

Danareksa Snapshot

Monday, August 18, 2014

From Research:

Market Outlook: RAPBN 2015 - The baseline for the next government (OVERWEIGHT)

As a customary before Independence Day, President SBY gave his state of the nation address on the draft state budget (RAPBN) of 2015, which would be his last. With the current transition period, the draft state budget is not giving a clear insight into key development next year, especially in the absent of the well- anticipated fuel subsidy cut, which so far have been creating budget volatility as well as dampening economic growth. All in all, we see that the draft state budget of 2015 only projects a straight line trajectory from the revised state budget of 2014 only takes into account basic needs and public services. Going forward, we anticipate the next government to launch several initiatives on the fiscal side to incorporate new programs and new direction into the revised state budget in January 2015 at the soonest. We maintain Overweight with year end index target of 5,248.

Retail Sector: Still Shopping! (OVERWEIGHT)

Underpinned by the festive season at the end of last month, retailers recorded strong performance in July 2014, with the average gross sales growth of the three retailers under our coverage reaching 20.4% y-y. SSG also impressed - the average year-to-date SSG reached 11.9% in July. Looking ahead, we believe the outlook for the sector remains sound, given: 1) buoyant consumer confidence – a positive sign for future demand, 2) the fact that all the retailers under our coverage have strong footholds in their respective segments, and 3) expectations of stable margins in the coming years. We roll over our valuation to 2015, arriving at a new Target Price of Rp1,040 for ACES, Rp6,250 for MAPI, and Rp1,140 for RALS. Upgrade to OVERWEIGHT.

From Today's Headlines:

(Please see our analysts' comment inside)

- Depok – Antasari Toll Road: Three SOE's Contractors Wins the Project (BI)
- MAPI Issued Rp350 billion Bonds (BI)
- Ministry of Public Works Has Realized Rp31.7tn from the Budget (ID)
- SMGR Targeting Higher Volume in 2nd Half (BI)

From Market:

Cash announcement

Code	Ex-Date	te Payable	Amount (Rp)
MASA	4-Aug-14	20-Aug-14	1
TAXI	6-Aug-14	22-Aug-14	12
GGRM	7-Aug-14	25-Aug-14	800
SCMA	19-Aug-14	4-Sep-14	51

Source: Stockwatch

	Key Index			
	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,149	(0.1)	20.5	278
Thailand	1,547	0.3	19.1	1,537
Philippines	7,009	(0.7)	19.0	200
Malaysia	1,864	0.1	(0.1)	819
Singapore	3,315	0.6	4.7	778
Regional				
China	2,227	0.9	5.2	23,120
Hong Kong	24,955	0.6	7.1	9,012
Japan	15,318	0.0	(6.0)	7,584
Korea	2,063	0.0	2.6	4,190
Taiwan	9,207	(0.3)	6.9	2,364
India	26,103	0.7	23.3	426
NASDAQ	4,465	0.3	6.9	69,496
Dow Jones	16,663	(0.3)	0.5	7,300

Currency and Interest Rate				
	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah (Rp/1US\$)	11,678	0.9	0.5	4.1
SBI rate (%)	6.97	(0.1)	(0.1)	(0.3)
10-y Govt Indo bond	8.22	(0.1)	0.1	(0.2)

Hard Commodities					
	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	69	n/a	(1.9)	(18.6)
Gold	US\$/toz	1,302	(0.2)	(0.7)	8.0
Nickel	US\$/mt.ton	18,584	(0.1)	(3.4)	34.4
Tin	US\$/mt.ton	22,428	0.1	1.3	0.4

Soft Commodities					
	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	3,298	0.1	4.3	15.3
Corn	US\$/mt.ton	144	0.8	(1.6)	(9.5)
Crude Oil	US\$/barrel	103	(0.5)	(3.9)	(7.0)
Palm oil	MYR/mt.ton	2,150	(2.3)	(9.6)	(16.4)
Rubber	USD/kg	160	(0.2)	(1.2)	(29.3)
Pulp	US\$/tonne	929	n/a	0.2	2.4
Coffee	US\$/60kgbag	112	(0.5)	2.2	13.7
Sugar	US\$/MT	431	0.1	(4.2)	(4.0)
Wheat	US\$/mt.ton	207	1.9	0.4	(12.0)

Source: Bloomberg



PT Danareksa Sekuritas

Jl. Medan Merdeka Selatan No. 14
Jakarta 10110
Indonesia
Tel (62 21) 350 9777, 350 9888
Fax (62 21) 350 1709

Our Research team and sector coverage:

Agriculture: Helmy Kristanto - helmyk@danareksa.com; (62-21) 2955 824
Automotive: Helmy Kristanto - helmyk@danareksa.com; (62-21) 2955 824
Auto Component: Joko Sogie - jokos@danareksa.com; (62-21) 29555 888 ext.3512
Banking: Eka Savitri - ekas@danareksa.com; (62-21) 2955 5825 ext. 3509
Cement: Helmy Kristanto - helmyk@danareksa.com; (62-21) 2955 824
Coal: Stefanus Darmagiri – stefanus.darmagiri@danareksa.com; (62-21) 29555 888 ext.3530
Construction: Joko Sogie - jokos@danareksa.com; (62-21) 29555 888 ext.3512
Consumer: Helmy Kristanto - helmyk@danareksa.com; (62-21) 2955 824
Heavy Equipment: Stefanus Darmagiri – stefanus.darmagiri@danareksa.com; (62-21) 29555 888 ext.3530
Media: Lucky Ariesandi, CFA – lucky.ariesandi@danareksa.com; (62-21) 29555 888 ext.3520
Metal Mining: Stefanus Darmagiri – stefanus.darmagiri@danareksa.com; (62-21) 29555 888 ext.3530
Pharmaceutical: Helmy Kristanto - helmyk@danareksa.com; (62-21) 2955 824
Property: Anindya Saraswati - anindyas@danareksa.com; (62-21) 29555 888 ext. 3506
Retail: Anindya Saraswati - anindyas@danareksa.com; (62-21) 29555 888 ext. 3506
Strategy: Helmy Kristanto - helmyk@danareksa.com; (62-21) 2955 824
Telecommunication: Lucky Ariesandi, CFA – lucky.ariesandi@danareksa.com; (62-21) 29555 888 ext.3520
Utilities: Helmy Kristanto - helmyk@danareksa.com; (62-21) 2955 824
Research Associate: Armando Marulitua – armandom@danareksa.com; (62-21) 29555 888 ext.3503

Our Sales team:

Ermawati A. Erman - ermawatiae@danareksa.com; (62 21) 29555 888 ext. 3151
Asfarita Andalusia - asfarita@danareksa.com; (62 21) 29555 888 ext. 3134
Kemal A. Uno - kemal@danareksa.com; (62 21) 29555 888 ext. 3124
Novrita E. Putrianti - novrita@danareksa.com; (62 21) 29555 888 ext. 3128
Ehrlich Suhartono - ehrlich@danareksa.com; (62 21) 29555 888 ext. 3132
Yunita L. Nababan - yunita@danareksa.com; (62 21) 29555 888 ext. 3145
Bram Taarea – bramt@danareksa.com; (62 21) 29555 888 ext. 3127
Martin Joshua - martinjs@danareksa.com; (62 21) 29555 888 ext. 3126
Yofi Lasini - yofil@danareksa.com; (62 21) 29555 888 ext. 3133

