn in 1H17 (+79% yoy), above our/consensus expectation (forming 55%/69% respectively), on the back of lower interest expense due to divestment of MPMFinance. On the quarterly basis, 2Q17 earnings increased by 51% qoq/ 79% yoy. However, sales growth declines (-5% qoq,-11% yoy), which brings gross margin down to 7.1% (2Q16: 7.9%) and operating margin shrank to 4% (2Q16: 5.2%). Opex-to-sales remains stable.

Comment: We are positive with MPMX divestment in MPMF which brought lighter balance sheet and lower interest expense to the book. However, we are negative to 2Q17 top-line achievement due to weak auto distribution business. Despite weak top-line, we still maintain Buy for MPMX as we expect another cost efficiency to continue with more benefit from MPMF divestment.

NRCA: Nusa Raya Cipta (NRCA IJ; Rp406; Not Rated) booked a net profit of Rp107bn (+164% yoy) on the back of one-off from other income, resulting sudden jump on other income to Rp109bn vs 10bn in FY16 and net margin improvement to 10% from 3% in FY16. Despite negative growth on revenue (-22%), gross margin improved by 1% due to faster decrease in COGS (-23%). Note: without one off from other income, company's core profit is (-Rp2bn).

PRDA: Prodia Widiyahasada (PRDA IJ; Rp3,730; Buy) reported net profit of Rp59bn (+50% yoy) in 1H17 with net margin improved to 8.7% (vs. 4.3% in 1H17), as a result from rising other income (+29% yoy). Revenue grew slightly by 4% yoy while gross profit only increased 2% yoy, resulted in depressed gross and operating margin to 57.5% and 7% (vs. 58.5% and 9.1% in 1H16). (Company)

Comment: Despite weak operational result, net profit was above our and consensus estimates. Maintain BUY at TP of Rp7,500.

POWR: Cikarang listrindo (POWR IJ; Rp1,080; Buy) has released its 1H17 result which inline with our expectation. The company has yet to release operational numbers. Total revenue only increased by +2.2% yoy in 1H17 and +2.5% qoq in 2Q17 mainly driven by 5% volume growth from IE but negated by volume decline from PLN. Operating income grew +10.5% yoy and 9.2% qoq due to other income of US\$3.0mn in 1H17, which might not be sustainable. The net income dropped -47.4% yoy in 1H17 due to absence of tax benefit in 1H16. In 2Q17, net income grew +3.9% driven by operational growth.

	1H17	1H16	+/- %	2Q17	1Q17	+/- %	FY17	% of FY17F
Revenue	280.7	274.7	2.2%	142.1	138.6	2.5%	599.9	46.8
EBITDA	91.9	89.2	3.0%	47.2	44.6	5.9%	236.4	38.9
Gross profit	98.1	93.1	5.5%	51.7	46.4	11.5%	237	41.4
Op profit	75.8	68.6	10.5%	39.6	36.2	9.2%	181.5	41.8
EBT	71.5	60.6	18.1%	36.9	34.6	6.6%	150.7	47.5
Net profit	56.1	106.5	-47.4%	28.6	27.5	3.90%	112.7	49.7

Source: Company

RALS: Ramayana (RALS IJ; Rp945; Buy) reported net profit of Rp369bn in 1H17 (+45% yoy) with net margin at 11% (1H16: 8%). On quarterly basis, 2Q17 net profit increased by +49% yoy. Sales growth improves (+15% yoy), which brings gross margin up to 41% (2Q16: 39%). Operating margin improves to 18% (2Q16: 13%), stable opex growth in 2Q.

Comment: We are positive with RALS' achievement in 2Q17. 2Q sales achievement is slightly above our expectation (forming 38%), which put 1H17 sales at 56% of our forecast. At this stage, we maintain our Buy rating for RALS.

SMGR: Semen Indonesia (SMGR IJ; Rp10,050; Hold) released its financial result 1H17, which was slightly below our and consensus numbers driven by weak ASP and increasing production and operating cost. The result highlights are as follows:

- Total revenue grew +2.0% yoy in 1H17, but dropped -1.3% qoq in 2Q17. Cement sales volume was nearly flat as ASP dropped -7.9% yoy in 1H17 but compensated with increase of sales volume by +3.8% yoy. Other income from ready mix (+212.9% yoy) has helped to support topline but contribution was only 6% of total revenue.
- EBITDA margin was under pressure as raising production cost from fuel, administration and other cost were not well covered by increase of ASP as competition remains stiff. 2Q17 EBITDA margin stood at 18.7% which is well of the average historical margin of 27-30%.
- As a result net income dropped significantly -44.4% yoy in 1H17 and -56.6% qoq in 2Q17. We do not expect any turnaround anytime soon. We believe that the industry will need consolidation before any improvement in profitability. 2Q17 is also affected by seasonality as logistic are disturbed by Ramadhan holidays. We expect a slight improvement in margin and volume in 3Q and 4Q as logistics are back to normal
- We maintain our Hold recommendation on the counter as Semen Indonesia remains healthy in cash flows. Demand and supply remained unbalance due to lack of demand from property which also indicate no immediate recovery.

	1H17	1H16	%	2Q17	1Q17	%	FY17	%
Turnover	12,714	12,470	2.0	6,315	6,399	(1.3)	25,784	49.3
Gross profit	3,857	4,988	(22.7)	1,914	1,943	(1.5)	8,828	43.7
EBITDA	2,526	3,328	(24.1)	1,181	1,345	(12.2)	5,452	46.3
Operating profit	1,616	2,563	(37)	720	896	(19.7)	3,543	45.6
Net Int. & Invest. Inc.	(195)	(57)	244.7	(132)	(63)	109.6	-222	88.2
Forex gain (losses)	-	-	nm	-	-	nm	-	nm
Except. & Others	73	67	8.8	31	43	nm	-	nm
Group Pretax	1,494	2,574	(42)	618	876	(29.4)	3,321	45
Taxation	(389)	(583)	(33.3)	(264)	(125)	111.3	(731)	53.2
Minorities	(12)	(26)	(54.7)	(8)	(4)	87.4	(15)	80.5
Net Profit	1,093	1,965	(44.4)	346	747	(53.6)	2,576	42.4
EBITDA Margin	19.9%	26.7%		18.7%	21.0%		21.1%	

Source: Company

SMRA: Summarecon Agung (SMRA II; Rp995; Buy) posted net income of Rp48.8bn (+99% yoy) with net margin expanded to 1.8% from 1.1% in 1H16. The growth was due to lower minority interest of Rp76.3bn (vs. Rp103bn in 1H16). Revenue grew modestly by 16% yoy while gross and operating margin decelerate to 43.0% and 20.1% (vs 45.8% and 22.6%) due to rising cost. (Company)

Comment: 1H17's achievement was better than last year and inline with ours and consensus. Company still sees high financing cost at 0.95x DER (vs. 0.91x in FY16). Maintain BUY.

