MORNING HIGHLIGHT

FROM RESEARCH

Market outlook: Finding value (OVERWEIGHT)

A number of concerns have weakened sentiment, as seen in the persistent foreign outflows in recent weeks. In particular, the recent IDR weakness has been the main catalyst behind the market correction, in our view. While expectations of stronger realization on infrastructure spending in 2H still prevail, the results might prove to be disappointing. We reduce our index target to 5,500, while maintaining our positive long-term view on Indonesia.

Previous Reports:

- **Weekly Report: Not out of the woods yet (OVERWEIGHT) - *Snapshot20150609***
- **Mitra Adi Perkasa: Still in Style- *Snapshot20150608***
- **Indosat: Improving Outlook- *Snapshot20150605***
- **Aneka Tambang: Making Progress on the P3FP projects- *Snapshot20150605***
- **Banking Sector - Tax Issue: Limited Impact (OVERWEIGHT)- *Snapshot20150605***

MARKET NEWS

***Analysts' comment inside**

- 4W Sales Dropped 17% YoY (BI)
- Cement Manufacturers Need to Optimized Export Market (BI)
- ERAA Revised Its Sales Target, Opening New Outlets in Malaysia (BI)
- Government Levy's Threatened under Target (BI)
- Intiland to boost recurring income amid slow property sector (TJP)
- KFC franchisee sees growth amid weak purchasing power (TJP)
- Tin Export Rose Ahead of New Regulation in August 1st (BI)

IDX ANNOUNCEMENT

Cash Announcement

Code	Ex-Date	Date Payable	Amount (Rp)
INDF	19-May-15	11-June-15	220
INTP	22-May-15	17-June-15	1350
KLBF	26-May-15	17-June-15	19

Source: KSEI

Key Index

	Close	Chg (%)	Ytd (%)	Vol (US$ m)
Asean - 5				
Indonesia	4,900	(2.3)	(6.3)	400
Thailand	1,492	(1.1)	(0.4)	1,216
Philippines	7,323	(2.2)	1.3	184
Malaysia	1,729	(0.6)	(1.8)	368
Singapore	3,295	(0.8)	(2.1)	984
Regional				
China	5,114	(0.4)	58.1	-
Hong Kong	26,990	(1.2)	14.3	21,853
Japan	20,096	(1.8)	15.2	13,842
Korea	2,064	(0.1)	7.7	4,997
Taiwan	9,192	(1.9)	(1.2)	3,477
India	26,481	(0.2)	(3.7)	348
NASDAQ	5,014	(0.2)	5.9	69,174
Dow Jones	17,764	(0.0)	(0.3)	7,970

Currency and Interest Rate

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	(Rp/1US$)	13,308	(0.7)	(1.2)	(7.4)
SBI rate	(%)	6.67	(0.3)	(0.3)	(0.6)
10y Gov	Indo bond	8.61	0.4	0.4	0.8

Hard Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US$/ton	57	n/a	(4.9)	(20.5)
Gold	US$/toz	1,177	0.0	(0.9)	(0.6)
Nickel	US$/mt.ton	13,460	0.4	(5.6)	(10.7)
Tin	US$/mt.ton	15,220	(1.2)	(4.1)	(21.7)

Soft Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US$/mt.ton	3,159	0.1	5.4	6.3
Corn	US$/mt.ton	136	0.3	0.1	(4.7)
Crude Oil	US$/barrel	65	3.5	(0.8)	13.2
Palm oil	MYR/mt.ton	2,292	(0.2)	6.7	(0.2)
Rubber	USd/kg	159	0.3	4.3	4.3
Pulp	US$/tonne	851	n/a	(0.5)	(8.7)
Coffee	US$/60kgbag	94	0.0	5.1	10.4
Sugar	US$/MT	349	(0.5)	(8.7)	(10.7)
Wheat	US$/mt.ton	196	0.8	10.5	(10.9)

Source: Bloomberg

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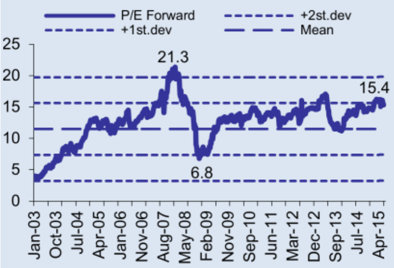
Thursday, 10 June 2015