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Overweight

YE14 Target **5,248**
JCI Index **5,149**

Market Cap. (Rp tn) 5,117

US\$ (bn) 438

1Y Avg. daily T/O. (Rp bn) 5,973

US\$ (mn) 509

JCI Valuation



USD/IDR


Helmy Kristanto

(62-21) 29555 824

helmyk@danareksa.com

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RAPBN 2015: The baseline for the next government

As is customary before Independence Day, President SBY gave his State of the Nation address on the draft state budget (RAPBN) of 2015, which is his last. Amidst the current transition, the draft state budget does not provide clarity on key developments next year, especially in the absence of fuel subsidy cuts, a crucial issue given that ballooning fuel subsidies have weighed on the budget and dampened economic growth. All in all, we see that the draft state budget of 2015 only projects a straight line trajectory from the revised state budget of 2014, only taking into account basic needs and public services. Going forward, we expect the next government to launch several initiatives on the fiscal side to incorporate new programs into the revised state budget in January 2015 at the soonest. As such, the expected reforms of the next government to reduce fuel subsidies and undertake more value-added expenditure may serve as important catalysts to boost economic growth, which would in turn, bolster the equity market. We retain our Overweight stance with year-end index target of 5,248.

Mixed signs

The 2015 state budget is based on the assumption of GDP growth of 5.6% for 2015 and without fuel price hikes, inflation is expected to fall further to 4.4%. However, the rupiah is expected to only stabilize at its current level of Rp11,900/USD despite stronger economic growth and slower inflation, reflecting the likelihood that the Fed normalizes its monetary policy by raising interest rates in 2015. In our view, it appears that the state budget reflects a 'business as usual' stance, giving the next government some room to incorporate its specific programs and initiatives that it deems important in the state budget.

Expenditures mainly driven by fuel subsidies

Domestic revenues are still mainly underpinned by tax revenues which are expected to grow 10.0% to Rp1,371tn with the tax to GDP ratio remaining at 12%. Government expenditures, meanwhile, are expected to increase by 7.6% to Rp2,020tn, driven by 18.1% higher fuel subsidies, since the expenditures of government ministries looks to be fairly flat. It is apparent that the current government will leave the tough decision on fuel subsidy cuts to the next government. The budget deficit to GDP ratio is still in the range of 2.32%. In our view, it is difficult to see the 2015 budget as expansionary since subsidies still account for a large chunk of expenditures. The potential revision of the state budget by the next government could be major, especially with potential cuts in fuel subsidies which would leave the government with more funds to allocate to more productive segments.

Nearly flat Ministries' budget

Seven ministries have been allocated budgets above Rp40tn. They are: 1) the Ministry of Defense (Rp95tn), 2) the Ministry of Public Works (Rp74tn), 3) the Ministry of Education (Rp67tn), 4) the Ministry of Religious Affairs (Rp51tn), 5) the Ministry of Healthcare (Rp47tn), 6) the National Police (Rp47tn), and 7) the Ministry of Transportation (Rp45tn). All budgets look nearly flat compared to the revised 2014 budget, with a significant increase only in the Ministry of Transportation's budget, reflecting government plans to develop five new airports in 2015.

What can the new government do?

The first 100 days will be busy for the new government after inauguration of the new president on October 22, 2014. The new government will be responsible for the remainder of the revised 2014 budget and planning of the 2015 revised budget. Our expectation is that the new government possesses the political will to curb unproductive spending (i.e. subsidies) whilst, at the same time, boosts productive spending (such as on infrastructure or healthcare). Other goals should be to streamline the implementation of government programs and the creation of better governance, as well as broadening the tax base and improving tax administration to lift the tax ratio above the 12% level.

Mixed signs

The 2015 state budget is based on the assumption of better macro conditions, with brisker economic growth and lower inflation. The current government expects GDP growth of 5.6% in 2015, higher than the 5.5% stated in the 2014 revised state budget. In the absence of fuel price hikes, inflation is expected to drop further to 4.4%, or well below the 5.3% rate in the 2014 budget and 8.4% in 2013.

By contrast, the outlook for the rupiah is not so robust, despite stronger economic growth and easing inflation expectations. In the budget, the rupiah is expected to only stabilize at its current level of Rp11,900/USD, reflecting the likelihood that the Fed normalizes its monetary policy by raising interest rates in 2015. The interest rate assumption also sees a 0.2 ppt increase in 2015 to 6.2%.

Exhibit 1. Macroeconomic assumptions

	2013	2014	2015	
	Realization	APBN-P	RAPBN	Chg, %
GDP growth y-y, %	5.8	5.5	5.6	0.1
Inflation y-y, %	8.4	5.3	4.4	(0.9)
Interest rate SPN 3 months, %	4.4	6.0	6.2	0.2
Exchange rate, Rp/USD	10,460	11,600	11,900	2.6
ICP price, USD/barrel	106	105	105	-
Oil lifting, '000 barrel/day	825	818	845	3.3
Gas lifting, '000 barrel/day	1,213	1,224	1,248	2.0

Source: Ministry of Finance, RAPBN 2015

Both oil and gas lifting are expected to improve by 2.0 – 3.3% in 2015 although, in regard to the former, the task faced will be more challenging especially with the recent lower lifting trend and notoriously missed government targets in the previous budgets. Earlier this year, the government revised down the oil lifting target to 818k bopd from the previous target of 870k bopd. In our view, it appears that the state budget reflects a 'business as usual' stance, giving the next government some room to incorporate its specific programs and initiatives that it deems important in the state budget.

Expenditures driven by fuel subsidies

In our view, the draft state budget does not provide clarity on key developments next year, especially in the absence of fuel subsidy cuts, a crucial issue given that ballooning fuel subsidies have weighed on the budget and dampened economic growth. We also believe that the formulation of the 2015 draft state budget takes into consideration the transitional period to the next government. As such, more strategic programs and initiatives will be left to the new government to decide.

Domestic revenues are still mainly underpinned by tax revenues which are expected to grow 10.0% to Rp1,371tn with the tax to GDP ratio remaining at 12%. Government expenditures, meanwhile, are expected to increase by 7.6% to Rp2,020tn, driven by 18.1% higher fuel subsidies, since the expenditures of government ministries looks to be fairly flat. It is apparent that the current government will leave the tough decision on fuel subsidy cuts to the next government.