UNVR: Unilever Indonesia (UNVR IJ; Rp48,375; Hold) reported earnings of Rp1.6tn (-4% yoy) in 2Q17, slightly below our/consensus estimates, on the back of revenue deceleration of 3% yoy in 2Q17. On a cumulative basis, 1H17 earnings still grew by 10% yoy on the back of 2% yoy revenue growth. 2Q17 Gross margin was maintained at 50.8% where operating margin also stable at 21.5%. As a result, net margin stood at 16.0% in 2Q17.

Comment: We think the growth deceleration is still underpinned by weak consumer purchasing power despite the timing of Ramadan in 2Q17. Note that last ASP hike of 1.3% was done in February.

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	QoQ	1H17	1H16	yoy
Revenue	10,418	10,757	-3%	10,418	10,846	-4%	21,264	20,746	2%
Gross Profit	5,288	5,470	-3%	5,288	5,625	-6%	10,913	10,491	4%
Operating Profit	2,242	2,332	-4%	2,242	2,661	-16%	4,903	4,478	9%
Net Profit	1,663	1,728	-4%	1,663	1,961	-15%	3,624	3,298	10%
Gross Margin	50.8%	50.9%		50.8%	51.9%		51.3%	50.6%	
Operating Margin (%)	21.5%	21.7%		21.5%	24.5%		23.1%	21.6%	
Net Margin	16.0%	16.1%		16.0%	18.1%		17.0%	15.9%	

Source: Company

Economic

2017 revised state budget: The House of Representatives just approved of the 2017 state budget amendment. Of the amended state budget, key highlights include:

- Changes in macroeconomic assumptions: growth of 5.2% (vs 5.1%), inflation of 4.3% (vs 4%), Treasury note rate of 5.2% (vs 5.3%), exchange rate of 13,400 (vs 13,300), crude oil price of US\$48 (vs US\$45)
- Changes in revenue items where: (i) Tax revenue is decreased by Rp26.2tn and (ii) Non-tax revenue is increased by Rp10.2tn
- More spending of Rp51.5tn to be made on ministries and non ministries
- Changes in subsidy where energy subsidy is to be increased by Rp12.6tn and non-energy subsidy (subsidy for interest) decreased by Rp2.8tn
- Increase of transfer to village of Rp1.4tn
- Deficit to widen to 2.92% of GDP (but expectation is this deficit will narrow to 2.67% due to natural absorption) and consequently, sovereign bond emission to increase by Rp67tn
- More investment to be made to SOEs notably to PT KAI (Rp2tn) and PT Jakarta Lloyd (Rp0.4tn)

(Ministry of Finance)

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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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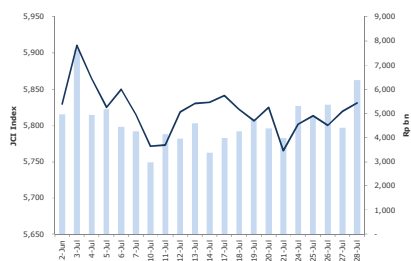
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31 July 2017

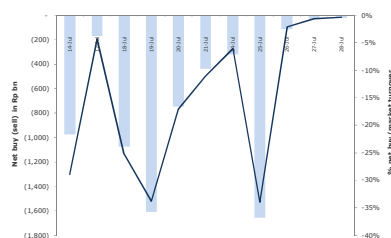
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,831	0.2%	11.8%	10.1%
LQ45	974	0.2%	9.1%	10.1%
DJI	21,830	0.2%	18.4%	10.5%
SET	1,581	-0.1%	3.7%	2.5%
HSI	26,979	-0.6%	23.2%	22.6%
NKY	19,960	-0.6%	20.5%	4.4%
FTSE	7,368	-1.0%	9.6%	3.2%
FSSTI	3,331	-0.7%	16.1%	15.6%
EIDO	27	0.3%	3.2%	11.1%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	49.7	1.4%	20.8%
CPO/tonne	620.2	-0.8%	15.4%
Soy/bushel	9.8	0.6%	-2.2%
Rubber/kg	1.8	-1.0%	-6.6%
Nickel/tonne	10,156	0.7%	-4.7%
Tins/tonne	20,730	-0.4%	16.7%
Copper/tonne	6,296	0.0%	28.9%
Gold/try.oz (Spot)	1,270	0.8%	-6.0%
Coal/tonne	86.0	0.8%	40.4%
Corn/bushel	3.5	0.0%	8.4%
Wheat/bushel*	146.5	5.8%	-7.0%

*: 1 month change

Source : Bloomberg

BISI: Bisi International (BISI IJ; Rp1,605; Under Review) posted weak results in 2Q17;

- Net profit dropped 85% qoq and 84% yoy to Rp11.6bn in 2Q17, bringing 1H17 earnings to Rp87.8bn, down 36% yoy.
- Revenues in 2Q17 dropped 23% qoq and 7.5% yoy to Rp372bn, allowing 1H17 revenues to reach Rp852.7bn, increased 14.7% yoy, on the back of strong top-line growth of 40% yoy in 1Q17.
- We see accelerating costs in the production and operational levels, resulting in decrease operational margin to 11.3% in 1H17, from 23% recorded in 1H16.

Comment: We will review our forecast and valuation given this lower than expected 2Q17 results.

EXCL: XL Axiata (EXCL IJ; Rp3,300; Buy) released its 1H17 result which was largely inline at the operating level. The result highlights are as follows:

- Topline inched up 0.7% yoy 1H17 and increase +7.6% qoq in 2Q17, caused by a combination of slow down of substitution effect while growing data revenue.
- EBITDA dropped -7.9% yoy in 1H17 but improved +12.1% qoq in 2Q17. This shows that XL is on the right path of recovery. Operating profit jumped 92.7% qoq due to lower depreciation expenses. This could be one-off and depreciation to normalize in the coming quarters.
- XL also booked lower interest income of -27.7% yoy but flat qoq. We suspect some scheduled interest payment were moved into 3Q and 4Q, given the fact that gearing remains high. Together with booking of tax benefit, net profit jumped to Rp117bn in 1H17. We see that XL was able to maintain recovery momentum in 2Q17. Therefore we maintain our Buy call on the counter.

