

FROM EQUITY RESEARCH
Property: Easing of the super luxury tax creates a mismatch (OVERWEIGHT)

Aside from reducing the tax rate from 5% to 1% for property categorized as super luxury as promised, the government also eased the criteria for super luxury property (by raising the threshold to IDR30bn from IDR5bn previously). High rise residential property with selling prices of IDR5-9bn should benefit as they will enjoy the full 5% reduction whereas high rise property with selling prices of above IDR9bn will only enjoy the reduction in super luxury tax from 5% to 1% (since their building area would exceed the threshold of 150sqm). For landed residential property, by comparison, the high threshold for the size of the property's land (2,000sqm) means more properties should benefit.

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United Tractors: Slight improvement in Komatsu sales in May 2019 (UNTR IJ. IDR 27,800 BUY TP. IDR 36,000)

United Tractors (UNTR) reported Komatsu sales of 289 units in May 2019 (+10.7% mom, but -34.5% yoy). The soft improvement was supported by sales to the construction, forestry and agri sectors. Cumulatively, the impact of weak coal prices resulted in lower Komatsu sales (-17.5% yoy to 1,731 units in 5M19) yet still within our full year forecast (43.3%). We maintain our Komatsu sales estimate of 4,000 units for 2019. BUY maintained with a target price of IDR36,000 (based on DCF valuation).

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PREVIOUS REPORT

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KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	6.320	0,5	2,0	452
Thailand	1.721	0,3	10,1	2.112
Philippines	8.034	(0,3)	7,6	116
Malaysia	1.677	0,0	(0,8)	406
Singapore	3.304	(0,2)	7,7	841
Regional				
China	2.982	(0,9)	19,6	41.355
Hong Kong	28.186	(1,1)	9,1	10.612
Japan	21.194	(0,4)	5,9	9.231
Korea	2.122	0,0	4,0	3.505
Taiwan	10.707	(0,7)	10,1	3.214
India	39.435	0,8	9,3	267
Nasdaq	7.885	(1,5)	18,8	104.634
Dow Jones	26.548	(0,7)	13,8	11.510

CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	14.125	1,4	1,8	1,8
BI7DRRR %	6,00	-	-	-
10y Gov Indo bond	7,42	(0,1)	(0,5)	(0,6)

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	71	0,5	(15,2)	(30,5)
Gold	US\$/toz	1.419	(0,3)	10,5	10,7
Nickel	US\$/mt.ton	12.234	1,4	(0,9)	15,4
Tin	US\$/mt.ton	19.065	(0,2)	(2,7)	(2,3)

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2.434	(0,4)	2,5	2,9
Corn	US\$/mt.ton	165	0,2	13,6	23,7
Oil (WTI)	US\$/barrel	59	1,7	0,3	29,5
Oil (Brent)	US\$/barrel	65	0,3	(5,3)	20,9
Palm oil	MYR/mt.ton	1.941	(1,6)	0,6	(0,6)
Rubber	US\$/kg	150	1,8	(2,5)	19,8
Pulp	US\$/tonne	1.205	N/A	2,8	20,5
Coffee	US\$/60kgbag	73	1,9	1,4	(4,1)
Sugar	US\$/MT	324	0,3	(0,1)	(2,5)
Wheat	US\$/ton	147	(0,5)	8,7	2,2
Soy Oil	US\$/lb	28	(1,2)	3,7	1,6
Soy Bean	US\$/by	904	(0,6)	8,9	2,4

Tuesday, 25 June 2019

OVERWEIGHT

<Maintain>

Property

Easing of the super luxury tax creates a mismatch

ASRI relative to JCI Index



BSDE relative to JCI Index



Source: Bloomberg

Aside from reducing the tax rate from 5% to 1% for property categorized as super luxury as promised, the government also eased the criteria for super luxury property (by raising the threshold to IDR30bn from IDR5bn previously). High rise residential property with selling prices of IDR5-9bn should benefit as they will enjoy the full 5% reduction whereas high rise property with selling prices of above IDR9bn will only enjoy the reduction in super luxury tax from 5% to 1% (since their building area would exceed the threshold of 150sqm). For landed residential property, by comparison, the high threshold for the size of the property's land (2,000sqm) means more properties should benefit.