Exhibit 2. Draft state budget (RAPBN) 2015, (Rp tn)

	2013	2014	2015	
	Realization	APBN-P	RAPBN	Chg, %
A. Government revenue and grant	1,439	1,635	1,762	7.8
I. Domestic revenue	1,432	1,633	1,759	7.7
1. Tax revenue	1,077	1,246	1,371	10.0
% Tax ratio to GDP	11.9	12.4	12.3	(0.1)
2. Non-tax revenue	355	387	388	0.3
II. Grant	7	2	3	47.6
B. Government expenditure	1,651	1,877	2,020	7.6
I. Central government expenditure	1,137	1,280	1,380	7.8
1. Ministries expenditure	583	602	601	(0.3)
2. Non-ministries expenditure	554	678	779	14.9
2.1. Subsidy	355	403	434	7.6
2.1.1 Energy subsidy	310	350	364	3.8
a. Fuel subsidy	210	247	291	18.1
b. Electricity subsidy	100	104	72	(30.0)
II. Regional transfer	513	597	640	7.3
C. Primary balance	(90)	(106)	(104)	(2.4)
D. Surplus / (Deficit)	(212)	(241)	(258)	6.7
% Budget deficit to GDP	(2.3)	(2.4)	(2.3)	0.1
E. Financing	237	(241)	(258)	6.7

Source: Ministry of Finance, RAPBN 2015

The budget deficit to GDP ratio is expected to decline to 2.3% from 2.4% in the 2014 budget. In our view, it is difficult to see the 2015 budget as expansionary since subsidies still account for a large chunk of expenditures. The potential revision of the state budget by the next government could be major, especially with potential cuts in fuel subsidies which would leave the government with more funds to allocate to more productive segments.

Consequently, inflationary pressures might heighten, leading to potentially higher interest rates. Any macro volatility could dent market confidence in the short term. However, over the longer term, a more robust state budget would set a solid stage for a considerable re-rating of the equity market, in our view. We also see the importance of a gradual process to remove fuel subsidies, as any hasty move by the new government to remove fuel subsidies in one-go could lead to considerable macro turbulence in the short to medium term, negatively affecting the equity market.

Nearly flat Ministries' budget

Seven ministries have been allocated budgets above Rp40tn. They are: 1) the Ministry of Defense (Rp95tn), 2) the Ministry of Public Works (Rp74tn), 3) the Ministry of Education (Rp67tn), 4) the Ministry of Religious Affairs (Rp51tn), 5) the Ministry of Healthcare (Rp47tn), 6) the National Police (Rp47tn), and 7) the Ministry of Transportation (Rp45tn). All budgets look nearly flat compared to the revised 2014 budget, with a significant increase only in the Ministry of Transportation's budget, reflecting government plans to develop five new airports in 2015.

Exhibit 3. Seven ministries with budgets over Rp40tn

	2013	2014	2015	
	Realization	APBN-P	RAPBN	Chg, %
Ministry of Defense	88	83	95	14.1
Ministry of Public Works	80	75	74	(0.4)
Ministry of Education	72	77	67	(12.2)
Ministry of Religious Affairs	42	52	51	(2.0)
Ministry of Healthcare	35	47	47	(0.1)
National Police	43	44	47	8.2
Ministry of Transportation	32	36	45	24.0

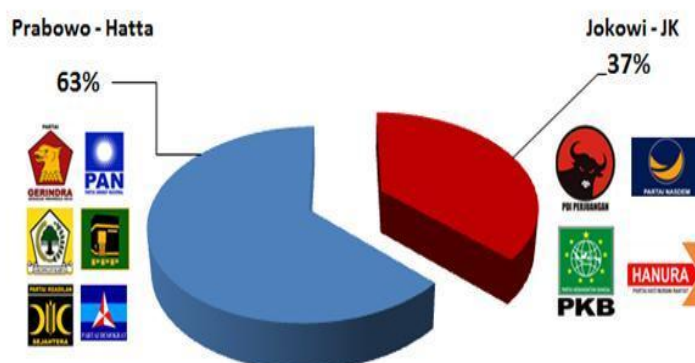
Source: Ministry of Finance, RAPBN 2015

Infrastructure will remain the core of Indonesia's development over the medium to longer term, especially to improve the current vast dis-connectivity within the archipelago, which creates high transportation costs and restricts economic growth. In our view, with the potential removal of fuel subsidies, the new government would have greater ammunition to further boost the size of infrastructure projects in Indonesia and hasten their development.

What can the new government do?

The first 100 days will be busy for the new government after inauguration of the new president on October 22, 2014. The new government will be responsible for the remainder of the revised 2014 budget and planning of the 2015 revised budget. Our expectation is that the new government possesses the political will to curb unproductive spending (i.e. subsidies) whilst, at the same time, boosts productive spending (such as on infrastructure or healthcare). The challenge will be for the new government to get the necessary support from parliament since Jokowi's coalition only controls 37% of the parliamentary seats. Other goals should be to streamline the implementation of government programs and the creation of better governance, as well as broadening the tax base and improving tax administration to improve the tax ratio above the 12% level.

In the short term, the formation of the cabinet will be Jokowi's first test. It has been reported that Jokowi is still sticking with his demand for his ministers to be free of any political interest, meaning they would have to resign from their political party posts. Jokowi has already put his transition team to work and it is tasked with preparing the basic foundations for the selection of priority programs for the new government. The team is chaired by the former Minister of Trade during Megawati Soekarnoputri's presidency - Rini M. Soemarno. It is reported that the team has so far been working on the state budget, the healthcare program, programs to improve the welfare of Indonesian fishermen and farmers, as well as bureaucratic reform, and programs for public housing, energy, and public transportation. We retain our Overweight stance with year-end index target of 5,248.

Exhibit 4. Coalition shares in the legislature

Source: Various publications

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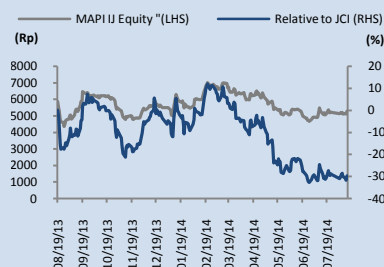
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OVERWEIGHT

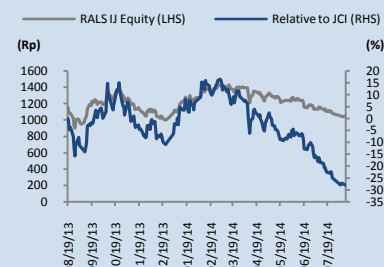
ACES relative to JCI Index



MAPI relative to JCI Index



RALS relative to JCI Index



Anindya Saraswati
(62-21) 2955 5820
anindyas@danareksa.com

Retail Sector

Still Shopping!

Underpinned by the festive season at the end of last month, retailers recorded strong performance in July 2014, with the average gross sales growth of the three retailers under our coverage reaching 20.4% y-y. SSG also impressed - the average year-to-date SSG reached 11.9% in July. Looking ahead, we believe the outlook for the sector remains sound, given: 1) buoyant consumer confidence – a positive sign for future demand, 2) the fact that all the retailers under our coverage have strong footholds in their respective segments, and 3) expectations of stable margins in the coming years. On the flip side, risk factors worth watching are a possible further slowdown in the economy and continued rupiah depreciation. We roll over our valuation to 2015, arriving at a new Target Price of Rp1,040 for ACES, Rp6,250 for MAPI, and Rp1,140 for RALS. Upgrade to OVERWEIGHT.

