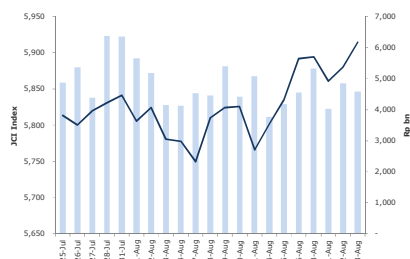


Premier Insight

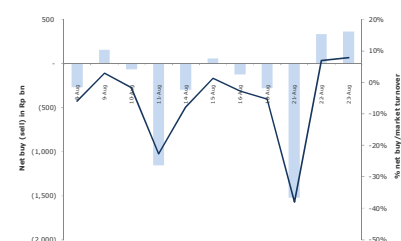
24 August 2017

News & Analysis
Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,914	0.6%	9.4%	11.7%
LQ45	988	0.8%	6.4%	11.7%
DJI	21,812	-0.4%	18.0%	10.4%
SET	1,573	0.0%	1.7%	2.0%
HSI	27,402	0.9%	19.1%	24.5%
NKY	19,435	0.3%	17.1%	1.5%
FTSE	7,383	0.0%	8.0%	3.4%
FSSTI	3,260	-0.1%	13.6%	13.2%
EIDO	27	0.5%	4.8%	13.4%

Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	48.3	1.3%	1.3%
CPO/tonne	639.9	0.0%	6.2%
Soy/bushel	9.2	0.4%	-9.5%
Rubber/kg	1.9	0.0%	7.0%
Nickel/tonne	11,607	2.1%	13.6%
Tins/tonne	20,670	0.9%	10.4%
Copper/tonne	6,537	-0.2%	39.3%
Gold/try.oz (Spot)	1,291	0.5%	-2.5%
Coal/tonne	98.4	-0.1%	46.6%
Corn/bushel	3.2	-0.6%	0.6%
Wheat/bushel*	146.5	5.8%	-7.0%

* : 1 month change

Source : Bloomberg

ASSA: Adi Sarana (ASSA IJ; Rp222; Not rated) aims to book sales growth of 10% in 2017. ASSA has secured another credit facility of Rp300bn (interest rate: 8%) to purchase additional 1,500 new rental fleets (c.Rp200mn/fleet). To note, ASSA has a total fleets of 19,000 and drivers of 3,500 with a target market of corporate clients with rental period up to 5 years. (Investor Daily)

BEST: Bekasi Fajar Industrial Estate (BEST IJ; Rp294; Not Rated) booked an earnings of Rp172bn (-19% yoy), in-line with consensus forming 48% of FY17 estimate. Despite increase in sales (+17%), operating and net margin were cut off to 58% and 40% from 74% and 59% due to increase in interest expense (+57%) and lower other income (-86%). On quarterly basis, earnings were Rp89bn in 2Q (+7% qoq, -1% yoy) contributed 25% of FY17 consensus estimate. (Company)

JRPT: We met with Jaya Real Property (JRPT IJ; Rp900; Not Rated) and here some key takeaways:

- JRPT main projects are Bintaro Jaya and Graha Raya (62% of its total presales in 1H17), but currently shifting its focus to property in Pasar Kemis (Grand Batavia & Jaya Imperial, 27% of its total presales in 1H17 vs. 17% in FY16). Pasar Kemis property offer mid-low cost housing below Rp400mn/unit which is considered to have less effect by property downturn.
- Relaxation of mortgage regulation and low mortgage interest rate should benefit JRPT due to its high end-user-buyers (80%). Moreover, JRPT has the healthiest balance sheet with almost no debt Rp82bn vs. Cash Rp343bn due to its minimal exposure to developer financing (cash installment buyers only account for 7% of FY16 marketing sales)
- In the last 5 years, JRPT has record resilient marketing sales and earnings with CAGR 15% and 24% respectively. During property slowdown in 2014-2016, JRPT outperformed its peers in both marketing sales and earnings (FY14-16 marketing sales/earnings CAGR of 7%/17% vs. its peers -9%/-30%) due to its exposure on low-cost housing. (Company)

MPMX: Mitra Pinasthika Mustika (MPMX IJ; Rp830; Buy) has just inaugurated its new lubricant factory (land area: 1.5ha) at Cilegon with total capacity of 100mn L/year (+58% capacity). With this new factory, MPMX predicts to have better cost efficiency with lower salary and logistic expenses, given close proximity with Merak port. MPMX still has 0.5ha facility at Pulogadung which will be used for FKT distribution center.