	1H17	1H16	%	2Q17	1Q17	%	FY17F	%
Turnover	10,934	10,854	0.7	5,668	5,266	7.6	21,947	49.8
EBITDA	3,921	4,256	-7.9	2,073	1,848	12.1	8,387	46.8
Operating Profit	637	417	52.7	419	218	92.7	341	187
Net Int. & Invest. Inc.	(695)	(960)	-27.7	-351	(344)	2.3	(2,150)	32.3
Forex gain (losses)	44	437	-90.1	5	39	-88.1	-	nm
Except. & Others	40	322	nm	26	15	76.7	1,247	3.2
Group Pretax	26	215	-88.1	98	(73)		(563)	-4.6
Taxation	117	9	1155.7	-2	119		-	na
Minorities	0	0	nm	0	0		-	
Net Profit	143	225	-36.3	97	47	107.8	(563)	-25.4
EBITDA Margin	35.9%	39.2%		36.6%	35.1%		38.2%	

Source: Company

GGRM: Gudang Garam (GGRM IJ; Rp79,800; Hold) reported 2Q17 net profit of Rp1.2tn (+5.0% yoy), in-line with our/consensus estimates, on the back of 8.4% yoy revenue growth in the same period. GPM contracted by 30bps to 19.6% in 2Q17, where operating margin stood at 8.8%. As a result, net margin also showed slightly contraction by 20bps to 6% in 2Q17. (Company)

Comment: We continue to see that GGRM show stronger pricing points compared to HMSP. However, given the challenging backdrop of Indonesia's tobacco industry. Maintain HOLD on GGRM.

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	YoY	1H17	1H16	YoY
Revenue	20,558	18,970	8.4%	20,558	19,687	4.4%	40,245	36,963	8.9%
Gross Profit	4,030	3,773	6.8%	4,030	4,397	-8.4%	8,427	8,039	4.8%
Operating Profit	1,799	1,707	5.4%	1,799	2,753	-34.6%	4,552	4,343	4.8%
Net Profit	1,235	1,176	5.0%	1,235	1,890	-34.6%	3,125	2,869	8.9%
Gross Margin	19.6%	19.9%		19.6%	22.3%		20.9%	21.7%	
Operating Margin	8.8%	9.0%		8.8%	14.0%		11.3%	11.8%	
Net Margin	6.0%	6.2%		6.0%	9.6%		7.8%	7.8%	

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KIJA: Kawasan Industri Jababeka (KIJA IJ; Rp316; Not Rated) reported earnings of Rp180bn(-32% yoy), in line with consensus estimates and , company's 3 years historical performance, contributing 38% of FY17 target. Despite increase in top line (+19%), gross, and net margin were cut off to 39% and 11% from 41% and 24% in FY16 respectively, due to faster growth in COGS (+22%) and huge decrease in finance income (-73%). The decrease from finance cost resulting the company to have huge finance expense (-Rp122bn) vs finance income in Rp22bn FY16.

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Comment: We think the stronger performance was driven by higher demand during Ramadan. The growth is mostly supported by volume as the company only imposed ASP hike on selected OTC products of 2-5% in 2Q17. Maintain BUY on KLBF.

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Gross Margin	48.7%	49.3%		49.0%	49.0%		48.9%	48.8%	
Operating Margin	15.8%	15.7%		16.0%	16.0%		15.8%	15.9%	
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Comment: We are positive with MPMX divestment in MPMF which brought lighter balance sheet and lower interest expense to the book. However, we are negative to 2Q17 top-line achievement due to weak auto distribution business. Despite weak top-line, we still maintain Buy for MPMX as we expect another cost efficiency to continue with more benefit from MPMF divestment.

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Comment: Despite weak operational result, net profit was above our and consensus estimates. Maintain BUY at TP of Rp7,500.

POWR: Cikarang listrindo (POWR IJ; Rp1,080; Buy) has released its 1H17 result which inline with our expectation. The company has yet to release operational numbers. Total revenue only increased by +2.2% yoy in 1H17 and +2.5% qoq in 2Q17 mainly driven by 5% volume growth from IE but negated by volume decline from PLN. Operating income grew +10.5% yoy and 9.2% qoq due to other income of US\$3.0mn in 1H17, which might not be sustainable. The net income dropped -47.4% yoy in 1H17 due to absence of tax benefit in 1H16. In 2Q17, net income grew +3.9% driven by operational growth.

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Gross profit	98.1	93.1	5.5%	51.7	46.4	11.5%	237	41.4
Op profit	75.8	68.6	10.5%	39.6	36.2	9.2%	181.5	41.8
EBT	71.5	60.6	18.1%	36.9	34.6	6.6%	150.7	47.5
Net profit	56.1	106.5	-47.4%	28.6	27.5	3.90%	112.7	49.7

Source: Company

RALS: Ramayana (RALS IJ; Rp945; Buy) reported net profit of Rp369bn in 1H17 (+45% yoy) with net margin at 11% (1H16: 8%). On quarterly basis, 2Q17 net profit increased by +49% yoy. Sales growth improves (+15% yoy), which brings gross margin up to 41% (2Q16: 39%). Operating margin improves to 18% (2Q16: 13%), stable opex growth in 2Q.

Comment: We are positive with RALS' achievement in 2Q17. 2Q sales achievement is slightly above our expectation (forming 38%), which put 1H17 sales at 56% of our forecast. At this stage, we maintain our Buy rating for RALS.

SMGR: Semen Indonesia (SMGR IJ; Rp10,050; Hold) released its financial result 1H17, which was slightly below our and consensus numbers driven by weak ASP and increasing production and operating cost. The result highlights are as follows:

- Total revenue grew +2.0% yoy in 1H17, but dropped -1.3% qoq in 2Q17. Cement sales volume was nearly flat as ASP dropped -7.9% yoy in 1H17 but compensated with increase of sales volume by +3.8% yoy. Other income from ready mix (+212.9% yoy) has helped to support topline but contribution was only 6% of total revenue.
- EBITDA margin was under pressure as raising production cost from fuel, administration and other cost were not well covered by increase of ASP as competition remains stiff. 2Q17 EBITDA margin stood at 18.7% which is well of the average historical margin of 27-30%.
- As a result net income dropped significantly -44.4% yoy in 1H17 and -56.6% qoq in 2Q17. We do not expect any turnaround anytime soon. We believe that the industry will need consolidation before any improvement in profitability. 2Q17 is also affected by seasonality as logistic are disturbed by Ramadhan holidays. We expect a slight improvement in margin and volume in 3Q and 4Q as logistics are back to normal
- We maintain our Hold recommendation on the counter as Semen Indonesia remains healthy in cash flows. Demand and supply remained unbalance due to lack of demand from property which also indicate no immediate recovery.

