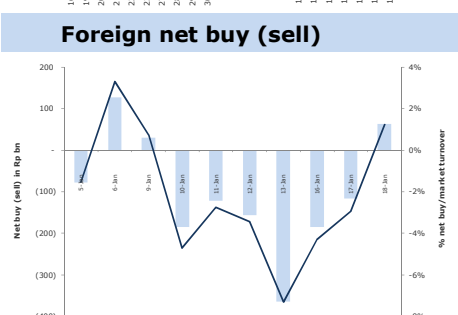
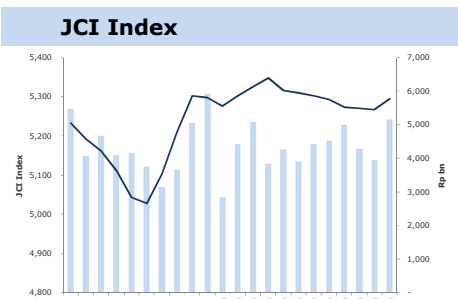


Premier Insight

News & Analysis

Corporates



ADHI: Adhi Karya (ADHI IJ; Rp2,150; buy) raises IPO target for its subsidiaries, Adhi Persada Gedung, to Rp3-3.5tn from Rp1.5-2tn previously. Adhi Gedung is planning to sell off 35% from allocated capital and expect the IPO to be conducted in 2H17. The fund proceed will be used for ADHI to finance LRT jabodetabek and working capital for building management. (Bisnis Indonesia)

Comment: the additional working capital will be positive for ADHI as it helps company to finance its LRT with less of bank loan. Maintain Buy.

APLN: Agung Podomoro Land (APLN IJ; Rp228; Hold) prepares capex of Rp5-6tn in FY17, higher than FY16 of Rp4tn. Company will use internal cash, bank loan or bond issuance. APLN also plans to sell off its two assets; Pullman Hotel Jakarta Central and Sofitel Bali Nusa Dua resort through real estate investment trust or DIRE. Note that capex this year will not include capex for Pluit City as company is still in progress to complete all necessary documents.

Comment: we see some fundamental improvement with possible land sales and DIRE in FY17, however, we remain cautious given next upcoming election that might determine reclamation project outlook. Maintain Hold.

Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,295	0.5%	17.9%	0.0%
LQ45	885	0.7%	13.1%	0.1%
DJI	19,805	-0.1%	23.7%	0.2%
SET	1,561	-0.4%	23.3%	1.2%
HSI	23,098	1.1%	17.6%	5.0%
NKY	18,894	0.4%	10.8%	-0.3%
FTSE	7,248	0.4%	23.3%	1.5%
FSSTI	3,000	-0.4%	13.7%	4.1%
EIDO	24	-0.2%	20.8%	0.6%

BISI: Ministry of Agriculture expects Indonesia corn self-sufficiency will be reached in 2017. Thus, the government plans to ban corn import this year. Ministry of Agriculture, Amran Sulaiman stated that domestic corn supply will be sufficient to fulfill domestic needs as he expects during the harvesting season in March-May 2017, harvested corn will reach 12-15m tons. In March-May 2016 harvesting season, corn production was 10m tons. (Kontan)

Comment: With lower imported material, feed-mill companies will be less exposed to currency risks. For Bisi International (BISI IJ; Rp1,740; Buy), we expect corn seed sales growth will be moderate after Indonesia has reached corn self-sufficiency. However, we expect BISI's earnings momentum to remain strong in 2017. Buy.

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	51.1	-2.7%	73.6%
CPO/tonne	706.2	-0.3%	27.5%
Soy/bushel	10.5	2.2%	18.8%
Rubber/kg	2.7	-0.5%	100.1%
Nickel/tonne	10,123	0.1%	18.3%
Tins/tonne	21,096	-0.1%	58.4%
Copper/tonne	5,741	0.2%	31.1%
Gold/try.oz (Spot)	1,204	-1.1%	10.7%
Coal/tonne	83.9	-0.8%	71.8%
Corn/bushel	3.5	2.0%	0.3%
Wheat/bushel*	122.5	0.0%	-22.3%

* : 1 month change

Source : Bloomberg

TLKM: Telkom Indonesia (TLKM IJ; Rp3,960; Buy) will launch a new third satellite, Telkom 3S, in Feb17. This satellite is a replacement satellite that failed to reach orbit back in FY15. A life time of 15 years is expected from the new KU and C band satellite. Telkom will use this satellite for internal use and lease out to third parties. Moreover, Telkom plans to launch a fourth satellite in FY18. No details has been disclose up to this time. (Kontan)

KLBF: Kalbe Farma (KLBF IJ; Rp1,525; Hold) to start the production of eritropoetin (Epo), which will be used to treat kidney failure and cancer, in mid 2018. Upon the completion, the production capacity is expected to reach 10mn units per year to fulfill demand in Indonesia and some neighborhood country as well. (Bisnis Indonesia)

Comment: We see this as a positive catalyst for KLBF given the limited availability of this particular product in Indonesia. As a biotech based drug, this will also reduce the import dependency.

SRTG: PT Interra Indo Resources, a subsidiary of PT Saratoga Investama (SRTI IJ; Rp3,410; Not rated) divests 40% stake in PT Bhaskara Utama Sedaya (BUS with total value of Rp2.5tn, which includes the mezzanine loan at Rp900bn to P Astratel Nusantara. To note, SRTG has an effective ownership of 18% in PT Linta Marga Sedaya (LMS). (Kontan)

Refer to Important disclosures in the last page of this report

MAPI: Mitra Adiperkasa (MAPI IJ; Rp5,175; Hold) plans to expand 200 new outlets with a capex of Rp700bn in FY17. This equates to 70,000 sqm of new selling area added for the year with expansions in department stores, fashion, active and F&B. Meanwhile e-commerce mapemall.com currently contributes a mere 1% to the business and the Company plans to increase its sales contribution in FY17. Citing the revenue growth to be in-line with industry, Management targets a 13% top line growth in FY17. (Kontan)

Comment: Capex and expansion plans for FY17 is expected to come slightly higher than FY16. We expect the slightly more aggressive expansion to be successful if we see further recovery in economic growth.

Markets & Sector

Tobacco sector: government's discourse policy to ban cigarette products on TV advertisement is feared to further complicate the industry productivity. During 2013-2015, cigarette production has seen a 3% decline. (Bisnis Indonesia)

Comment: if this happens, we think this will further cripple the industry. Although we believe HM Sampoerna (HMSP IJ; Rp3,880; Hold) and Gudang Garam (GGRM IJ; Rp63,000; Hold) have established strong brand equity, we think TV advertisement will still be necessary to maintain the brand awareness.

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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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