

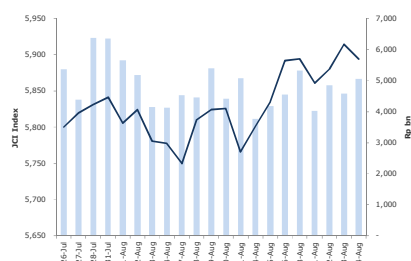
Premier Insight

25 August 2017

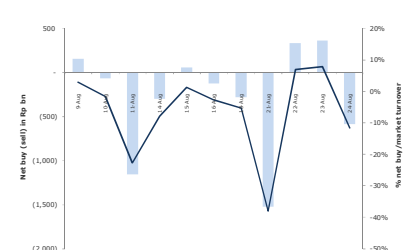
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,894	-0.3%	8.1%	11.3%
LQ45	983	-0.5%	4.5%	11.2%
DJI	21,783	-0.1%	18.1%	10.2%
SET	1,576	0.2%	2.1%	2.1%
HSI	27,519	0.4%	20.6%	25.1%
NKY	19,354	-0.4%	16.9%	1.6%
FTSE	7,407	0.3%	8.7%	3.7%
FSSTI	3,272	0.4%	13.7%	13.6%
EIDO	27	-0.7%	3.1%	12.6%

Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	47.2	-2.1%	1.6%
CPO/tonne	649.8	1.4%	6.8%
Soy/bushel	9.3	1.3%	-7.9%
Rubber/kg	1.9	0.3%	10.2%
Nickel/tonne	11,689	0.7%	17.6%
Tins/tonne	20,615	-0.3%	9.3%
Copper/tonne	6,663	1.9%	44.4%
Gold/try.oz (Spot)	1,286	-0.4%	-2.7%
Coal/tonne	98.4	0.1%	46.9%
Corn/bushel	3.2	0.0%	1.0%
Wheat/bushel*	146.5	5.8%	-7.0%

* : 1 month change

Source : Bloomberg

BNLI: News of StanChart's plan to merge its branch banking unit with its 45.6%-owned Bank Permata (BNLI IJ; Rp755; Not Rated) has boosted BNLI's share price by 7.8% yesterday. The merger plan is considered as an option to meet banking regulations (i.e. single presence policy, local-incorporation of foreign branch banking units). StanChart's local branch has total assets and equity of Rp64.4tn and Rp712bn, respectively as of June 2017 (BNLI: Rp144.5tn and Rp21.4tn, respectively) with net profit of Rp134bn in 1H17 (BNLI: Rp621bn). BNLI has called for an extraordinary shareholders' meeting on 28 Sep 2017.

Comment: We view a merger of the two banks would benefit BNLI by expanding its customer base and product offerings and support plan to upgrade to a BUKU4 bank status. However, StanChart's branch unit has a small equity base of Rp712bn (only 3.3% of BNLI's capital) and low profitability (ROAA: 0.4% in 1H17), thus we expect such a merger would unlikely raise BNLI's capital base significantly.

EXCL: XL Axiata (EXCL IJ; Rp3,510; Buy) decided to divest its e-commerce, Elevenia, to Jaya Kencana Mulia Lestari and Superb Premium Pte Ltd. XL will focus its bisnis development on the core business such as mobile operators and telecommunication. The company has yet to disclose the value of the transaction. (Bisnis Indonesia)

Comment: We think this should be positive to XL, since increasing competition in the e-commerce, driving more capital requirement to keep up with the competition.

WTON: Wijaya Karya Beton (WTON IJ; Rp575; Not Rated) booked new contract of Rp3.3tn until July 2017, which is 47% of FY17 target. New contract came from Jakarta Light Rail Transit (LRT) project of Rp139bn and Porong - Gempol of Rp106bn. (Bisnis Indonesia)

Markets & Sector

Automotive sector: The Government intended to prohibit sales of internal combustion vehicle by 2040, accelerate the migration to electronic vehicles (EV). This message has been discussed with members of Gaikindo with no rejection as the principles of each brand are preparing EVs. Nevertheless, the Government will need to follow up on tariff structure and infrastructure designated for EV. (Bisnis Indonesia)

Comment: This should have a slightly negative impact to Astra International's (ASII IJ; Rp7,975; Buy) especially the its subsidiary Astra Daihatsu Motor, Astra Honda Motor and Astra Otoparts (AUTO IJ; Rp2,450; Hold). We think that Astra will cooperate with its principles to smoothen the transition.

Rice Sector: Ministry of Trade officially set a price cap (HET) for medium and premium rice, valid from 1 September. The HET for medium rice and premium are set in Rp9,450 and Rp12,000 respectively for Jawa, Lampung, South Sumatera, Bali, NTB, and Sulawesi. HET in Sumatera, NTT and Kalimantan are set for Rp9,950 and 13,300, while Maluku and Papua has the highest HET of Rp10,250 and Rp13,600 respectively for medium and premium rice. According to the chairman of Food Station Tjipinang Jaya, HET price already include 8% margin for modern ritel market. If company fails to comply to HET rules, company will be given written warning twice, before being sanctioned by permit revocation. (Bisnis, kontan, Investor daily.)

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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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