Reaping the rewards from the festive season

The retailers under our coverage maintained strong topline growth of 20.4% y-y on average up to July 2014 (21.8% for ACES, 23.6% for MAPI, and 15.7% for RALS). The numbers for July itself were very strong from all the retailers under our coverage, backed by the festive season (Ramadan and Idul Fitri). Idul Fitri is always a boon for RALS and the company's sales rocketed 161.7% to Rp1,956 bn in July from Rp747 bn in June. Likewise, ACES and MAPI also booked very strong m-m sales growth in July - reaching 20.7% and 25.1% respectively - or higher than the average seasonality in the last 3 years. Going forward, we remain optimistic that the retailers can maintain their sound performance in the remaining months of the year. We forecast full year topline growth of 14.2% on average.

Expansion to stabilize going forward

After undertaking significant expansion in the past few years, the retailers under our coverage have adopted a more conservative stance on their expansion strategies for 2014. Even so, ACES has added another 30,600 sqm of floor space ytd (87.4% of our full year target) while MAPI has added 24,274 sqm (40.5% of our full year estimate). RALS, by comparison, hasn't undertaken any store expansion so far in 2014. Going forward, we expect the pace of expansion to normalize: in 2015, we expect ACES to add 30,000 sqm of floor space, MAPI 60,000 sqm and RALS 52,000 sqm. Despite the slower expected pace of expansion, we still believe that the top line growth will remain solid, however, since all the retailers under our coverage are leaders in their respective segments.

Valuation: Rolled over to 2015

We roll over our DCF valuation for all the retailers under our coverage to 2015, arriving at a new Target Price of Rp1,040 for ACES, Rp6,250 for MAPI, and Rp1,140 for RALS. Next year we expect: 1) ACES to retain its position as market leader with sound margins; 2) more favorable conditions for MAPI after a year of consolidation - with better growth on the cards, and 3) RALS to maintain stable profitability growth given its strong position in the lower-income segment.

Company	Recom.	Current price Rp	Target Price Rp	PE, x 2015F	EV/EBITDA, x 2015F	EPS CAGR FY13-15, %	ROE, % 2015F	Net gearing, % 2015F
Sector								
Average				20.0	11.2	13.9	18.1	
ACES	BUY	920	1,040	22.6	16.5	17.3	26.1	Net Cash
MAPI	BUY	5,600	6,250	21.0	8.1	16.2	15.3	78.5
RALS	HOLD	1,055	1,140	16.4	9.0	8.2	13.0	Net Cash

Danareksa research reports are also available at Reuters Multex and First Call Direct and Bloomberg.

20.4% sales growth up to July 2014

The retailers under our coverage maintained strong topline growth of 20.4% y-y on average up to July 2014 (21.8% for ACES, 23.6% for MAPI, and 15.7% for RALS). The numbers for July itself were very strong from all the retailers under our coverage, backed by the festive season (Ramadan and Idul Fitri). Idul Fitri is always a boon for RALS and the company’s sales rocketed 161.7% to Rp1,956 bn in July from Rp747 bn in June. Likewise, ACES and MAPI also booked very strong m-m sales growth in July - reaching 20.7% and 25.1% respectively - or higher than the average seasonality in the last 3 years. Going forward, we remain optimistic that the retailers can maintain their sound performance in the remaining months of the year. We forecast full year topline growth of 14.2% on average.

Exhibit 1. Historical sales growth in the month when Idul Fitri falls

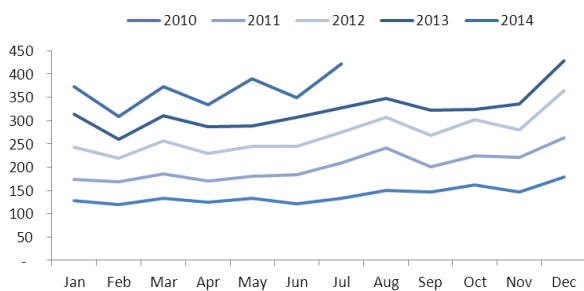
	Eid schedule	ACES	MAPI	RALS
2011	August 31st	15.6%	9.0%	121%
2012	August 19th	11.8%	12.5%	72%
2013	August 8th	5.9%	4.5%	89%
Average		11.1%	8.7%	94.1%

Source: Danareksa Sekuritas

ACES – strong performance in July

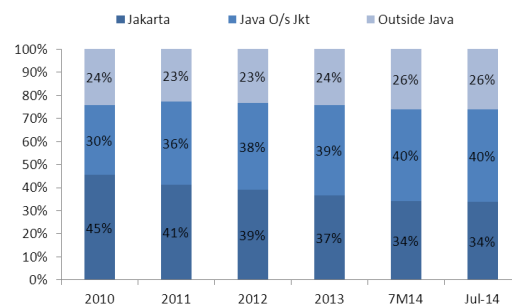
ACES booked total sales of Rp2,549 bn in 7M14, or up 21.8% y-y. In a sales breakdown, revenues were contributed by its Java-excluding-Jakarta stores (40%), its Jakarta stores (34%) and its out-of-Java stores (26%). With its high penetration in Jakarta supported by aggressive expansion out of the capital, the contribution from its Jakarta stores continued to decline. With lower dependency on its Jakarta stores, there is the opportunity for more growth in areas out of Jakarta. In July 2014, ACES booked impressive SSG reaching 13.3%. This translates into ytd SSG of 7.2%. July’s sales reached Rp422 bn, or up 20.7% m-m and 28.9% y-y – very impressive, in our opinion, given 11.1% m-m sales growth on average in the Idul Fitri month over the last 3 years.

Exhibit 2. ACES monthly sales (Rp bn)



Source: Company and Danareksa Sekuritas

Exhibit 3. Sales contribution by region

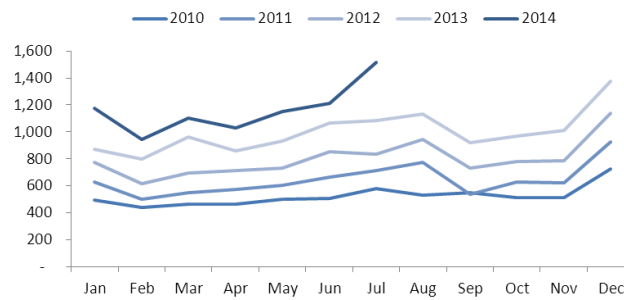


Source: Company and Danareksa Sekuritas

MAPI – the top line is still strong

MAPI’s accumulated gross sales reached Rp8,120 bn in 7M14, up 23.6% y-y. The company’s 7M14 net sales reached Rp6,692 bn (+29% y-y), or 59% of our full year estimate. In July, MAPI booked Rp1,514 bn of gross sales, up 25.1% m-m and 39.7% y-y. This performance surpassed the average sales growth in the Idul Fitri month in the past 3 years of 8.7%. SSG was also strong in July, reaching 26% on a monthly basis, or 12% ytd.

