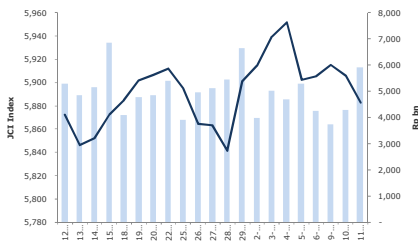


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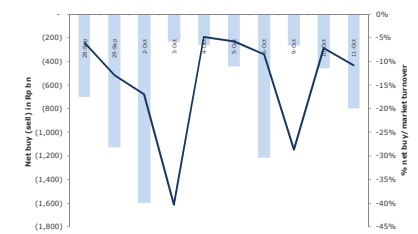
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,886	0.1%	9.7%	11.1%
LQ45	978	0.1%	6.3%	10.5%
DJI	22,873	0.2%	26.1%	15.7%
SET	1,714	0.4%	21.9%	11.1%
HSI	28,448	0.2%	21.5%	29.3%
NKY	20,881	0.3%	24.0%	9.6%
FTSE	7,534	-0.1%	7.3%	5.5%
FSSTI	3,280	-0.3%	16.6%	14.6%
EIDO	27	-0.8%	1.6%	10.1%

Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	51.3	0.7%	1.0%
CPO/tonne	639.5	0.1%	3.3%
Soy/bushel	9.3	-0.1%	-1.2%
Rubber/kg	1.7	-1.4%	-7.2%
Nickel/tonne	11,061	0.7%	6.6%
Tins/tonne	20,990	0.7%	5.6%
Copper/tonne	6,756	0.7%	41.0%
Gold/try.oz (Spot)	1,292	0.3%	2.9%
Coal/tonne	96.1	0.7%	13.8%
Corn/bushel	3.1	-0.9%	-2.8%
Wheat/bushel	435.0	0.4%	9.6%

Source : Bloomberg

ADHI: Adhi Karya (ADHI IJ; Rp2,040; Buy) booked new contract of Rp30tn until 9M17. In September 2017, ADHI has secured new contract from Pasuruan – Grati toll road, raw water treatment Sambas kalbar, construction of retaining land and port for IKD3 Belawan. Construction and energy dominates 96% of new contract. (Bisnis Indonesia)

Comment: With LRT, ADHI's new contract has achieved 68% of FY17 company target, in-line with average historical performance. Hence, we believe payment of Rp4-5tn from KAI to be reimbursed this year, thus will directly translate to ADHI's revenue. Another positive catalyst is from faster syndicate bank loan reimbursement which is expected in 4Q17 or 1Q18. Maintain BUY.

SILO: We met with Siloam International Hospital (SILO IJ; Rp10,125; Hold) yesterday and found very conservative outlook for 2018 with earnings is expected to be flat as company expects: 1) higher depreciation due to new hospital openings, 2) lower volume from private patient as cash and credit card payers are seen switching to BPJS and 3) thin margin from BPJS program. Company will focus more into expansion with 8 new hospitals to open in 2018 while managing cost to get better profitability from BPJS by: 1) maximize case by grouping, 2) precise treatment, 3) encourage patient to upgrade to higher class, 4) lowering ALOS, 5) tight monitoring of utilization of diagnostic test. Hence, new and developing hospitals are currently taking longer time to mature of around estimated 6-8 years (from 5-6 years normally) given lower revenue from BPJS patients. Company is in the middle of right issue with fund proceeds of Rp3.1tn which will be used to expansion (88%) and working capital (11%). Expansion may include new hospital acquisition in selected area.

Comment: We expect flat SILO's earnings in FY17, but expect net margin to recover in FY18 onwards given diminishing impairment from Mediplus. At this stage, we maintain HOLD call on SILO at TP of Rp11,100 due in-line expectations.

LPPF: PT Matahari Dept Store (LPPF IJ; Rp9,200; Buy) has announced a collaboration with Walt Disney Company Indonesia to sell all Disney's official merchandise (ie. toys, clothings, household goods) across all stores with a price point up to Rp250,000. The partnership will take place over 4 years and Matahari will set a specialised store space to sold Disney brand (Disney, Marvel, and Star Wars). (Kontan)

Comment: We see the Disney brand should attract family segment and positively impact LPPF. However, given the earlier move from Ramayana (RALS IJ; Rp955; Hold) to partnering with Disney Indonesia to sell all Disney merchandise with similar price point, we think the competition to stay tough.

