

## FROM EQUITY REPORT

### Vale Indonesia: Clearer outlook for HPAL projects

(INCO.IJ IDR 6,250 BUY.TP IDR 7,600)

INCO received FID for its HPAL project and expect the facility will complete in 2025. Mining activity for this project will begin next year and expect will begin operational in 2025. Reiterate our Buy call on INCO with a higher TP of IDR7,600.

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## KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
<b>Asean - 5</b>				
Indonesia	7,077	(0.5)	7.5	723
Thailand	1,599	(0.7)	(3.5)	1,824
Philippines	5,880	(2.3)	(17.5)	104
Malaysia	1,402	(0.6)	(10.6)	415
Singapore	3,116	(1.6)	(0.2)	1,210
<b>Regional</b>				
China	3,045	(1.6)	(16.3)	52,534
Hong Kong	17,251	(3.4)	(26.3)	13,796
Japan	26,174	(1.5)	(9.1)	15,999
Korea	2,169	(2.5)	(27.1)	5,559
Taiwan	13,466	(2.6)	(26.1)	7,151
India	56,598	(0.9)	(2.8)	531
Nasdaq	11,052	2.1	(29.4)	221,847
Dow Jones	29,684	1.9	(18.3)	18,140

## CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	15,263	(1.8)	(2.5)	(7.1)
BI7DRRR	%	4.25	0.5	0.8	0.8
10y Gov	Indo bond	7.42	0.2	0.4	1.0

## HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	436	(0.4)	4.5	157.1
Gold	US\$/toz	1,658	(0.1)	(4.5)	(9.4)
Nickel	US\$/mt.ton	21,723	(1.4)	0.8	4.0
Tin	US\$/mt.ton	20,682	0.2	(17.1)	(47.5)

## SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	251	(0.3)	(7.9)	10.4
Corn	US\$/mt.ton	82	(0.5)	(15.7)	8.7
Oil (WTI)	US\$/barrel	89	3.5	(11.6)	14.8
Oil (Brent)	US\$/barrel	3,494	0.8	(17.1)	(32.5)
Palm oil	MYR/mt.ton	132	(1.5)	(7.9)	(25.7)
Rubber	US\$/kg	1,205	N/A	2.8	20.5
Pulp	US\$/tonne	528	(0.2)	(5.8)	6.1
Coffee	US\$/60kgbag	246	3.6	12.2	17.3
Sugar	US\$/MT	66	(0.2)	(7.5)	16.4
Wheat	US\$/ton	1,409	0.1	(12.2)	6.0
Soy Oil	US\$/lb	251	(0.3)	(7.9)	10.4
SoyBean	US\$/by	82	(0.5)	(15.7)	8.7

Thursday, 29 September 2022

**BUY**  
**Maintain**

Last price (IDR)	6,250
Target Price (IDR)	7,600
Upside/Downside	+21.6%
Previous Target Price (IDR)	6,300

**Stock Statistics**

Sector	Metal Mining
Bloomberg Ticker	INCO IJ
No of Shrs (mn)	9,936
Mkt. Cap (IDRbn/USDmn)	62,102/4,069
Avg. daily T/O (IDRbn/USDmn)	201.8/13.2

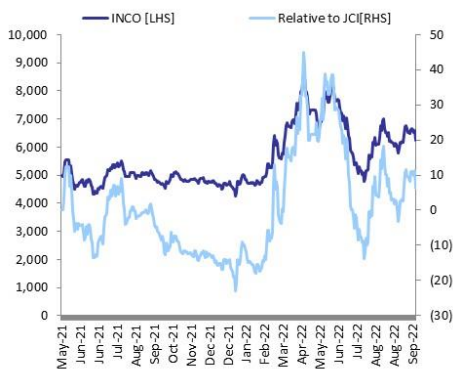
**Major shareholders (%)**

Vale Canada Ltd	43.8
Inalum	20.0
Estimated free float	20.6

**EPS Consensus (USDcents)**

	2022F	2023F	2024F
Danareksa	2.6	1.8	1.7
Consensus	2.8	2.6	2.8
Danareksa/Cons	(7.7)	(30.8)	(38.3)

**INCO relative to JCI Index**



Source : Bloomberg



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# Vale Indonesia (INCO IJ)

## Clearer outlook for HPAL projects

**INCO received FID for its HPAL project and expect the facility will complete in 2025. Mining activity for this project will begin next year and expect will begin operational in 2025. Reiterate our Buy call on INCO with a higher TP of IDR7,600.**

**Expect margins compression in 2H22, but...** Vale Indonesia plan to maintain their nickel matte production volume at 65k tons in 2022F, although up to 1H22, the company's production was at 26,394 tons, which was still 41% of full year target. As a result, we expect the company will ramp up their operation in 2H22. We believe the company's peak production growth in 2022F would be during 3Q22 and we expect INCO will produce of around 21k tons and another ~17k tons in 4Q22.