Exhibit 4. MAPI monthly sales (Rp bn)

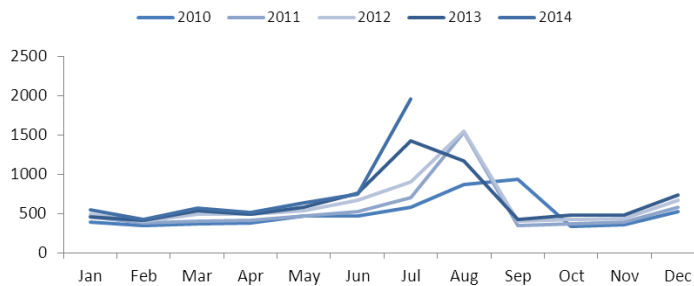


Source: Company and Danareksa Sekuritas

RALS – solid sales inline with the seasonality

In 7M14, sales grew 15.7% to Rp5,404 bn. The out of Java stores continued to make the largest contribution (accounting for 41.8% of total sales), with the rest coming from the Greater Jakarta stores (31.9%) and the Java excluding Jakarta stores (26.3%). With July’s very strong SSG (reaching 40.0%), thanks to Idul Fitri which took place at the end of July, the ytd SSG improved significantly to 16.4%. In the coming months we anticipate negative growth, however, due to seasonality. Idul Fitri is always a boon for RALS, in which month sales reach around 22% of its full year sales. This year, the company’s sales rocketed 161.7% to Rp1,956 bn in July from Rp747 bn in June. The 7M14sales figure is 65.0% of our full year forecast.

Exhibit 5. RALS monthly sales (Rp bn)

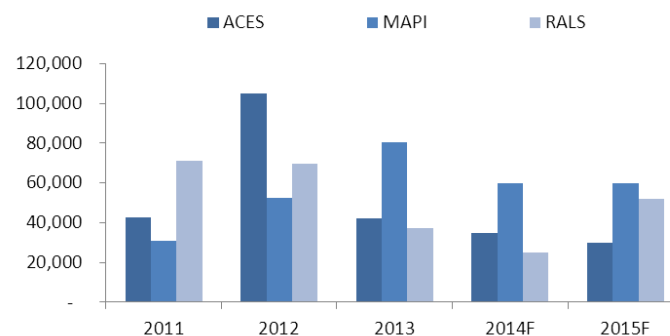


Source: Company and Danareksa Sekuritas

Expansion to stabilize going forward

After undertaking significant expansion in the past few years, the retailers under our coverage have adopted a more conservative stance on their expansion strategies for 2014. Even so, ACES has opened 12 new stores ytd adding another 30,600 sqm of floor space ytd (87.4% of our full year target of 35,000 sqm) while MAPI has opened 124 stores so far this year adding 24,274 sqm (40.5% of our full year estimate of 60,000 sqm). RALS, by comparison, hasn’t undertaken any store expansion so far in 2014.

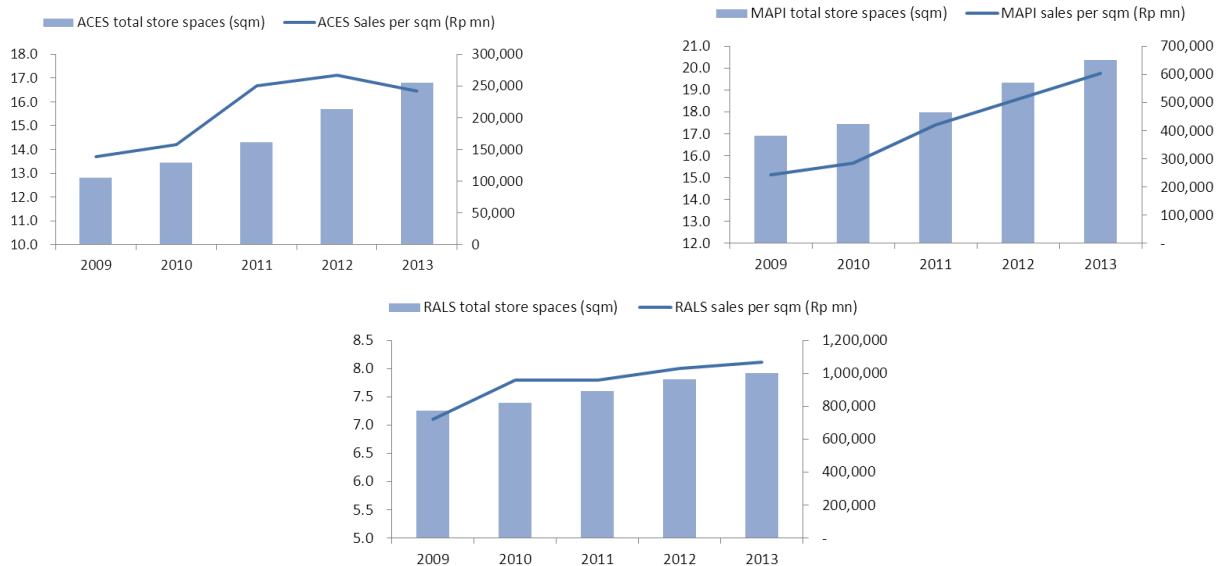
Exhibit 6. Space expansion (sqm)



Source: Company and Danareksa Sekuritas

Going forward, we expect the pace of expansion to normalize: in 2015, we expect ACES to add 30,000 sqm of floor space, MAPI 60,000 sqm and RALS 52,000 sqm. Despite the slower expected pace of expansion, we still believe that the top line growth will remain solid, however, since all the retailers under our coverage are leaders in their respective segments.

Exhibit 7. Sales productivity per sqm – expansion carried out effectively



Source: Company and Danareksa Sekuritas

Valuation: Rolled over to 2015

We roll over our DCF valuation for all the retailers under our coverage to 2015, arriving at a new Target Price of Rp1,040 for ACES, Rp6,250 for MAPI, and Rp1,140 for RALS. Next year we expect: 1) ACES to retain its position as market leader with sound margins; 2) more favorable conditions for MAPI after a year of consolidation - with better growth on the cards, and 3) RALS to maintain stable profitability growth given its strong position in the lower-income segment.