SIDO: Industri Jamu dan Farmasi Sido Muncul (SIDO; Rp438; Not Rated) has bought PT Nyonya Meneer asset worth Rp22bn in the form of land and building through auction process. The land is located Semarang area with total area of 2.5ha. The asset is expected to support SIDO operational activity as the land and building is located right next to SIDO's factory. (Kontan)

DMAS: Puradelta Lestari (DMAS IJ; Rp186; Buy) recorded marketing sales of 37.5ha (vs. 52ha in 9M16) as of 9M17, which is 62.5% of FY17 target of 60ha. On quarterly basis, DMAS only booked 1.5ha marketing sales in 3Q17, way below 3Q16 achievement of 41.7ha. Most of the sales in 3Q16 were originated from the sales of 38.3ha to Astra Honda Motors (AHM). Despite the decline in industrial sales, DMAS managed to book the sales of residential and commercial area of 0.1ha and 3.8ha respectively (vs. 0.6ha and 0.6ha in 9M16) worth Rp144bn. (Company)

Refer to Important disclosures in the last page of this report

PGAS: Perusahaan Gas Negara (PGAS IJ; Rp1,415; Hold) has reduced its capex to US\$300mn for FY17 from earlier US\$500mn. The company will concentrate on projects that will have direct impact to volume growth. The company explores the possibility to supply gas to industrial estates such as Industrial Estate Cikande Serang. Additionally, company also reported strong growth in gas demand by 17% in 3Q17 to about 800mmscfd. (Bisnis Indonesia)

Comment: We met with the company yesterday, the increase in gas demand might not be sustainable as some demand growth was seasonal. We maintain our Hold recommendation at the moment.

Markets & Sector

Utility sector: The Supreme Court recently decide for stopping the private sector to step in to water supply business. This, confirmed the sentence of constitutional court in 18 February 2015 that annulled constitution No.7/2004. The annulled constitution considered brought opportunity for private sector chip in to water supply business.

Cement sector: Domestic demand dropped -3.0% mom but grew 11.9% yoy in Sep17. Competition remained mix with Indocement gaining ground with flat volume while Semen Indonesia still lagging as volume dropped -5.8% mom in Sep17. We think Indocement gained traction from introducing the competing brand Rajawali. Cumulatively cement demand grew +6.0% yoy with Indocement +3.3% yoy and Semen Indonesia +4.0% yoy, indicating that competitors continue to win market share. Nevertheless, ASP of Semen Indonesia has stabilized at Rp730k/per tons mom, but still down -5.0% ytd.

Comment: Despite momentum growth to build up, incumbents remained under pressure of competition. ASP seems to reach new equilibrium for the moment. Rising energy cost from coal will erode profitability as ASP remained under pressure.

	17-Aug	17-Sep	+/- %	16-Sep	+/- %	9M16	9M17	+/- %
Semen Indonesia	2,668,771	2,513,297	-5.8	2,422,709	3.7	18,644,701	19,392,704	4
Indocement	1,608,318	1,609,088	0	1,434,032	12.2	11,699,318	12,083,069	3.3
Java	3,718,230	3,553,119	-4.4	3,101,997	14.5	24,396,922	26,914,814	10.3
Sumatera	1,407,516	1,346,477	-4.3	1,217,542	10.6	9,617,159	10,009,157	4.1
Kalimantan	377,274	381,734	1.2	390,570	-2.3	3,082,130	2,903,124	-5.8
Sulawesi	518,958	532,464	2.6	488,075	9.1	3,874,500	3,841,412	-0.9
Nusa Tenggara	343,299	346,401	0.9	308,923	12.1	2,631,060	2,687,150	2.1
East Ind	130,555	143,082	9.6	126,372	13.2	1,102,499	1,051,627	-4.6
Indonesia	6,495,831	6,303,276	-3	5,633,478	11.9	44,704,269	47,407,283	6

Nickel mining: Nickel supply shortage in China may take longer than our expectation as Linyi Municipal Environmental Protection Agency of Shandong Province China released a Notice for production suspension and limitation of all ironmaking, steelmaking, ferro-nickel, manganese iron, cast-iron and pelletizing projects within the city during Nov.15th 2017 to Mar.15th 2018. Those companies directly involving nickel including Shandong Lingang Nonferrous Metals Co., Ltd., Linyi Jinhai Technology Co., Ltd. and Shandong Xinhai Technology Co., Ltd., are required to limit production by 50%. These three companies formed 25% of nickel pig iron supply and 15% of primary nickel supply in China.

Comment: We maintain our bullish view on nickel price, and reiterate our Buy recommendation on INCO with TP of Rp3,500.

Toll road sector: The Government will inaugurate three new toll roads in Sumatera, namely, Medan Binjai (16.7km), Medan-Kualanam-Tb Tinggi (61.7km) and Palembang Indralaya (61.7km). The toll road tariff will be determined following the trial operation.

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Comment: Out of the three toll road, Medan-Kualanamu is owned by Jasa Marga. This should provide positive sentiment to the company as there will be additional cash flow from this toll road. We maintain our Buy call on the counter.

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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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