Relaxation of super luxury tax. The government has fulfilled its promise to ease super luxury tax for property, as first circulated in October last year. This was done through the issuance of Minister of Finance Regulation No. 92/PMK.03/2019 on 19 June 2019. Aside from reducing the tax rate from 5% to 1% for property categorized as super luxury as promised, the government also eased the criteria for super luxury property (by raising the threshold to IDR30bn from IDR5bn previously).

The threshold value does not match the maximum size criteria. Although the threshold value was raised to IDR30bn, the government did not change the maximum size criteria (400sqm building size for landed residential property and 150sqm building size for high rise residential property). Based on our calculations, the new threshold value implies that developers could theoretically sell landed residential property with a land ASP of IDR65mn/sqm or high rise residential property with ASP of IDR200mn/sqm and still avoid the super luxury classification (although both scenarios are not applicable in the primary market). As such, the maximum size criteria will limit the maximum property value to IDR9bn for high rise residential. For landed residential property, by comparison, the calculation is more complicated as it depends on several variables like the Building Coverage Ratio (BCR) and Floor Average Ratio (FAR).

Implication on property prices. High rise residential property with selling prices of IDR5-9bn should benefit as they will enjoy the full 5% reduction whereas high rise property with selling prices of above IDR9bn will only enjoy the reduction in super luxury tax from 5% to 1% (since their building area would exceed the threshold of 150sqm). For landed residential property, by comparison, the high threshold for the size of the property's land (2,000sqm) means more properties should benefit.

Lower income tax, higher demand: who benefits? Instead of being an overall game changer for the property sector, the tax relaxation policy may provide a positive catalyst for selected property players such as BSDE and PWON as both have several projects whose properties might benefit. To some extent, SMRA might seek to benefit from the policy relaxation to develop luxury condominiums in the Kelapa Gading area. However, SMRA's land bank in that area is quite limited.



Victor Stefano

(62-21) 2955 5888 ext. 3503

victor.stefano@danareksa.co.id

Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2020F
					2019F	2020F	2019F	2020F	
Alam Sutra	ASRI IJ	BUY	400	6,445.0	5.4	4.7	0.6	0.5	12.1
Bumi Serpong Damai	BSDE IJ	BUY	1,700	27,330.3	13.4	13.3	1.0	0.9	7.1
Ciputra Development	CTRA IJ	BUY	1,350	22,550.8	23.7	20.2	1.5	1.4	7.2
Pakuwon Jati	PWON IJ	HOLD	690	29,618.2	11.1	10.7	2.0	1.7	17.3
Summarecon Agung	SMRA IJ	HOLD	1,100	13,849.9	31.3	25.5	1.9	1.8	7.2

Wednesday, 26 June 2019

BUY
Maintain

Last price (IDR) 27,800
Target Price (IDR) 36,000
Upside/Downside +29.5%
Previous Target Price (IDR) 36,000

Stock Statistics

Sector Heavy Equipment
Bloomberg Ticker UNTR IJ
No of Shrs (mn) 3,730
Mkt. Cap (IDRbn/USDmn) 103,698/7,341
Avg. daily T/O (IDRbn/USDmn) 147.3/10.4

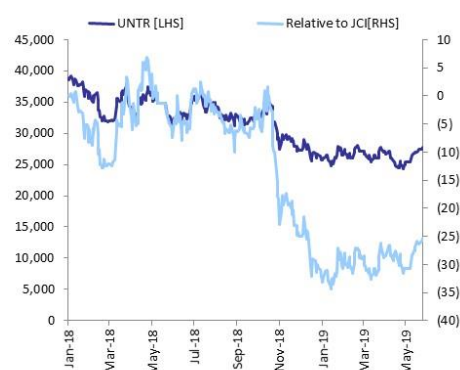
Major shareholders (%)