	1H17	1H16	%	2Q17	1Q17	%	FY17	%
Turnover	12,714	12,470	2.0	6,315	6,399	(1.3)	25,784	49.3
Gross profit	3,857	4,988	(22.7)	1,914	1,943	(1.5)	8,828	43.7
EBITDA	2,526	3,328	(24.1)	1,181	1,345	(12.2)	5,452	46.3
Operating profit	1,616	2,563	(37)	720	896	(19.7)	3,543	45.6
Net Int. & Invest. Inc.	(195)	(57)	244.7	(132)	(63)	109.6	-222	88.2
Forex gain (losses)	-	-	nm	-	-	nm	-	nm
Except. & Others	73	67	8.8	31	43	nm	-	nm
Group Pretax	1,494	2,574	(42)	618	876	(29.4)	3,321	45
Taxation	(389)	(583)	(33.3)	(264)	(125)	111.3	(731)	53.2
Minorities	(12)	(26)	(54.7)	(8)	(4)	87.4	(15)	80.5
Net Profit	1,093	1,965	(44.4)	346	747	(53.6)	2,576	42.4
EBITDA Margin	19.9%	26.7%		18.7%	21.0%		21.1%	

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SMRA: Summarecon Agung (SMRA II; Rp995; Buy) posted net income of Rp48.8bn (+99% yoy) with net margin expanded to 1.8% from 1.1% in 1H16. The growth was due to lower minority interest of Rp76.3bn (vs. Rp103bn in 1H16). Revenue grew modestly by 16% yoy while gross and operating margin decelerate to 43.0% and 20.1% (vs 45.8% and 22.6%) due to rising cost. (Company)

Comment: 1H17's achievement was better than last year and inline with ours and consensus. Company still sees high financing cost at 0.95x DER (vs. 0.91x in FY16). Maintain BUY.

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Comment: We think the growth deceleration is still underpinned by weak consumer purchasing power despite the timing of Ramadan in 2Q17. Note that last ASP hike of 1.3% was done in February.

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	QoQ	1H17	1H16	yoy
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Gross Margin	50.8%	50.9%		50.8%	51.9%		51.3%	50.6%	
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2017 revised state budget: The House of Representatives just approved of the 2017 state budget amendment. Of the amended state budget, key highlights include:

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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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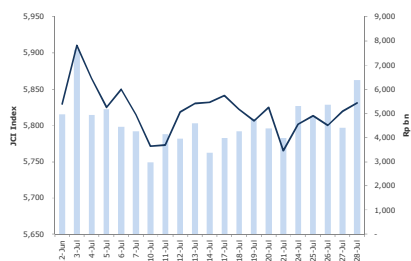
Premier Insight

31 July 2017

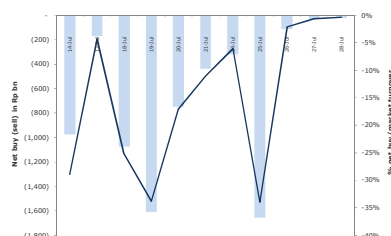
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,831	0.2%	11.8%	10.1%
LQ45	974	0.2%	9.1%	10.1%
DJI	21,830	0.2%	18.4%	10.5%
SET	1,581	-0.1%	3.7%	2.5%
HSI	26,979	-0.6%	23.2%	22.6%
NKY	19,960	-0.6%	20.5%	4.4%
FTSE	7,368	-1.0%	9.6%	3.2%
FSSTI	3,331	-0.7%	16.1%	15.6%
EIDO	27	0.3%	3.2%	11.1%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	49.7	1.4%	20.8%
CPO/tonne	620.2	-0.8%	15.4%
Soy/bushel	9.8	0.6%	-2.2%
Rubber/kg	1.8	-1.0%	-6.6%
Nickel/tonne	10,156	0.7%	-4.7%
Tins/tonne	20,730	-0.4%	16.7%
Copper/tonne	6,296	0.0%	28.9%
Gold/try.oz (Spot)	1,270	0.8%	-6.0%
Coal/tonne	86.0	0.8%	40.4%
Corn/bushel	3.5	0.0%	8.4%
Wheat/bushel*	146.5	5.8%	-7.0%

*: 1 month change

Source : Bloomberg

BISI: Bisi International (BISI IJ; Rp1,605; Under Review) posted weak results in 2Q17;

- Net profit dropped 85% qoq and 84% yoy to Rp11.6bn in 2Q17, bringing 1H17 earnings to Rp87.8bn, down 36% yoy.
- Revenues in 2Q17 dropped 23% qoq and 7.5% yoy to Rp372bn, allowing 1H17 revenues to reach Rp852.7bn, increased 14.7% yoy, on the back of strong top-line growth of 40% yoy in 1Q17.
- We see accelerating costs in the production and operational levels, resulting in decrease operational margin to 11.3% in 1H17, from 23% recorded in 1H16.

Comment: We will review our forecast and valuation given this lower than expected 2Q17 results.

EXCL: XL Axiata (EXCL IJ; Rp3,300; Buy) released its 1H17 result which was largely inline at the operating level. The result highlights are as follows:

- Topline inched up 0.7% yoy 1H17 and increase +7.6% qoq in 2Q17, caused by a combination of slow down of substitution effect while growing data revenue.
- EBITDA dropped -7.9% yoy in 1H17 but improved +12.1% qoq in 2Q17. This shows that XL is on the right path of recovery. Operating profit jumped 92.7% qoq due to lower depreciation expenses. This could be one-off and depreciation to normalize in the coming quarters.
- XL also booked lower interest income of -27.7% yoy but flat qoq. We suspect some scheduled interest payment were moved into 3Q and 4Q, given the fact that gearing remains high. Together with booking of tax benefit, net profit jumped to Rp117bn in 1H17. We see that XL was able to maintain recovery momentum in 2Q17. Therefore we maintain our Buy call on the counter.