Comment: We are positive with the initiative, given the potential long-term cost efficiency benefit and higher operating profit contribution (current: c.48%) from FKT business. Maintain buy. (Company)

UNTR: United Tractors (UNTR IJ; Rp29,500; Buy) reported Jul'17 operational performance as follow:

- Heavy equipment sales reached 310 units (+18% mom, +77% yoy) in Jul'17, bringing 7M17 sales to 2,061 units (+70% yoy) which accounted for 69% of our FY17F sales estimate of 3,000 units (+38% yoy). Sales improvement was mostly helped by increasing demand from the mining sector, which formed 51% of total sales in 7M17 (vs. 24% in 7M16).
- PAMA recorded OB removal of 73.9m bcm (+18% mom, +26% yoy) in Jul'17, the highest in almost two years. Coal mining volumes reached 10.2m tons (+21% mom, +13% yoy), the highest monthly number for this year so far. This is inline with our expectation that PAMA performance will improve in 2H17 on the back of more favorable weather condition. OB removal reached 434mn bcm (+8.6% yoy) in 7M17 while coal mining stood at 62.4mn tons (+5.4% yoy).
- Coal mining division posted coal sales volumes of 4.1m tons (-17.5% yoy) in 7M17, inline with our estimate (61% of our FY17F forecast).

Comment: We maintain our Buy rating for UNTR as PAMA's performance improvement i Jul17 came inline with our expectation.

Refer to Important disclosures in the last page of this report

Markets & Sector

Construction sector: PT MRT Jakarta is still keen to build east- west section of inner city mass rapid transport (MRT) worth US\$3.9bn. The section will cover 27km track from Kebangan (West Jakarta) to Ujung Menteng (East Jakarta). The bidding for the project is expected to occur in 2019 while completion of construction is expected to finish in 2020. (Jakarta Post)

Comment: This might benefit Wijaya Karya (WIKA IJ; Rp2,000; Buy) as current MRT constructor as it is likely to get re-appointed as company has relevant experience. Reiterate BUY.

Mining sector: Data released by China Custom shows that the country's nickel imports increased slightly in July 2017, with detail as follow;

- Refined nickel import in July dropped 25% yoy to 21.3k tons, which brought 7M17 imports to reach 119k tons (-54% yoy).
- Nickel ore import in July increased 14% yoy to 3.70mn tons, allowing 7M17 imports to reach 15.57mn tons (+6.6% yoy), with import from Philippines reached 13.26mn tons (-3.6% yoy) and import from Indonesia stood at 1.09mn tons (+306% yoy) in 7M17.
- Ferronickel import in July reached 141k tons (+53% yoy), bringing 7M17 import to 894k tons (+60% yoy) including 660k tons (+69% yoy) ferronickel import from Indonesia which represent 74% of total ferronickel import in the period. (China Custom)

Comment: China imported roughly 600k tons of nickel content in 7M17, flat yoy, as decreasing refined nickel import (mostly from Russia) was substituted by increasing ferronickel import from Indonesia. We see increasing global nickel demand with slight supply deficit this year as indicated on decreasing global nickel inventory. We maintain our positive outlook for nickel price while reviewing our forecast and valuation for Vale Indonesia (INCO IJ; Rp2,980; Buy).

Property sector: Bank Indonesia (BI) will introduce new regulation called spatial Loan to Value (LTV) which allow different down payment for the house according to area. The down payment will be determined by local economy growth and spending. The regulation is expected to impact positively to housing and automotive credit. (Kontan)

Comment: This is positive for property sector. Reiterate our top picks in Ciputra Development (CTRA IJ; Rp1,210; Buy) with TP Rp1,370 as company owns diversified portfolio across Indonesia which will enable the company to reap potential increase in customer demand from the regulation.

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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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