OVERWEIGHT

YE15 Target	**5,500**
JCI Index	**4,899**
Market Cap. (Rp tn)	4,978
US$ (bn)	373
1Y Avg. daily T/O. (Rp bn)	6,557
US$ (mn)	492

JCI Valuation



USD/IDR

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Market outlook

Finding value

A number of concerns have weakened sentiment, as seen in the persistent foreign outflows in recent weeks. In particular, the recent IDR weakness has been the main catalyst behind the market correction, in our view. While expectations of stronger realization on infrastructure spending in 2H still prevail, the results might prove to be disappointing. We reduce our index target to 5,500, while maintaining our positive long-term view on Indonesia.

Reducing our index target to 5,500

Weak economic activity, poor corporate results and slower-than-expected realization of government infrastructure projects have become the main concerns, putting the equity market in peril given its forward-looking bias. While the government has arguably made some progress in achieving its transformation story, the results may fall short of expectations. To make matters worse, despite an improving CAD coupled with an outlook upgrade from S&P, outflows have persisted – putting further pressure on the IDR, which in our view, became the ultimate factor which triggered deep correction.. In yesterday's trading, the JCI fell below the important 5,000 level, albeit on lower turnover. Our economist recently cut GDP growth 2015 to 4.9-5.1% from 5.3%. We reduce our index target to 5,500, while maintaining our positive LT view on Indonesia.

The market meltdown provides an opportunity

The current market meltdown should be seen as an opportunity to subscribe to Indonesia's LT transformation story, in our view. In the short to medium term, however, market volatility will likely persist - especially as we enter the seasonally high inflation period, which reduces the prospect of a cut in interest rates. We like big caps and defensive sectors, and pitch BMRI, BBRI, PTPP, WSKT, SMGR, INDF, BSDE, ACES and INCO. We raise JSMR and ISAT in our basket of top picks. The current foreign outflows, in our view, could be reversed in 2H, once progress on the government's infrastructure program becomes more apparent. While commodities look appealing at the current time given their nature of being USD earners, we believe that exposure to this sector should be selective.

Clearer direction and strategy, but execution remains the biggest hurdle

We still believe that better execution will eventually transpire. With weak economic growth in 1Q15, the government is still looking to intensify its efforts by inaugurating several large infrastructure projects rather than revisit its ambitious growth target of 5.8%. We maintain our belief that weak 1Q15 GDP growth does not necessarily signify the weak delivery capabilities of the current government, especially since its all-important infrastructure program will only start to materialize in 2H15 given the late approval of the revised government budget in February 2015. Moreover, moderation of economic growth already became apparent early last year. Furthermore, we also believe that the lackluster 1Q15 will be used to measure the progress of government ministers, which, in turn, should put more pressure on them to make more meaningful contributions. We also believe that a cabinet reshuffle is still on the cards, and whilst this could potentially create positive market confidence, the risk of market discontentment is still there – especially if a cabinet reshuffle is a political act to bring in the growing number of government supporting parties.

Indonesia's transformation story is still on; albeit a lack of progress in the initial stage

Arguably, there is still clarity on Indonesia's transformation story: a reduction in fuel subsidies to boost infrastructure spending, which will be financed through rising tax collection given the slump in oil & gas prices. Any shortfall in specific areas may create risks, however. While the direction is clear, recent government statements - which initially helped improve sentiment - appear to contradict the government's ultimate infrastructure aims, and this might raise doubts over the effectiveness of the overall strategy. While the risk of below-target tax revenues collection has increased, we don't see an escalation in infrastructure development risk, as the government will likely to seek to finance the shortfall through external debt given there is still ample room to increase the budget deficit.

Concern # 1: Seasonally high inflation

Macro data might not be entirely positive in the next couple of months, and while this might reflect seasonal factors, any higher-than-expected headline inflation could have a bigger impact on the market. Ahead of Ramadan in June and Idul Fitri in July, inflation Is seasonally high, mainly driven by soaring food prices and higher transportation costs. Over the past 3 months, inflation has continued to accelerate, and after March's 0.17% and April's 0.36% inflation figures, May's inflation figure rose further to 0.50% m-m or 7.1% y-y.