Astra International 59.5
Estimated free float 40.5

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	3,149.8	3,288.3	3,413.2
Consensus	3,177.2	3,294.3	3,510.0
Danareksa/Cons	(0.9)	(0.2)	(2.8)

UNTR relative to JCI Index



Source: Bloomberg



Stefanus Darmagiri

(62-21) 29 555 831

stefanus.darmagiri@danareksa.com

United Tractors (UNTR IJ)

Slight improvement in Komatsu sales in May 2019

United Tractors (UNTR) reported Komatsu sales of 289 units in May 2019 (+10.7% mom, but -34.5% yoy). The soft improvement was supported by sales to the construction, forestry and agri sectors. Cumulatively, the impact of weak coal prices resulted in lower Komatsu sales (-17.5% yoy to 1,731 units in 5M19) yet still within our full year forecast (43.3%). We maintain our Komatsu sales estimate of 4,000 units for 2019. BUY maintained with a target price of IDR36,000 (based on DCF valuation).

Soft improvement in Komatsu sales in May 2019. Although Komatsu monthly sales increased by 10.7% mom to 289 units in May 2019 thanks to better sales to the construction, forestry and agri sectors, the number is still soft. Year-to-date Komatsu sales fell by 17.5% yoy to 1,731 units in 5M19 owing to weak coal prices. This resulted in lower Komatsu sales to the mining sector (-29.5% yoy). As such, the sales contribution to the mining sector declined to 47% in 5M19 from 55% in 5M18. By contrast, the sales contribution to the construction sector increased to 27% in 5M19 (5M18: 22%)

We maintain our Komatsu sales target of 4,000 units for 2019. We expect Komatsu sales to remain soft in Jun 2019 as delivery of heavy equipment to the construction and mining sectors will be impacted by the Lebaran holidays in the first week of June 2019. We maintain our Komatsu sales volume target of 4,000 units for 2019, of which 800 units will be large-sized machinery.

Solid coal production despite unfavorable weather conditions in April 2019. Coal production and OB removal under its subsidiary Pamapersada Nusantara (Pama) rose by 8.5% yoy to 50.8mn tons and by 7.4% yoy to 394.0mn bcm in 5M19 respectively. This was mainly due to favorable weather conditions. The numbers are within our expectations. We expect flattish coal production and OB removal under PAMA. Meanwhile, coal sales volume jumped by 3.9% yoy to 4.0mn tons, with the growth coming from sales of coking coal. As such, the contribution from coking coal increased to 13.5% in 5M19 (5M18: 7.3%). For 2019, the management indicates coal sales volume of 9.0mn tons (+28.2% yoy) with the contribution from coking coal reaching 16.6% (2018: 11.5%)

Maintain BUY with a target price of IDR36,000 (based on DCF valuation with WACC of 12.8% and long-term growth of 3%). The stock is trading at -1.5SD. We expect more delivery of heavy equipment in 2H19 to sustain Komatsu sales in 2019.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	64,559	84,625	84,712	86,160	86,630
EBITDA (IDRbn)	13,832	23,296	22,438	23,650	24,699
EBITDA Growth (%)	51.2	68.4	(3.7)	5.4	4.4
Net profit (IDRbn)	7,403	11,126	11,749	12,266	12,732
EPS (IDR)	1,984.6	2,982.6	3,149.8	3,288.3	3,413.2
EPS growth (%)	48.0	50.3	5.6	4.4	3.8
BVPS (IDR)	12,161.1	14,417.5	16,246.7	18,279.4	20,384.9
DPS (IDR)	675.0	960.6	1,212.8	1,276.1	1,329.9
PER (x)	14.0	9.3	8.8	8.5	8.1
PBV (x)	2.3	1.9	1.7	1.5	1.4
Dividend yield (%)	2.4	3.5	4.4	4.6	4.8
EV/EBITDA (x)	6.3	4.3	4.3	4.0	3.6