	1H17	1H16	%	2Q17	1Q17	%	FY17F	%
Turnover	10,934	10,854	0.7	5,668	5,266	7.6	21,947	49.8
EBITDA	3,921	4,256	-7.9	2,073	1,848	12.1	8,387	46.8
Operating Profit	637	417	52.7	419	218	92.7	341	187
Net Int. & Invest. Inc.	(695)	(960)	-27.7	-351	(344)	2.3	(2,150)	32.3
Forex gain (losses)	44	437	-90.1	5	39	-88.1	-	nm
Except. & Others	40	322	nm	26	15	76.7	1,247	3.2
Group Pretax	26	215	-88.1	98	(73)		(563)	-4.6
Taxation	117	9	1155.7	-2	119		-	na
Minorities	0	0	nm	0	0		-	
Net Profit	143	225	-36.3	97	47	107.8	(563)	-25.4
EBITDA Margin	35.9%	39.2%		36.6%	35.1%		38.2%	

Source: Company

GGRM: Gudang Garam (GGRM IJ; Rp79,800; Hold) reported 2Q17 net profit of Rp1.2tn (+5.0% yoy), in-line with our/consensus estimates, on the back of 8.4% yoy revenue growth in the same period. GPM contracted by 30bps to 19.6% in 2Q17, where operating margin stood at 8.8%. As a result, net margin also showed slightly contraction by 20bps to 6% in 2Q17. (Company)

Comment: We continue to see that GGRM show stronger pricing points compared to HMSP. However, given the challenging backdrop of Indonesia's tobacco industry. Maintain HOLD on GGRM.

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	YoY	1H17	1H16	YoY
Revenue	20,558	18,970	8.4%	20,558	19,687	4.4%	40,245	36,963	8.9%
Gross Profit	4,030	3,773	6.8%	4,030	4,397	-8.4%	8,427	8,039	4.8%
Operating Profit	1,799	1,707	5.4%	1,799	2,753	-34.6%	4,552	4,343	4.8%
Net Profit	1,235	1,176	5.0%	1,235	1,890	-34.6%	3,125	2,869	8.9%
Gross Margin	19.6%	19.9%		19.6%	22.3%		20.9%	21.7%	
Operating Margin	8.8%	9.0%		8.8%	14.0%		11.3%	11.8%	
Net Margin	6.0%	6.2%		6.0%	9.6%		7.8%	7.8%	

Source: Company

KIJA: Kawasan Industri Jababeka (KIJA IJ; Rp316; Not Rated) reported earnings of Rp180bn(-32% yoy), in line with consensus estimates and , company's 3 years historical performance, contributing 38% of FY17 target. Despite increase in top line (+19%), gross, and net margin were cut off to 39% and 11% from 41% and 24% in FY16 respectively, due to faster growth in COGS (+22%) and huge decrease in finance income (-73%). The decrease from finance cost resulting the company to have huge finance expense (-Rp122bn) vs finance income in Rp22bn FY16.

KLBF: Kalbe Farma (KLBF IJ; Rp1,720; Buy) reported earnings of Rp628bn (+7.7% yoy) in 2Q17, in-line with consensus estimates, on the back of 3.2% yoy revenue growth in 2Q17. Gross margin was relatively stable at 49% on stable raw mats as well as forex, meanwhile net margin slightly expand by 50bps to 12.2% in 2Q17. (Company)

Comment: We think the stronger performance was driven by higher demand during Ramadan. The growth is mostly supported by volume as the company only imposed ASP hike on selected OTC products of 2-5% in 2Q17. Maintain BUY on KLBF.

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	QoQ	1H17	1H16	YoY
Revenue	5,168	5,006	3.2%	5,168	4,898	5.5%	10,066	9,556	5.3%
Gross Profit	2,514	2,469	1.8%	2,514	2,411	4.3%	4,925	4,663	5.6%
Operating Profit	819	787	4.0%	819	771	6.1%	1,590	1,516	4.9%
Net Profit	628	583	7.7%	628	588	6.8%	1,216	1,146	6.1%
Gross Margin	48.7%	49.3%		49.0%	49.0%		48.9%	48.8%	
Operating Margin	15.8%	15.7%		16.0%	16.0%		15.8%	15.9%	
Net Margin	12.2%	11.6%		12.0%	12.0%		12.1%	12.0%	

Source: Company

MPMX: Mitra Pinasthika Mustika (MPMX IJ; Rp835; Buy) reported net profit of Rp323bn in 1H17 (+79% yoy), above our/consensus expectation (forming 55%/69% respectively), on the back of lower interest expense due to divestment of MPMFinance. On the quarterly basis, 2Q17 earnings increased by 51% qoq/ 79% yoy. However, sales growth declines (-5% qoq,-11% yoy), which brings gross margin down to 7.1% (2Q16: 7.9%) and operating margin shrank to 4% (2Q16: 5.2%). Opex-to-sales remains stable.

Comment: We are positive with MPMX divestment in MPMF which brought lighter balance sheet and lower interest expense to the book. However, we are negative to 2Q17 top-line achievement due to weak auto distribution business. Despite weak top-line, we still maintain Buy for MPMX as we expect another cost efficiency to continue with more benefit from MPMF divestment.

NRCA: Nusa Raya Cipta (NRCA IJ; Rp406; Not Rated) booked a net profit of Rp107bn (+164% yoy) on the back of one-off from other income, resulting sudden jump on other income to Rp109bn vs 10bn in FY16 and net margin improvement to 10% from 3% in FY16. Despite negative growth on revenue (-22%), gross margin improved by 1% due to faster decrease in COGS (-23%). Note: without one off from other income, company's core profit is (-Rp2bn).

PRDA: Prodia Widiyahasada (PRDA IJ; Rp3,730; Buy) reported net profit of Rp59bn (+50% yoy) in 1H17 with net margin improved to 8.7% (vs. 4.3% in 1H17), as a result from rising other income (+29% yoy). Revenue grew slightly by 4% yoy while gross profit only increased 2% yoy, resulted in depressed gross and operating margin to 57.5% and 7% (vs. 58.5% and 9.1% in 1H16). (Company)

Comment: Despite weak operational result, net profit was above our and consensus estimates. Maintain BUY at TP of Rp7,500.

POWR: Cikarang listrindo (POWR IJ; Rp1,080; Buy) has released its 1H17 result which inline with our expectation. The company has yet to release operational numbers. Total revenue only increased by +2.2% yoy in 1H17 and +2.5% qoq in 2Q17 mainly driven by 5% volume growth from IE but negated by volume decline from PLN. Operating income grew +10.5% yoy and 9.2% qoq due to other income of US\$3.0mn in 1H17, which might not be sustainable. The net income dropped -47.4% yoy in 1H17 due to absence of tax benefit in 1H16. In 2Q17, net income grew +3.9% driven by operational growth.