Exhibit 1. CPI and Joint Inflation Level of 82 cities in May 2015, Based on Groups of Expenditure (2012=100)

Group of Expenditures	CPI			Inflation Level			Inflation Contribution
	May-14	Dec-14	May-15	May-15 (%)	Jan-May '15 (%)	YoY (%)	May-15 (%)
Headline	111.53	119.00	119.50	0.50	0.42	7.15	0.50
Foodstuffs	116.26	126.76	125.47	1.39	(1.02)	7.92	0.28
Food, Drink, Cigarette, Tobacco	112.56	118.84	122.09	0.50	2.73	8.47	0.08
Housing, Water, Electricity, Gas, Fuel	109.59	115.55	117.80	0.20	1.95	7.49	0.05
Clothes	104.42	106.49	108.37	0.23	1.77	3.78	0.02
Healthcare	107.59	111.00	113.70	0.34	2.43	5.68	0.02
Education, Recreation, Sport	106.63	110.37	111.05	0.06	0.62	4.15	0.01
Transportation, Communication, Financial Services	114.63	127.27	123.62	0.20	(2.87)	7.84	0.04

Source: Indonesia Statistic Agency

Looking at the May figure, all components in the inflation basket recorded an increase, mainly led by foodstuff's 1.39%, the prepared foods, beverages and cigarette's 0.5% and health care's 0.34%. While the rice price continued its downtrend, mainly on the government's market operations in selling subsidized rice, all other food components still showed an uptrend such as chili (0.10% contribution to May inflation), chicken (0.06%), eggs (0.04%) and shallots (0.03%). We believe that high inflation will be sustained in June, although the recent government's initiative to allow the importation of chili and shallots could partially tame the rising inflation.

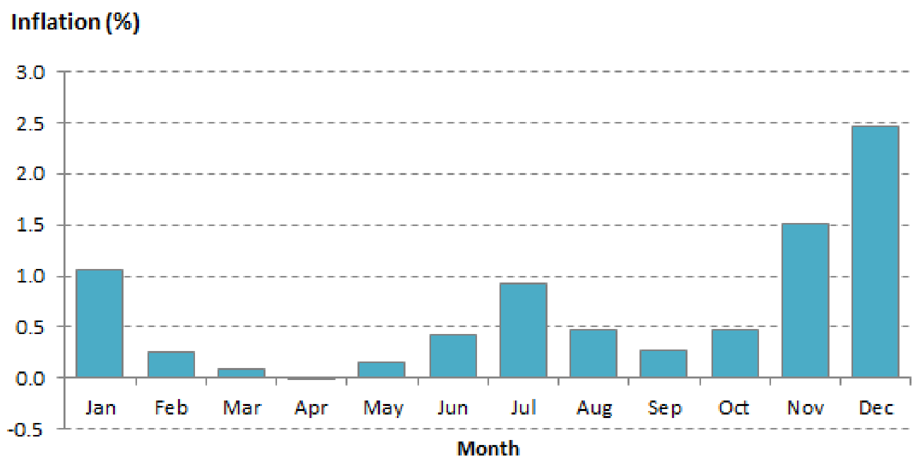
Exhibit 2. Drivers of Price Changes in May 2015

Component	Change (%)	Drivers	Contribution (%)
Foodstuffs	1.39	Chili, Chicken meat, Egg, Red Onion, Garlic, Fish, Vegetables	0.28
Food, Drink, Cigarette, Tobacco	0.50	Sugar, filtered-flavored cigarettes	0.08
Housing, Water, Electricity, Gas, Fuel	0.20	Electricity tariff, Rental Fee	0.05
Clothes	0.23	Man, woman, child apparel	0.02
Healthcare	0.34	Healthcare, medicine, physical and cosmetic treatment	0.02
Education, Recreation, Sport	0.06	Training, educational-recreational-sport equipment	0.01
Transportation, Communication, Financial Services	0.20	Air freight rates, Gasoline, Cars	0.04

Source: Indonesia Statistic Agency

In our view, the biggest impact of higher inflation is its ramifications on the probability of a cut in interest rates – a development seen as important to help bolster economic growth. In our view, despite the government's efforts to propel economic growth, the current seasonally high inflation will reduce room for BI to cut its benchmark interest rate. Nonetheless, its intention to relax the LTV has signaled more cohesive action between the government and the central bank, which has seen to be lacking recently. With seasonally higher inflation dampening consumer confidence - a trend that has been palpable since September 2014 - our economist foresees soft GDP growth in 2Q15, slightly below 1Q15's level of 4.7%.