With FY22 production target remain intact, we leave our 2022F earnings forecast unchanged and we also expect that nickel price will continue to decline in following quarters with building up surplus from additional nickel smelter capacity of around 180k tons this year. And thus, we will see a margins compression on INCO's P&L in 2H22.

**...Positive progress on HPAL project in Pomalaa, and...** INCO already signed memorandum of cooperation agreement to develop an HPAL processing facility in Pomalaa with capacity up to 120k tons of MHP. INCO partnering with Huayou and Ford to develop this project. Currently, the company try to finalize the feasibility study to improve capacity for both mine and HPAL facility. Also, INCO targets they could secure definitive agreement by October 2022. Mining operation will begin next year to secure ore required for HPAL.

**...another HPAL smelter in Soroako.** INCO was also enter an agreement with the same partner in Pomalaa, Huayou, to develop HPAL smelter in Sorowako. The feasibility of this project already began since the beginning of this year. This HPAL plat will also process limonite into MHP with capacity of 60k tons. We believe INCO will disclose the detail timeline of this project early next year.

**Maintain Buy with Higher TP of IDR7,600.** We try to take into account HPAL Pomalaa that will effectively operational in 2025 to our valuation and this brings our TP upgraded to IDR7,600. We still not factored in another HPAL smelter in Soroako and once this project come into FID stage this could be another upside potential to INCO's valuation.

**Key Financials**

Year to 31 Dec	2020A	2021A	2022F	2023F	2024F
Revenue (USDmn)	765	953	1,174	981	936
EBITDA (USDmn)	273	367	464	341	321
EBITDA Growth (%)	17.5	34.4	26.5	(26.6)	(5.9)
Net profit (USDmn)	83	184	257	179	172
EPS (USDcents)	0.8	1.9	2.6	1.8	1.7
EPS growth (%)	44.3	122.3	39.4	(30.4)	(3.9)
BVPS (USDcents)	20.3	21.7	23.7	24.5	25.4
DPS (USDcents)	0.0	0.3	0.6	0.8	0.5
PER (x)	49.1	22.1	15.9	22.8	23.7
PBV (x)	2.0	1.9	1.7	1.7	1.6
Dividend yield (%)	0.0	0.6	1.4	1.9	1.2
EV/EBITDA (x)	13.5	9.7	8.3	12.4	14.3

Source : INCO, Danareksa Estimates

**MACROECONOMY****Ferry Transport Fares to be Increased by 11% Starting October**

Ministry of Transportation are increasing the inter-province crossing tariff of economy class on ferry-boat transportation mode by around 11%, starting 1 October this year. Following the increase in subsidized fuel price, the Ministry are adjusting to the needs of industry by tariff-hike, with application to be done in 23 commercial crossing area across Indonesia. Examples on increase in tariff will be: Merak-Bakauheni passenger's rate (prev. IDR 14,4k increased to IDR16,5k (+14.5%)), Ketapang-Gilimanuk (prev. IDR 4,5k increased to IDR 5,4k (+21%)). (Bisnis)

**CORPORATE****BMRI Reviewing Options on Corporate Action for Its Digital Banking Services**

BMRI is reviewing the possibility of taking corporate actions to strengthen its digital banking services. There are 2 options being studied. (1) Opportunity to separate or spin off the Livin superapps application into a stand-alone digital bank service. (2) BMRI to conduct acquisitions to enter digital banks. According to BMRI, with the company's capital adequacy ratio above 19%, it is very possible to take corporate action with mergers and acquisitions. But it will still be calculated which option is the most optimal. (Kontan)

**LINK Received Loan worth IDR 1.5 tn**

LINK received sharia financing worth IDR 1.5 tn with 5-year tenure from BNL. According to LINK, this transaction was aimed to support the financing of its working capital and business activities, also deemed to not having either conflict of interests and negative impact to the its financial condition. (Kontan)

**XL Axiata – Huawei, Apply the Latest Technology to Expand Network Capacity**

PT XL Axiata Tbk collaborated with Huawei to implement the latest FDD Smart 8T8R technology to improve network quality and capacity. Currently, XL Axiata has implemented the FDD Smart 8T8R network in more than 700 4G BTS in various regions in Indonesia. The results of a series of trials that have been carried out show an increase in network quality and capacity up to 2.9x. The application of this technology also implements green ICT principle.