	1H17	1H16	+/- %	2Q17	1Q17	+/- %	FY17	% of FY17F
Revenue	280.7	274.7	2.2%	142.1	138.6	2.5%	599.9	46.8
EBITDA	91.9	89.2	3.0%	47.2	44.6	5.9%	236.4	38.9
Gross profit	98.1	93.1	5.5%	51.7	46.4	11.5%	237	41.4
Op profit	75.8	68.6	10.5%	39.6	36.2	9.2%	181.5	41.8
EBT	71.5	60.6	18.1%	36.9	34.6	6.6%	150.7	47.5
Net profit	56.1	106.5	-47.4%	28.6	27.5	3.90%	112.7	49.7

Source: Company

RALS: Ramayana (RALS IJ; Rp945; Buy) reported net profit of Rp369bn in 1H17 (+45% yoy) with net margin at 11% (1H16: 8%). On quarterly basis, 2Q17 net profit increased by +49% yoy. Sales growth improves (+15% yoy), which brings gross margin up to 41% (2Q16: 39%). Operating margin improves to 18% (2Q16: 13%), stable opex growth in 2Q.

Comment: We are positive with RALS' achievement in 2Q17. 2Q sales achievement is slightly above our expectation (forming 38%), which put 1H17 sales at 56% of our forecast. At this stage, we maintain our Buy rating for RALS.

SMGR: Semen Indonesia (SMGR IJ; Rp10,050; Hold) released its financial result 1H17, which was slightly below our and consensus numbers driven by weak ASP and increasing production and operating cost. The result highlights are as follows:

- Total revenue grew +2.0% yoy in 1H17, but dropped -1.3% qoq in 2Q17. Cement sales volume was nearly flat as ASP dropped -7.9% yoy in 1H17 but compensated with increase of sales volume by +3.8% yoy. Other income from ready mix (+212.9% yoy) has helped to support topline but contribution was only 6% of total revenue.
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Net Profit	1,663	1,728	-4%	1,663	1,961	-15%	3,624	3,298	10%
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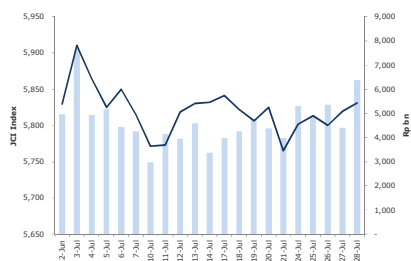
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31 July 2017

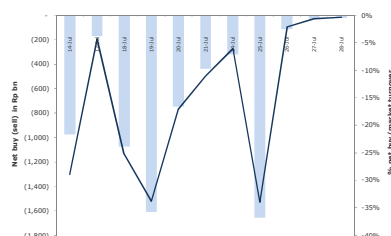
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,831	0.2%	11.8%	10.1%
LQ45	974	0.2%	9.1%	10.1%
DJI	21,830	0.2%	18.4%	10.5%
SET	1,581	-0.1%	3.7%	2.5%
HSI	26,979	-0.6%	23.2%	22.6%
NKY	19,960	-0.6%	20.5%	4.4%
FTSE	7,368	-1.0%	9.6%	3.2%
FSSTI	3,331	-0.7%	16.1%	15.6%
EIDO	27	0.3%	3.2%	11.1%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	49.7	1.4%	20.8%
CPO/tonne	620.2	-0.8%	15.4%
Soy/bushel	9.8	0.6%	-2.2%
Rubber/kg	1.8	-1.0%	-6.6%
Nickel/tonne	10,156	0.7%	-4.7%
Tins/tonne	20,730	-0.4%	16.7%
Copper/tonne	6,296	0.0%	28.9%
Gold/try.oz (Spot)	1,270	0.8%	-6.0%
Coal/tonne	86.0	0.8%	40.4%
Corn/bushel	3.5	0.0%	8.4%
Wheat/bushel*	146.5	5.8%	-7.0%

*: 1 month change

Source : Bloomberg

BISI: Bisi International (BISI IJ; Rp1,605; Under Review) posted weak results in 2Q17;

- Net profit dropped 85% qoq and 84% yoy to Rp11.6bn in 2Q17, bringing 1H17 earnings to Rp87.8bn, down 36% yoy.
- Revenues in 2Q17 dropped 23% qoq and 7.5% yoy to Rp372bn, allowing 1H17 revenues to reach Rp852.7bn, increased 14.7% yoy, on the back of strong top-line growth of 40% yoy in 1Q17.
- We see accelerating costs in the production and operational levels, resulting in decrease operational margin to 11.3% in 1H17, from 23% recorded in 1H16.

Comment: We will review our forecast and valuation given this lower than expected 2Q17 results.

EXCL: XL Axiata (EXCL IJ; Rp3,300; Buy) released its 1H17 result which was largely inline at the operating level. The result highlights are as follows:

- Topline inched up 0.7% yoy 1H17 and increase +7.6% qoq in 2Q17, caused by a combination of slow down of substitution effect while growing data revenue.
- EBITDA dropped -7.9% yoy in 1H17 but improved +12.1% qoq in 2Q17. This shows that XL is on the right path of recovery. Operating profit jumped 92.7% qoq due to lower depreciation expenses. This could be one-off and depreciation to normalize in the coming quarters.
- XL also booked lower interest income of -27.7% yoy but flat qoq. We suspect some scheduled interest payment were moved into 3Q and 4Q, given the fact that gearing remains high. Together with booking of tax benefit, net profit jumped to Rp117bn in 1H17. We see that XL was able to maintain recovery momentum in 2Q17. Therefore we maintain our Buy call on the counter.

	1H17	1H16	%	2Q17	1Q17	%	FY17F	%
Turnover	10,934	10,854	0.7	5,668	5,266	7.6	21,947	49.8
EBITDA	3,921	4,256	-7.9	2,073	1,848	12.1	8,387	46.8
Operating Profit	637	417	52.7	419	218	92.7	341	187
Net Int. & Invest. Inc.	(695)	(960)	-27.7	-351	(344)	2.3	(2,150)	32.3
Forex gain (losses)	44	437	-90.1	5	39	-88.1	-	nm
Except. & Others	40	322	nm	26	15	76.7	1,247	3.2
Group Pretax	26	215	-88.1	98	(73)		(563)	-4.6
Taxation	117	9	1155.7	-2	119		-	na
Minorities	0	0	nm	0	0		-	
Net Profit	143	225	-36.3	97	47	107.8	(563)	-25.4
EBITDA Margin	35.9%	39.2%		36.6%	35.1%		38.2%	

Source: Company

GGRM: Gudang Garam (GGRM IJ; Rp79,800; Hold) reported 2Q17 net profit of Rp1.2tn (+5.0% yoy), in-line with our/consensus estimates, on the back of 8.4% yoy revenue growth in the same period. GPM contracted by 30bps to 19.6% in 2Q17, where operating margin stood at 8.8%. As a result, net margin also showed slightly contraction by 20bps to 6% in 2Q17. (Company)

Comment: We continue to see that GGRM show stronger pricing points compared to HMSP. However, given the challenging backdrop of Indonesia's tobacco industry. Maintain HOLD on GGRM.