Exhibit 3. Higher inflation trend during Lebaran period



Source: Indonesia Statistic Agency

Concern # 2: Tax collection remained weak in May

After surging in April 2015, tax collection normalized in May, down 40.2% m-m to IDR66.9tn from May's level of IDR111.9tn. The decline, however, is seasonal and should not come as a surprise as it mainly came from tax article 25 for institutions, which sank to only IDR7.9tn in May from IDR45.2tn in April when it was boosted by the deadline for tax submission. On a cumulative basis, collection in 5M15 was still far from the targeted 30%+ growth for this year, with only IDR377tn collected, still down 2.4% y-y. The biggest shortfalls were in VAT & luxury tax and property tax. VAT & luxury tax was down 6.1% y-y to IDR141.6tn, and only accounts for 24.6% of the full year target. In the budget, the government expects tax collection from VAT & luxury tax to increase 40.95% to IDR576.5tn. For property tax, the situation is even drabber with 5M15 collection only reaching IDR450bn, down 50.2% y-y and reaching less than 2% of the full year target of IDR26.7tn (up 13.7% y-y). Oil and gas taxes, by comparison, were down 54.2% y-y to only IDR17.2tn, but this low figure had already been anticipated as reflected in the government's target for this year of only IDR49.5tn, down 43.4% y-y.

Exhibit 4. Tax collection realization as of May 2015

No	Types of Taxes	Realization 2014	APBN-P 2015	Target Δ% 2014-2015	Realization up to May 31st 2014	2015	Δ% 2014 - 2015	Realization/ Target (%)
1	2	3	4	5	6	7	9=(7-6)÷6	10=7÷4
A	Non Oil & Gas Income Taxes	458,692.3	629,835.4	37.31	195,073.1	215,730.3	10.59	34.25
	1 Taxes art. 21	105,642.2	126,848.3	20.07	42,398.1	46,257.8	9.10	36.47
	2 Taxes art. 22	7,245.5	9,646.4	33.14	2,399.5	2,259.4	(5.84)	23.42
	3 Taxes art. 22 on import	39,456.0	57,123.7	44.78	19,575.6	17,172.1	(12.28)	30.06
	4 Taxes art. 23	25,513.4	33,479.0	31.22	9,849.4	10,839.4	10.05	32.38
	5 Taxes art. 25/29 Personal	4,724.8	5,215.1	10.38	2,658.2	3,075.0	15.68	58.96
	6 Taxes art. 25/29 Institution	149,280.8	220,873.6	47.96	74,454.8	82,772.4	11.17	37.48
	7 Taxes art. 26	39,446.6	49,779.0	26.19	12,229.2	15,058.9	23.14	30.25
	8 Final Income Tax	87,293.8	126,804.5	45.26	31,488.5	38,253.0	21.48	30.17
	9 Other Non-O&G Inc. Taxes	89.2	65.8	-26.19	19.7	42.4	114.89	64.43
B	VAT and Luxury Taxes	408,995.7	576,469.2	40.95	150,765.9	141,610.3	(6.07)	24.57
	1 Domestic VAT	240,960.7	338,192.4	40.35	83,834.8	82,217.8	(1.93)	24.31
	2 VAT on Import	152,303.7	207,509.8	36.25	60,116.3	53,669.0	(10.72)	25.86
	3 Domestic Luxury Tax	10,240.5	19,348.6	88.94	4,126.2	3,774.4	(8.53)	19.51
	4 Luxury Taxes on Import	5,335.9	10,751.9	101.5	2,609.1	1,868.5	(28.38)	17.38
	5 Other VAT/Luxury taxes	155.0	666.5	330.06	79.5	80.6	1.37	12.10

C	Property Tax	23,475.7	26,689.9	13.69	904.0	449.9	(50.23)	1.69
D	Other Taxes	6,293.1	11,729.5	86.39	2,139.8	2,036.8	(4.81)	17.37
E	Oil & Gas Taxes	87,446.4	49,534.8	-43.35	37,589.0	17,201.2	(54.24)	34.73
Total A + B + C + D		897,456.9	1,244,723.9	38.69	348,882.8	359,827.3	3.14	28.91
Total A + B + C + D + E		984,903.2	1,294,258.7	31.41	386,471.8	377,028.5	(2.44)	29.13