Exhibit 8. Valuation table

Company	Recom.	Current price Rp	Target Price Rp	PE, x 2015F	EV/EBITDA, x 2015F	EPS CAGR FY13-15, %	ROE, % 2015F	Net gearing, % 2015F
Sector								
Average								
ACES	BUY	920	1,040	22.6	16.5	17.3	26.1	Net Cash
MAPI	BUY	5,600	6,250	21.0	8.1	16.2	15.3	78.5
RALS	HOLD	1,055	1,140	16.4	9.0	8.2	13.0	Net Cash

Source: Danareksa Sekuritas

Ace Hardware Indonesia (BUY – TP Rp1,040)

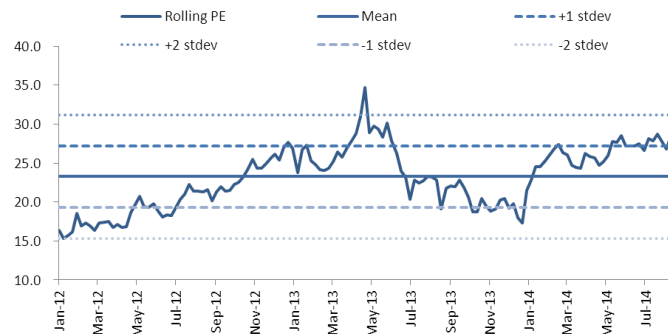
With its strong position in the marketplace supported by a total of 107 stores under operation throughout Indonesia, we believe that ACES is well placed to fend off the competition. The company booked strong 1H14 results. As such, we are now more optimistic on ACES going forward. Margins are high enough in the face of greater risks from higher inventory. By year-end 2014 and 2015, we expect gross margins of 47.4% and 47.8% – still very sound. At the bottom line, the net margin should be maintained at around 12.1% in 2014 and 12.4% in 2015. Moreover, we also expect ACES to add another 30,000 sqm of store space in 2015. We upgrade our recommendation to BUY with a new Target Price of Rp1,040, implying FY15F PE of 25.5x.

Exhibit 9. Changes in our forecast (Rp bn)

	2013	Current				Previous			Changes, %		
		2014F	2015F	2016F	2016F	2014F	2015F	2016F	2014F	2015F	2016F
Gross sales	4,018	4,821	5,626	6,497	6,497	4,821	5,585	6,369	-	0.7	2.0
Net sales	3,895	4,671	5,453	6,297	6,297	4,670	5,410	6,170	0.0	0.8	2.1
Gross profit	1,934	2,285	2,692	3,108	3,108	2,270	2,628	2,996	0.6	2.4	3.7
Operating profit	565	673	800	919	919	658	747	844	2.2	7.1	9.0
Opex to sales ratio	34.1%	33.4%	33.6%	33.7%	33.7%	33.4%	33.7%	33.8%	-	(0.2)	(0.3)
Net profit	509	583	700	820	820	571	656	756	2.1	6.6	8.4

Source: Company and Danareksa Sekuritas

Exhibit 10. ACES's rolling PE

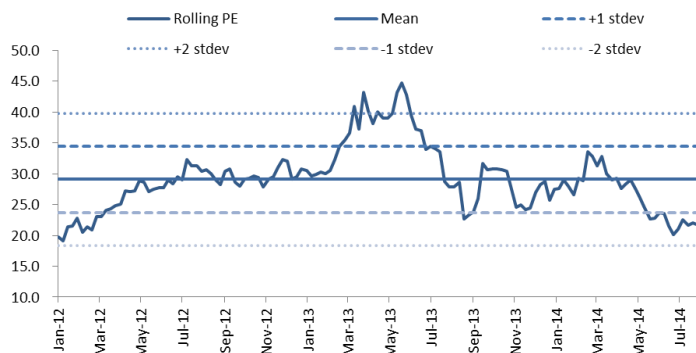


Source: Company and Danareksa Sekuritas

Mitra Adiperkasa (BUY - TP Rp6,250)

This year is a crucial year for MAPI with a number of pressing issues the management needs to address, in particular: 1) the high inventory turnover days, 2) the high net gearing, and 3) a brand performance review. Subject to progress in these areas, growth should improve going forward. We roll over our valuation to 2015 and arrive at a new Target Price of Rp6,250, implying PE FY15 of 23.5x – upgrade to BUY.

Exhibit 11. MAPI's rolling PE



Source: Company and Danareksa Sekuritas

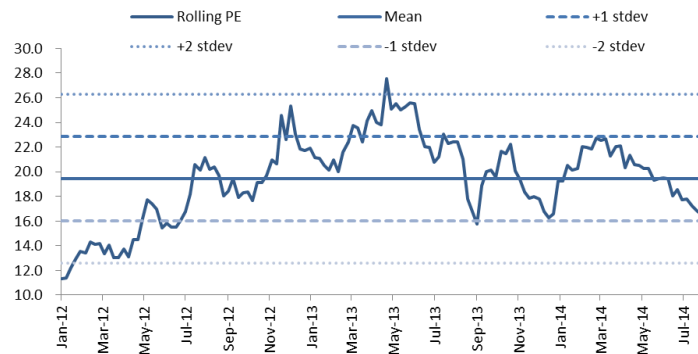
Ramayana Lestari Sentosa (HOLD - TP Rp1,140)

RALS hasn't undertaken any store expansion so far in 2014, however, company is focus on improving the productivity from its existing store. Sales growth remain solid (+15.4% y-y), however, we adjust our numbers by taking into account the 1H14 result. Going forward, we expect RALS to maintain stable profitability growth given its strong position in the lower-income segment. We roll over our valuation to 2015 and arrive at Target Price of Rp1,140. This target price implies PE FY15 of 17.7x. Maintain HOLD.

Exhibit 12. Changes in our forecast (Rp bn)

	2013	Current			Previous			Changes, %		
		2014F	2015F	2016F	2014F	2015F	2016F	2014F	2015F	2016F
Sales	7,968	8,316	8,676	9,286	8,457	9,317	10,375	(1.7)	(6.9)	(10.5)
Gross profit	2,140	2,218	2,334	2,500	2,354	2,593	2,888	(5.8)	(10.0)	(13.4)
Operating profit	399	438	459	504	512	624	778	(14.4)	(26.4)	(35.2)
Opex to sales ratio, %	21.9	21.4	21.6	21.5	21.8	21.1	20.3	(1.7)	2.2	5.7
Net profit	391	434	457	499	485	582	720	(10.6)	(21.5)	(30.6)

Source: Company and Danareksa Sekuritas

Exhibit 13. RALS's rolling PE

Source: Company and Danareksa Sekuritas

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Depok – Antasari Toll Road: Three SOE's Contractors Wins the Project (BI)

Three state-owned enterprises which also minority shareholders in PT Cintra Waspshutowa were appointed as the winning bidder in Depok - Antasari highway project worth Rp 3 trillion. The three state companies are Waskita, PP, and Hutama Karya. The joint operation of three state enterprises will start the clearing works following land released in late August 2014, while the process of loan disbursement amounting to Rp2.1 trillion from BRI will come out after the progress of land acquisition reaches 90%.

MAPI Issued Rp350 billion Bonds (BI)

Mitra Adiperkasa (MAPI) is offering bonds worth Rp350 billion. The Company has made bookbuilding since the beginning of last week to this week. Bond issuance is divided into two series, the A series with 10.2% -10.95% coupon with a tenor of three years and B series with an indicative coupon of 10.6% -11.35% with a tenor of five years. The net proceeds will be used for refinancing or working capital.