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	YoY	1H17	1H16	YoY
Revenue	20,558	18,970	8.4%	20,558	19,687	4.4%	40,245	36,963	8.9%
Gross Profit	4,030	3,773	6.8%	4,030	4,397	-8.4%	8,427	8,039	4.8%
Operating Profit	1,799	1,707	5.4%	1,799	2,753	-34.6%	4,552	4,343	4.8%
Net Profit	1,235	1,176	5.0%	1,235	1,890	-34.6%	3,125	2,869	8.9%
Gross Margin	19.6%	19.9%		19.6%	22.3%		20.9%	21.7%	
Operating Margin	8.8%	9.0%		8.8%	14.0%		11.3%	11.8%	
Net Margin	6.0%	6.2%		6.0%	9.6%		7.8%	7.8%	

Source: Company

KIJA: Kawasan Industri Jababeka (KIJA IJ; Rp316; Not Rated) reported earnings of Rp180bn(-32% yoy), in line with consensus estimates and , company's 3 years historical performance, contributing 38% of FY17 target. Despite increase in top line (+19%), gross, and net margin were cut off to 39% and 11% from 41% and 24% in FY16 respectively, due to faster growth in COGS (+22%) and huge decrease in finance income (-73%). The decrease from finance cost resulting the company to have huge finance expense (-Rp122bn) vs finance income in Rp22bn FY16.

KLBF: Kalbe Farma (KLBF IJ; Rp1,720; Buy) reported earnings of Rp628bn (+7.7% yoy) in 2Q17, in-line with consensus estimates, on the back of 3.2% yoy revenue growth in 2Q17. Gross margin was relatively stable at 49% on stable raw mats as well as forex, meanwhile net margin slightly expand by 50bps to 12.2% in 2Q17. (Company)

Comment: We think the stronger performance was driven by higher demand during Ramadan. The growth is mostly supported by volume as the company only imposed ASP hike on selected OTC products of 2-5% in 2Q17. Maintain BUY on KLBF.

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	QoQ	1H17	1H16	YoY
Revenue	5,168	5,006	3.2%	5,168	4,898	5.5%	10,066	9,556	5.3%
Gross Profit	2,514	2,469	1.8%	2,514	2,411	4.3%	4,925	4,663	5.6%
Operating Profit	819	787	4.0%	819	771	6.1%	1,590	1,516	4.9%
Net Profit	628	583	7.7%	628	588	6.8%	1,216	1,146	6.1%
Gross Margin	48.7%	49.3%		49.0%	49.0%		48.9%	48.8%	
Operating Margin	15.8%	15.7%		16.0%	16.0%		15.8%	15.9%	
Net Margin	12.2%	11.6%		12.0%	12.0%		12.1%	12.0%	

Source: Company

MPMX: Mitra Pinasthika Mustika (MPMX IJ; Rp835; Buy) reported net profit of Rp323bn in 1H17 (+79% yoy), above our/consensus expectation (forming 55%/69% respectively), on the back of lower interest expense due to divestment of MPMFinance. On the quarterly basis, 2Q17 earnings increased by 51% qoq/ 79% yoy. However, sales growth declines (-5% qoq,-11% yoy), which brings gross margin down to 7.1% (2Q16: 7.9%) and operating margin shrank to 4% (2Q16: 5.2%). Opex-to-sales remains stable.

Comment: We are positive with MPMX divestment in MPMF which brought lighter balance sheet and lower interest expense to the book. However, we are negative to 2Q17 top-line achievement due to weak auto distribution business. Despite weak top-line, we still maintain Buy for MPMX as we expect another cost efficiency to continue with more benefit from MPMF divestment.

NRCA: Nusa Raya Cipta (NRCA IJ; Rp406; Not Rated) booked a net profit of Rp107bn (+164% yoy) on the back of one-off from other income, resulting sudden jump on other income to Rp109bn vs 10bn in FY16 and net margin improvement to 10% from 3% in FY16. Despite negative growth on revenue (-22%), gross margin improved by 1% due to faster decrease in COGS (-23%). Note: without one off from other income, company's core profit is (-Rp2bn).

PRDA: Prodia Widiyahasada (PRDA IJ; Rp3,730; Buy) reported net profit of Rp59bn (+50% yoy) in 1H17 with net margin improved to 8.7% (vs. 4.3% in 1H17), as a result from rising other income (+29% yoy). Revenue grew slightly by 4% yoy while gross profit only increased 2% yoy, resulted in depressed gross and operating margin to 57.5% and 7% (vs. 58.5% and 9.1% in 1H16). (Company)

Comment: Despite weak operational result, net profit was above our and consensus estimates. Maintain BUY at TP of Rp7,500.

POWR: Cikarang listrindo (POWR IJ; Rp1,080; Buy) has released its 1H17 result which inline with our expectation. The company has yet to release operational numbers. Total revenue only increased by +2.2% yoy in 1H17 and +2.5% qoq in 2Q17 mainly driven by 5% volume growth from IE but negated by volume decline from PLN. Operating income grew +10.5% yoy and 9.2% qoq due to other income of US\$3.0mn in 1H17, which might not be sustainable. The net income dropped -47.4% yoy in 1H17 due to absence of tax benefit in 1H16. In 2Q17, net income grew +3.9% driven by operational growth.

	1H17	1H16	+/- %	2Q17	1Q17	+/- %	FY17	% of FY17F
Revenue	280.7	274.7	2.2%	142.1	138.6	2.5%	599.9	46.8
EBITDA	91.9	89.2	3.0%	47.2	44.6	5.9%	236.4	38.9
Gross profit	98.1	93.1	5.5%	51.7	46.4	11.5%	237	41.4
Op profit	75.8	68.6	10.5%	39.6	36.2	9.2%	181.5	41.8
EBT	71.5	60.6	18.1%	36.9	34.6	6.6%	150.7	47.5
Net profit	56.1	106.5	-47.4%	28.6	27.5	3.90%	112.7	49.7

Source: Company

RALS: Ramayana (RALS IJ; Rp945; Buy) reported net profit of Rp369bn in 1H17 (+45% yoy) with net margin at 11% (1H16: 8%). On quarterly basis, 2Q17 net profit increased by +49% yoy. Sales growth improves (+15% yoy), which brings gross margin up to 41% (2Q16: 39%). Operating margin improves to 18% (2Q16: 13%), stable opex growth in 2Q.