According to EXCL, this FDD Smart 8T8R Technology, in addition to increasing spectrum efficiency to achieve an increase in user throughput of up to 2.0x over 4T4R technology, can also help reduce power consumption by up to 26% and increase spectrum efficiency on the network, thereby helping to reduce network operational burdens. (Company)

**VOLTA Introducing New EV Series and Motor Ownership Program**

Volta, a subsidiary of NFCX-MCAS Group, attended the Indonesia Electric Motor Show (IEMS) 2022 exhibition, which took place on 28-30 September 2022 at the Jakarta Convention Center. Volta presents variants of its superior electric motorcycle models, including the flagship Volta 401 and the models in collaboration with Bumilangit, namely the 'Virgo and the Sparklings' series and the new series, 'Mandala.' At IEMS 2022, visitors can buy Volta motorbikes with attractive ownership installment programs from various Banks and Multifinance.

Volta also introduced Volta Plus+, an electric motor ownership program that is more affordable and economical, starting from IDR 12,750,000\* (OTR Jakarta). Volta Plus+ is also equipped with various advantages, including a lifetime battery warranty, free home charging, and operating costs that are more efficient than ordinary motorbikes with battery's flat fee based on usage. (Company)



## COVERAGE PERFORMANCE

### LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		28-Sep-22	27-Sep-22					
Gudang Garam	GGRM	24,400	22,850	6.8	6.6	(1.0)	(20.3)	HOLD
HM Sampoerna	HMSP	920	885	4.0	4.0	1.7	(4.7)	HOLD
Sawit Sumbermas	SSMS	1,360	1,320	3.0	3.4	(5.2)	40.9	BUY
Gojek Tokopedia	GOTO	258	252	2.4	(2.3)	(19.4)	N/A	BUY
Sarana Menara Nusantara	TOWR	1,230	1,205	2.1	3.4	-	9.3	BUY
Media Nusantara Citra	MNCN	870	855	1.8	(0.6)	(4.4)	(3.3)	BUY
Matahari Department Store	LPPF	3,980	3,920	1.5	(0.5)	4.2	(4.1)	BUY
Chandra Asri Petrochemical	TPIA	2,390	2,370	0.8	(9.1)	1.7	30.5	BUY
Telekomunikasi Indonesia	TLKM	4,470	4,440	0.7	0.9	(1.1)	10.6	BUY
Mitra Telekomunikasi Indonesia	MTEL	745	740	0.7	(3.2)	(5.7)	(10.2)	BUY

Sources: Bloomberg

### LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		28-Sep-22	27-Sep-22					
Bekasi Fajar	BEST	160	172	(7.0)	(8.6)	3.2	42.9	BUY
Delta Dunia Makmur	DOID	398	426	(6.6)	(6.6)	4.7	50.8	BUY
Mitra Adi Perkasa	MAPI	1,050	1,115	(5.8)	(7.9)	8.2	47.9	BUY
Merdeka Copper Gold	MDKA	3,850	4,080	(5.6)	(7.0)	(6.6)	1.4	BUY
Vale Indonesia	INCO	6,250	6,575	(4.9)	(5.7)	3.7	33.5	BUY
Harum Energy	HRUM	1,760	1,840	(4.3)	(7.4)	2.0	(14.8)	BUY
Alam Sutera	ASRI	172	179	(3.9)	(4.4)	(5.0)	6.2	BUY
Wijaya Karya	WIKA	935	965	(3.1)	(9.2)	(7.0)	(15.4)	BUY
Summarecon	SMRA	630	650	(3.1)	(6.7)	2.4	(24.6)	BUY
Wika Beton	WTON	218	224	(2.7)	(8.4)	(0.9)	(11.4)	0

Sources: Bloomberg

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- XL Axiata: [Solid bet for higher net profits trajectory](#)
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- Mayora Indah: [Good reason to be optimistic](#)
- Bukit Asam: [A clear winner](#)



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