Ministry of Public Works Has Realized Rp31.7tn from the Budget (ID)

The realization from the Ministry of Public Works budget already reached 42%, or about Rp31.75tn of the total budget of Rp75.46tn in 2014. Meanwhile, in the 2015 draft state budget, the Ministry will be allocated Rp74.2tn of the total budget requirement of Rp123tn. From the prioritized infrastructure programs, the Ministry needs at least Rp86.3tn at the baseline to fulfill MDG's target.

SMGR Targeting Higher Volume in 2nd Half (BI)

Semen Indonesia (SMGR) targeting sales can grow up to 120% in the second half of this year compared with the first half. SMGR optimistic the target could be achieved because of the company's production line is ready to meet the national cement demand. In the second half of this year, the company targets sales to reach 15.23 million tonnes to 16.6 million tonnes compared to 13.87 million tonnes in the first half of this year. This year sale is targeted to reach 29.1 million tonnes - 30.5 million tonnes.



Equity Valuation

Rating	Price (Rp)	Price Target	Mkt Cap Rp Bn	Net profit, Rp bn			EPS (Rp)			EPS Growth		PER (x)		EV / EBITDA (x)		PBV (x)		Net Gearing	ROE		
				2013	2014	2015	2013	2014	2015	2014	2015	2014	2015	2014	2015						
Danareksa Universe				3,043,644	158,318	185,560	210,776	242.6	284.4	323.0	17%	14%	16.4	14.4	13.9	12.4	3.1	2.8		20.2	
Auto				325,062	19,901	23,049	28,366	364.6	422.2	519.6	16%	23%	14.1	11.5	11.6	9.9	2.5	2.2		19.2	
	Astra International	BUY	7,650	8,050	309,699	19,417	21,600	26,760	480	534	661	11%	24%	14.3	11.6	12.0	10.2	2.7	2.3	42.8	19.9
	Gajah Tunggal	BUY	1,770	2,100	6,168	120	1,037	1,053	35	297	302	762%	2%	5.9	5.9	5.9	5.3	0.9	0.8	55.9	16.6
	Multistrada	HOLD	295	390	2,709	43	86	161	5	10	18	97%	71%	28.7	16.8	8.1	6.5	0.7	0.7	45.7	2.0
	Selamat Sempurna	BUY	4,505	4,350	6,486	321	327	393	223	227	273	2%	20%	19.8	16.5	11.0	9.4	5.6	4.8	11.4	30.2
Banks				933,051	66,427	74,468	84,212	616.7	691.4	781.8	12%	13%	12.5	11.1			2.6	2.3		22.8	
	BCA	HOLD	11,800	10,800	290,929	14,254	15,741	17,856	579	631	716	9%	13%	18.7	16.5	NA	NA	3.9	3.3	NA	22.6
	BNI	BUY	5,175	5,400	96,507	9,058	10,319	11,807	486	553	633	14%	14%	9.4	8.2	NA	NA	1.7	1.5	NA	20.0
	BRI	BUY	10,750	10,300	265,193	21,218	23,830	26,641	860	966	1,080	12%	12%	11.1	10.0	NA	NA	2.8	2.3	NA	27.2
	Bank Tabungan Negara	BUY	1,180	1,400	12,467	1,562	1,794	2,061	149	171	197	15%	15%	6.9	6.0	NA	NA	1.0	0.9	NA	14.7
	Bank Mandiri	BUY	10,450	10,500	243,833	18,204	20,584	23,368	780	882	1,001	13%	13%	11.8	10.4	NA	NA	2.4	2.1	NA	21.8
	Bank Tabungan Pensiunan	BUY	4,130	5,250	24,120	2,131	2,200	2,479	365	377	424	3%	13%	11.0	9.7	NA	NA	2.0	1.7	NA	20.0
Cement				210,610	11,334	11,294	11,336	656	654	656	0%	0%	18.6	18.6	11.9	11.1	3.6	3.3		20.3	
	Holcim	HOLD	2,890	2,680	22,146	952	1,274	1,465	124	166	191	34%	15%	17.4	15.1	9.7	8.7	2.1	2.0		12.9
	Indocement	HOLD	24,650	23,600	90,742	5,012	4,839	5,215	1,362	1,315	1,417	-3%	8%	18.8	17.4	12.0	10.6	3.8	3.4	net cash	21.1
	Semen Indonesia	BUY	16,475	17,500	97,722	5,370	5,180	4,657	905	873	785	-4%	-10%	18.9	21.0	12.4	12.4	4.1	3.7	22.1	22.8
Construction				94,591	3,344	4,007	4,660	88	106	123	20%	16%	23.6	20.3	11.5	10.0	3.6	3.2		17.1	
	Jasa Marga	BUY	6,325	7,600	43,010	1,336	1,643	1,807	197	242	266	23%	10%	26.2	23.8	14.7	13.7	3.6	3.3	92.3	14.4
	Wijaya Karya	HOLD	2,790	2,400	17,156	570	664	803	93	108	131	16%	21%	25.8	21.3	10.3	8.4	3.4	3.0	1.5	16.1
	Pembangunan Perumahan	BUY	2,450	2,600	11,864	421	562	676	87	116	140	34%	20%	21.1	17.6	8.4	7.3	4.9	4.1		17.7
	Adhi Karya	HOLD	3,155	2,900	5,683	406	410	495	225	228	275	1%	21%	13.9	11.5	5.7	4.7	3.1	2.6	net cash	24.2
	Waskita Karya	HOLD	885	700	8,555	368	421	479	38	44	50	14%	14%	20.2	17.8	10.3	8.8	3.2	2.8	15.6	16.6
	Wika Beton	BUY	955	850	8,323	243	307	401	28	35	46	26%	31%	27.1	20.8	12.8	9.3	3.9	3.3	net cash	21.2
Consumer				452,240	12,342	14,833	16,573	166	199	223	20%	12%	30.5	27.3	18.6	16.4	8.0	7.2		27.5	
	Indofood CBP	BUY	10,475	13,050	61,079	2,225	2,949	3,671	382	506	630	33%	25%	20.7	16.6	13.1	10.4	4.2	3.7	net cash	21.7
	Indofood	HOLD	7,100	7,050	62,341	2,504	3,191	3,368	285	363	384	27%	6%	19.5	18.5	9.3	8.4	2.6	2.4	31.8	13.5
	Kalbe Farma	HOLD	1,615	1,350	75,703	1,922	2,471	2,921	41	53	62	29%	17%	30.5	26.0	20.4	17.0	6.9	6.0	net cash	24.3
	Unilever	HOLD	31,900	28,300	243,397	5,353	5,775	6,047	702	757	792	8%	5%	42.1	40.3	29.9	28.6	51.4	49.8	3.4	128.2
	Nippon Indosari Corpindo	BUY	1,215	1,400	6,150	178	268	350	35	53	69	50%	31%	23.0	17.6	13.1	10.2	6.0	4.7	43.1	29.1
	Mandom	BUY	17,750	13,600	3,569	160	180	216	796	893	1,075	12%	20%	19.9	16.5	11.5	10.1	2.8	2.5	28.2	14.7
Heavy Equipment				93,018	5,116	5,975	6,834	1,119	1,307	1,495	17%	14%	15.6	13.6	7.2	6.3	2.4	2.2		16.1	
	Hexindo Adiperkasa	HOLD	3,605	3,175	3,028	282	348	381	335	414	453	24%	9%	8.7	8.0	6.8	6.0	1.1	1.2	18.7	13.2
	United Tractors	BUY	24,125	27,500	89,990	4,834	5,627	6,453	1,296	1,509	1,730	16%	15%	16.0	13.9	7.2	6.3	2.5	2.2	net cash	16.3
Mining				172,059	8,390	10,915	13,002	129	168	200	30%	19%	15.8	13.2	7.7	7.0	1.9	1.9		12.5	
	Adaro Energy	BUY	1,295	1,450	41,422	2,370	2,730	2,971	74	85	93	15%	9%	15.2	13.9	5.9	5.4	1.4	1.4	46.6	9.5
	Timah	BUY	1,460	1,575	10,874	515	625	706	102	124	140	21%	13%	11.8	10.4	8.1	6.7	2.1	1.9	net cash	12.4
	Vale Indonesia	BUY	3,975	4,500	39,497	396	1,527	1,806	40	154	182	285%	18%	25.9	21.9	9.6	9.1	2.0	2.2	2.1	7.8
	Aneka Tambang	HOLD	1,235	1,000	11,780	410	1,063	2,281	43	111	239	159%	115%	11.1	5.2	12.6	8.6	0.9	0.8	40.8	8.4
	Bukit Asam	BUY	12,775	13,800	29,435	1,826	1,869	2,156	793	860	992	8%	15%	14.9	12.9	11.0	9.3	3.5	3.1	net cash	23.8
	Indo Tambangraya Megah	HOLD	29,225	27,800	33,022	2,362	2,477	2,431	2,091	2,192	2,152	5%	-2%	13.3	13.6	6.8	6.9	3.1	3.2	net cash	24.3
	Harum Energy	HOLD	2,230	2,400	6,029	510	624	649	159	137	150	-13%	9%	16.2	14.8	5.5	5.0	1.7	1.7	net cash	18.3
Plantation				77,972	3,210	5,089	6,144	105	166	201	59%	21%	15.3	12.7	8.0	6.8	2.1	1.9		14.2	
	Astra Agro Lestari	HOLD	26,050	24,700	41,022	1,834	2,527	2,918	1,165	1,604	1,853	38%	15%	16.2	14.1	9.2	8.2	3.9	3.5	net cash	25.0
	Sampoerna Agro	BUY	2,195	2,200	4,149	119	251	379	63	133	201	111%	51%	16.5	10.9	7.9	7.2	1.5	1.3	52.1	9.2
	BW Plantation	BUY	1,080	1,380	4,864	182	372	575	42	83	128	97%	54%	13.1	8.5	7.6	5.4	2.0	1.7	106.4	16.9
	PP London Sumatra	BUY	2,020	2,130	13,782	688	946	995	101	139	146	37%	5%	14.6	13.9	8.4	7.4	1.9	1.8	net cash	13.8
	Salim Ivomas Pratama	BUY	895	970	14,156	388	994	1,277	25	63	81	156%	29%	14.2	11.1	6.2	5.3	1.0	0.9	35.3	7.1
Property				74,510	5,905	6,043	6,696	80	82	91	2%	11%	12.3	11.1	9.5	8.5	1.9	1.7		16.6	
	Alam Sutera	BUY	550	770	10,807	1,286	1,658	1,877	65	84	96	29%	14%	6.5	5.7	6.5	5.9	1.6	1.3	46.3	26.6
	Bumi Serpong Damai	BUY	1,630	1,960	29,946	2,432	1,896	1,996	139	108	114	-22%	5%	15.0	14.3	11.8	11.2	2.3	2.0	net cash	15.4
	Metropolitan Land	BUY	413	600	3,130	233	345	421	31	45	56	45%	24%	9.2	7.4	6.8	5.3	1.6	1.3	21.6	18.5
	Surya Semesta Internusa	BUY	795	870	3,741	726	776	804	154	165	171	7%	4%	4.8	4.6	2.6	2.2	1.2	1.0	net cash	28.9
	Lippo Karawaci	BUY	1,165	1,040	26,886	1,228	1,368	1,598	57	63	74	11%	17%	18.5	15.7	14.2	11.9	1.9	1.8	39.3	10.3
Telco & Infrastructure				435,552	13,385	19,287	22,707	98	141	166	44%	18%	22.6	19.2	6.7	5.8	3.9	3.5		18.1	