Comment: We are positive with RALS' achievement in 2Q17. 2Q sales achievement is slightly above our expectation (forming 38%), which put 1H17 sales at 56% of our forecast. At this stage, we maintain our Buy rating for RALS.

SMGR: Semen Indonesia (SMGR IJ; Rp10,050; Hold) released its financial result 1H17, which was slightly below our and consensus numbers driven by weak ASP and increasing production and operating cost. The result highlights are as follows:

- Total revenue grew +2.0% yoy in 1H17, but dropped -1.3% qoq in 2Q17. Cement sales volume was nearly flat as ASP dropped -7.9% yoy in 1H17 but compensated with increase of sales volume by +3.8% yoy. Other income from ready mix (+212.9% yoy) has helped to support topline but contribution was only 6% of total revenue.
- EBITDA margin was under pressure as raising production cost from fuel, administration and other cost were not well covered by increase of ASP as competition remains stiff. 2Q17 EBITDA margin stood at 18.7% which is well of the average historical margin of 27-30%.
- As a result net income dropped significantly -44.4% yoy in 1H17 and -56.6% qoq in 2Q17. We do not expect any turnaround anytime soon. We believe that the industry will need consolidation before any improvement in profitability. 2Q17 is also affected by seasonality as logistic are disturbed by Ramadhan holidays. We expect a slight improvement in margin and volume in 3Q and 4Q as logistics are back to normal
- We maintain our Hold recommendation on the counter as Semen Indonesia remains healthy in cash flows. Demand and supply remained unbalance due to lack of demand from property which also indicate no immediate recovery.

	1H17	1H16	%	2Q17	1Q17	%	FY17	%
Turnover	12,714	12,470	2.0	6,315	6,399	(1.3)	25,784	49.3
Gross profit	3,857	4,988	(22.7)	1,914	1,943	(1.5)	8,828	43.7
EBITDA	2,526	3,328	(24.1)	1,181	1,345	(12.2)	5,452	46.3
Operating profit	1,616	2,563	(37)	720	896	(19.7)	3,543	45.6
Net Int. & Invest. Inc.	(195)	(57)	244.7	(132)	(63)	109.6	-222	88.2
Forex gain (losses)	-	-	nm	-	-	nm	-	nm
Except. & Others	73	67	8.8	31	43	nm	-	nm
Group Pretax	1,494	2,574	(42)	618	876	(29.4)	3,321	45
Taxation	(389)	(583)	(33.3)	(264)	(125)	111.3	(731)	53.2
Minorities	(12)	(26)	(54.7)	(8)	(4)	87.4	(15)	80.5
Net Profit	1,093	1,965	(44.4)	346	747	(53.6)	2,576	42.4
EBITDA Margin	19.9%	26.7%		18.7%	21.0%		21.1%	

Source: Company

SMRA: Summarecon Agung (SMRA II; Rp995; Buy) posted net income of Rp48.8bn (+99% yoy) with net margin expanded to 1.8% from 1.1% in 1H16. The growth was due to lower minority interest of Rp76.3bn (vs. Rp103bn in 1H16). Revenue grew modestly by 16% yoy while gross and operating margin decelerate to 43.0% and 20.1% (vs 45.8% and 22.6%) due to rising cost. (Company)

Comment: 1H17's achievement was better than last year and inline with ours and consensus. Company still sees high financing cost at 0.95x DER (vs. 0.91x in FY16). Maintain BUY.

UNVR: Unilever Indonesia (UNVR IJ; Rp48,375; Hold) reported earnings of Rp1.6tn (-4% yoy) in 2Q17, slightly below our/consensus estimates, on the back of revenue deceleration of 3% yoy in 2Q17. On a cumulative basis, 1H17 earnings still grew by 10% yoy on the back of 2% yoy revenue growth. 2Q17 Gross margin was maintained at 50.8% where operating margin also stable at 21.5%. As a result, net margin stood at 16.0% in 2Q17.

Comment: We think the growth deceleration is still underpinned by weak consumer purchasing power despite the timing of Ramadan in 2Q17. Note that last ASP hike of 1.3% was done in February.

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	QoQ	1H17	1H16	yoy
Revenue	10,418	10,757	-3%	10,418	10,846	-4%	21,264	20,746	2%
Gross Profit	5,288	5,470	-3%	5,288	5,625	-6%	10,913	10,491	4%
Operating Profit	2,242	2,332	-4%	2,242	2,661	-16%	4,903	4,478	9%
Net Profit	1,663	1,728	-4%	1,663	1,961	-15%	3,624	3,298	10%
Gross Margin	50.8%	50.9%		50.8%	51.9%		51.3%	50.6%	
Operating Margin (%)	21.5%	21.7%		21.5%	24.5%		23.1%	21.6%	
Net Margin	16.0%	16.1%		16.0%	18.1%		17.0%	15.9%	

Source: Company

Economic

2017 revised state budget: The House of Representatives just approved of the 2017 state budget amendment. Of the amended state budget, key highlights include:

- Changes in macroeconomic assumptions: growth of 5.2% (vs 5.1%), inflation of 4.3% (vs 4%), Treasury note rate of 5.2% (vs 5.3%), exchange rate of 13,400 (vs 13,300), crude oil price of US\$48 (vs US\$45)
- Changes in revenue items where: (i) Tax revenue is decreased by Rp26.2tn and (ii) Non-tax revenue is increased by Rp10.2tn
- More spending of Rp51.5tn to be made on ministries and non ministries
- Changes in subsidy where energy subsidy is to be increased by Rp12.6tn and non-energy subsidy (subsidy for interest) decreased by Rp2.8tn
- Increase of transfer to village of Rp1.4tn
- Deficit to widen to 2.92% of GDP (but expectation is this deficit will narrow to 2.67% due to natural absorption) and consequently, sovereign bond emission to increase by Rp67tn
- More investment to be made to SOEs notably to PT KAI (Rp2tn) and PT Djakarta Lloyd (Rp0.4tn)

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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

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