Source : UNTR, Danareksa Estimates

MARKET NEWS

MACROECONOMY

Government: Higher budget deficit to support economic growth

In the government's 2019 budget, the budget deficit is targeted at 1.84% of GDP or IDR 296 trn. It is still below the maximum level permitted (3% of GDP) but higher than the budget deficit realisation in 2018 of 1.76% of GDP. Meanwhile, budget deficit realisation as of May 2019 reached IDR 127.45 trn or 0.79% of GDP. To achieve the government's economic growth target of 5.2% in the current year, Bank Indonesia (BI) has implemented some policies such as decreasing the reserve requirement by 50 bps and maintaining the key policy rate. At the same time, BI also stated that there will be policy rate cuts this year. Furthermore, the Ministry of Finance stated that expenditures in ministries and institutions should be maintained productively, mainly in the Family Hope Program (PKH) and social assistance expenditures to drive economic growth. (Investor Daily)

SECTOR

PS culling program

The government is planning to reduce DOC FS production by undertaking a culling program of PS aged 68 weeks or cutting HE by 30%.

CORPORATE

Adhi Karya: To issue IDR1.0tn of bonds

Adhi Karya (ADHI) will issue IDR1.02tn of self-registered bonds stage 2. ADHI is issuing two series of bonds: IDR556bn of A Series bonds with a 9.25%pa coupon rate and 3-year tenor, and IDR473.5bn of B Series bonds with a 9.75% coupon rate and 5-year tenor. The rating is A- and all the proceeds will be used to finance working capital. Furthermore, ADHI has a IDR250bn bond maturing in Jul19. Meanwhile, ADHI booked new contracts in 5M19 of IDR4.6tn accounted for 15.3% of the full year target set at IDR30.0tn. (Bisnis Indonesia)

Comment: The DER stood at 1.32x as of Mar19. Adding IDR1.02tn of debts, the ratio will become 1.48x. (Maria Renata)

HERO - Closing another 6 Giant Stores

The company will close another 6 stores by July 2019, following the closure of 26 stores in 2018. The stores to be closed are: Pondok Timur, Cinere Mall, Mampang, Jati Makmur, Mitra 10 Cibubur, and Wisma Asri. The company cites tight competition and changes in consumer shopping behavior as the main culprits. Currently, the company is preparing a multi-year transformation by re-accessing its general merchandising, best store size, scale, and also refreshing the stores. (Kontan)

Comment: Supermarkets and Hypermarkets are feeling the brunt of competition from Minimarkets which are gaining customers whilst also benefiting from scale, as reflected in a higher rebate handed out by suppliers. Worth noting is that Supermarkets and Hypermarkets' market share has fallen from 8.1% in 2015 to 6.2% of total retail sales according to a Nielsen Retail Audit.

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		25-June-19	24-June-19					
Semen Baturaja	SMBR	1.090	875	24,6	11,2	74,4	(37,7)	SELL
Harum Energy	HRUM	1.590	1.395	14,0	13,2	12,0	13,6	HOLD
Erajaya Swasembada	ERAA	1.835	1.615	13,6	35,4	60,3	(16,6)	BUY
Matahari Putra Prima	MPPA	234	216	8,3	18,2	29,3	53,9	SELL
Adaro Energy	ADRO	1.330	1.245	6,8	6,8	5,6	9,5	BUY
Aneka Tambang	ANTM	845	795	6,3	9,0	15,8	10,5	HOLD
Bukit Asam	PTBA	3.060	2.880	6,3	6,3	6,3	(28,8)	BUY
Timah	TINS	1.195	1.130	5,8	7,7	11,2	58,3	BUY
Indo Tambangraya Megah	ITMG	18.000	17.025	5,7	5,9	5,3	(11,1)	BUY
Vale Indonesia	INCO	3.080	2.920	5,5	12,0	14,5	(5,5)	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		25-June-19	24-June-19					
Ciputra Development	CTRA	1.075	1.125	(4,4)	(1,8)	7,5	6,4	BUY
Bumi Serpong Damai	BSDE	1.460	1.520	(3,9)	2,8	14,5	16,3	BUY
Ramayana	RALS	1.375	1.430	(3,8)	(5,2)	(10,4)	(3,2)	HOLD
Mitra Adi Perkasa	MAPI	900	935	(3,7)	1,1	13,9	11,8	BUY
Summarecon Agung	SMRA	1.160	1.200	(3,3)	(5,3)	10,0	44,1	BUY
Tower Bersama	TBIG	3.780	3.860	(2,1)	(3,1)	14,9	5,0	BUY
Pembangunan Perumahan	PTPP	2.240	2.280	(1,8)	4,2	18,5	24,1	BUY
PP London Sumatra	LSIP	1.125	1.145	(1,7)	(1,3)	3,2	(10,0)	BUY
Media Nusantara Citra	MNCN	985	1.000	(1,5)	(12,8)	(6,6)	42,8	BUY
Bank Tabungan Negara	BBTN	2.660	2.690	(1,1)	-	11,8	4,7	BUY