Source: Directorate General of Taxes

Exhibit 5. Monthly tax collection

No	Types of Taxes	2015 Jan-Mar 3-mo average	Apr	May	% change (Apr-May)
A	Non Oil & Gas Income Taxes	34,968.6	75,263.2	35,561.4	-52.75
	1 Taxes art. 21	8,848.3	9,517.2	10,195.8	7.13
	2 Taxes art. 22	435.4	479.9	473.3	(1.37)
	3 Taxes art. 22 on import	3,434.9	3,521.6	3,345.9	(4.99)
	4 Taxes art. 23	2,079.5	2,284.2	2,316.6	1.42
	5 Taxes art. 25/29 Personal	790.3	331.5	372.4	12.34
	6 Taxes art. 25/29 Institution	9,880.0	45,193.5	7,939.0	(82.43)
	7 Taxes art. 26	2,132.0	5,588.3	3,074.7	(44.98)
	8 Final Income Tax	7,365.2	8,343.6	7,813.8	(6.35)
	9 Other Non-O&G Inc. Taxes	3.0	3.4	29.9	779.12
B	VAT and Luxury Taxes	27,694.7	28,238.0	30,288.3	7.26
	1 Domestic VAT	15,806.5	15,782.2	19,016.1	20.49
	2 VAT on Import	10,780.0	11,188.0	10,141.0	(9.36)
	3 Domestic Luxury Tax	700.3	934.1	739.5	(20.83)
	4 Luxury Taxes on Import	379.2	382.0	348.9	(8.67)
	5 Other VAT/Luxury taxes	8.7	11.7	42.8	266.52
C	Property Tax	107.1	-13.0	141.7	(1189.77)
D	Other Taxes	379.1	419.9	479.6	14.23
E	Oil & Gas Taxes	2,926.1	7,965.9	457.0	(94.26)
Total A + B + C + D		63,149.4	103,908.1	66,470.9	(36.03)
Total A + B + C + D + E		66,075.5	111,874.0	66,928.0	(40.18)

Source: Directorate General of Taxes

Concern # 3: Micro conditions remain soft

With the current weak state of the economy, we don't believe there will be any substantial improvement in business activity. Based on monthly data announcements from several industries, the economy remained soft in April as seen in: 1. 4W sales of 81.6k units, down 18% m-m and 23% y-y. Overall, the 4M15 sales are down 16% y-y; 2. 2W sales of 525k units, down 4% m-m and 28% y-y, with the 4M15 sales still down 21% y-y; 3. Cement sales of 4.47m tonnes, still down 2.8% m-m and 1.1% y-y, with overall 4M15 sales down 2.7% y-y; 4. The new contracts of construction companies only reached IDR3.8tn in April 2015, less than half the level in March 2015, although still up 46%y-y with the 4M15 figure 21.6% higher; and 4. Retail sales still relatively weak with ACES' April sales down 10% m-m with SSG in 4M15 still a negative 2.1%, with RALS also showing weak performance with its April sales down 4.1% and 4M15 SSG of negative 3.9%.

In our view, despite the rather soft figures in April, corporates are still likely to benefit from better business seasonality in 2Q than in 1Q, with demand growth in late 2Q15 also underpinned by the surge in demand in the period leading up to Ramadan in mid-July. Nonetheless, this will only happen in certain sectors which enjoy higher seasonality during this period such as the autos, cement, retail and consumer sectors. However, the level of demand increase will still be below last year's level, given the currently weak state of the economy.

On infrastructure progress, while PTPP's order book has shown good progress up to May 2015 (up 48% y-y, exceeding the management's target), the private sector was still the main contributor since the awarding of most of the government's large infrastructure projects still appears to be underway. Hence, it now looks increasingly likely that most of the infrastructure spending will take place in 2016 rather than in 2H15, in our view.