LEADERS AND LAGGARDS

The leaders on Danareksa coverage

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		15-Aug-14	14-Aug-14					
Mitra Adi Perkasa	MAPI	5,600	5,375	4.2	9.8	9.8	1.8	HOLD
Ramayana	RALS	1,055	1,030	2.4	1.4	(4.5)	(0.5)	HOLD
Indo Tambangraya Megah	ITMG	29,225	28,750	1.7	6.5	15.4	2.5	HOLD
Holcim	SMCB	2,890	2,845	1.6	(0.2)	(3.7)	27.0	HOLD
Mandom	TCID	17,750	17,500	1.4	1.4	9.6	49.2	BUY
Wika Beton	WTON	955	945	1.1	7.3	16.5	-	BUY
Tower Bersama	TBIG	8,275	8,200	0.9	1.2	3.4	42.7	SELL
Harum Energy	HRUM	2,230	2,210	0.9	2.3	5.2	(18.9)	HOLD
Wijaya Karya	WIKA	2,790	2,770	0.7	6.9	5.3	76.6	HOLD
Timah	TINS	1,460	1,450	0.7	0.3	8.1	35.0	BUY

Sources: Bloomberg

The laggards on Danareksa coverage

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		15-Aug-14	14-Aug-14					
XL Axiata	EXCL	5,800	5,975	(2.9)	5.0	7.4	11.5	HOLD
Selamat Sempurna	SMSM	4,505	4,640	(2.9)	1.2	(0.4)	30.6	BUY
Ace Hardware	ACES	920	940	(2.1)	6.4	2.8	55.9	HOLD
MNC Sky Vision	MSKY	1,700	1,730	(1.7)	(3.7)	(8.6)	(15.0)	HOLD
Telkom	TLKM	2,710	2,755	(1.6)	0.4	1.1	27.2	BUY
BW Plantation	BWPT	1,080	1,095	(1.4)	(5.7)	(5.3)	(18.8)	BUY
Multistrada Arah Sarana	MASA	295	299	(1.3)	(1.7)	(0.7)	(24.4)	HOLD
Lippo Karawaci	LPKR	1,165	1,180	(1.3)	0.9	2.2	28.0	BUY
Surya Semesta Internusa	SSIA	795	805	(1.2)	7.4	(4.2)	42.0	BUY
PP London Sumatra	LSIP	2,020	2,045	(1.2)	(4.9)	(3.8)	4.7	BUY

Sources: Bloomberg

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