Sources: Bloomberg

PREVIOUS REPORTS

- Danareksa Trade Institute: Trade Update – Small Trade Surplus [SnapShot20190625](#)
- Astra International: Flattish domestic car sales in May 2019 [SnapShot20190624](#)
- Banking: Stimulus policy for additional liquidity, Mayora Indah: Good 1H19 results on the card [SnapShot20190621](#)
- Telco: 5G update - invasion of the machines, BTPN Syariah: Time to take profits [SnapShot20190619](#)
- Poultry: Could Grab and OVO save the chicken?, Media Nusantara: Downgrade on heightened risks [SnapShot20190618](#)

PT Danareksa Sekuritas

Jl. Medan Merdeka Selatan No. 14
Jakarta 10110
Indonesia
Tel (62 21) 29 555 888
Fax (62 21) 350 1709

Equity Research Team

Helmy Kristanto

helmy.kristanto@danareksa.co.id
(62-21) 2955 888 ext. 3500
Head of Research, Strategy

Stefanus Darmagiri

stefanus.darmagiri@danareksa.co.id
(62-21) 2955 888 ext. 3530
Auto, Coal, Heavy Equip, Metal

Natalia Sutanto

natalia.sutanto@danareksa.com
(62-21) 29555 888 ext.3508
Consumer, Tobacco, Property

Maria Renata

maria.renata@danareksa.co.id
(62-21) 29555 888 ext.3513
Construction

Eka Savitri

Eka.savitri@danareksa.co.id
(62-21) 29555 888 ext.3506
Banking

Niko Margaronis

niko.margaronis@danareksa.co.id
(62-21) 29555 888 ext.3512
Telco, Tower

Victor Stefano

victor.stefano@danareksa.co.id
(62-21) 29555 888 ext.3503
Poultry, Property

Ignatius Teguh Prayoga

ignatius.prayoga@danareksa.co.id
(62-21) 29555 888 ext.3511
Media

Andreas Kenny

andreas.kenny@danareksa.co.id
(62-21) 29555 888 ext.3509
Retail

Muhammad Naufal Y.

muhammad.yunas@danareksa.co.id
(62-21) 29555 888 ext.3507
Research Associate

Sales team

Vera Ongyono

vera.ongyono@danareksa.co.id
(62-21) 29555 888 ext. 3120

Ehrlich Suhartono

ehrlich@danareksa.co.id
(62-21) 29555 888 ext. 3132

Laksmi Armandani

laksmi@danareksa.co.id
(62-21) 29555 888 ext. 3125

Tuty Sutopo

tuty@danareksa.co.id
(62-21) 29555 888 ext. 3121

Upik Yuzarni

upik_y@danareksa.co.id
(62-21) 29555 888 ext. 3137

Wisnu Budhiargo

Wisnu.budhiargo@danareksa.co.id
(62-21) 29555 888 ext. 3117

Anetta Hasan

anetta.hasan@danareksa.co.id
(62-21) 29555 888 ext. 3140

Rendy Ben Philips

rendy.philips@danareksa.co.id
(62-21) 29555 888 ext. 3148

Adeline Solaiman

adeline.solaiman@danareksa.co.id
(62-21) 29555 888 ext. 3503

Thalia Kadharusman

thalia.kadharusman@danareksa.co.id
(62-21) 29555 888 ext. 3124

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