Exhibit 6. April 2015 data remains soft

	4M14	4M15	YoY, %	Apr-14	Mar-15	Apr-15	MoM, %	YoY, %
Constrution -Contracts (IDR bn)								
WIKA	5,355	5,120	(4)	643	1,054	870	(17)	35
PTPP	5,501	7,800	42	958	5,580	1,100	(80)	15
WSKT	3,520	3,700	5	511	1,830	1,100	(40)	115
ADHI	2,000	3,300	65	500	1,260	740	(41)	48
TOTAL	**16,376**	**19,920**	**22**	**2,612**	**9,724**	**3,810**	**(61)**	**46**
Auto - Sales (Unit)								
ASII								
4 Wheelers	230,837	183,604	(20)	57,553	49,951	46,395	(7)	(19)
2 Wheelers	1,699,237	1,464,395	(14)	445,420	376,571	371,001	(1)	(17)
Other								
4 Wheelers	203,787	180,341	(12)	48,571	49,459	35,205	(29)	(28)
2 Wheelers	1,012,629	665,423	(34)	282,370	169,598	153,774	(9)	(46)
Total								
4 Wheelers	434,624	363,945	(16)	106,124	99,410	81,600	(18)	(23)
2 Wheelers	2,711,866	2,129,818	(21)	727,790	546,169	524,775	(4)	(28)
Cement-Sales ('000 tonnes)								
SMGR	8,182	6,301	(23)	2004	2056	1910	(7)	(5)
INTP	5,627	5,262	(6)	1408	1253	1385	11	(2)
SMCB	2,661	2,506	(6)	649	658	646	(2)	(0)
SMBR	360	408	13	55	110	106	(4)	93
TOTAL DOMESTIC	18,598	18,096	(3)	4521	4598	4471	(3)	(1)
Retail - Sales (IDR bn)								
ACES	1,388	1,450	5	333	394	353	(10)	6
RALS	2,059	1,981	(4)	516	510	489	(4)	(5)
Retail - SSG (%)								
ACES	5.00	(2.10)						
RALS	7.10	(3.90)						

Source: Companies and Association

Concern #4: Government action on tax could unwittingly dampen investor confidence

Given this development, the government faces an uphill challenge to achieve its tax collection target, and will eventually have to come up with a more realistic target. At the same time, it is also more likely that the government will take more robust efforts to improve tax realization. Yet given the fragile economy, the government will ultimately need to take a balanced stance as overly aggressive taxation would slow economic activity further. The government is slated to finally issue the revised luxury tax (PPnBM) in early June, which will also exclude several products. In our view, the government will continue to bolster its efforts to improve tax compliance. However, as seen earlier this year, the government's action on tax might create negative sentiment in certain sectors - such as coal IUP and the shipping and property sectors. The latest addition to the list is banking. This is in relation to the tax demand letters sent by the Tax Office to banks associated with disallowing write-offs on borrowers without tax ID (NPWP), which will particularly impact the micro and consumer loan segments. The Tax Office sees that there have been potential tax underpayments since 2010. While we believe that the larger banks are unlikely to face much of an impact, the lack of clarity on this issue is another blow to investor confidence.

While the risk of below-target tax revenues collection has increased, we don't see an escalation in infrastructure development risk, as the government will likely to seek to finance the shortfall through external debt. Recently, the World Bank offered USD11b of new loans for the next three to four years for the development of basic infrastructure such as roads, seaports and improving the quality of the nation's workforce. We also see that given the lower allocation for fuel subsidies, the government still has room to increase its budget deficit from the targeted 1.9%.

Concern #5: A conflicting message could raise doubts over Indonesia's infra story

Arguably, there is still clarity on Indonesia's transformation story: a reduction in fuel subsidies to boost infrastructure spending, which will be financed through rising tax collection given the slump in oil & gas prices. Any shortfall in specific areas may create risks, however. While the direction is clear, there may be some doubts over how the government can achieve the targets:

1. Recently, the low tax collection sparked concerns, as it would put much-needed infrastructure spending at risk. As a result, the government is now contemplating the idea of increasing the budget deficit target of 1.9% to keep infrastructure spending unchanged. In a seemingly contradictory development, the government recently announced that it would like to reduce the corporate tax rate from the current 25% to 18% in an effort to boost competitiveness. While this plan would be sound from a longer term perspective, its early announcement raises questions on infrastructure funding in the short term, which will come mainly from tax collection.

2. The government's recent plan on SOE asset revaluation was also initially feared as an effort to raise tax collection from assets adjustment. This would contradict the initial strategy of empowering SOEs through the reduction in dividends and capital injections this year. However, the government's plan on asset revaluation is actually to strengthen the balance sheets of SOEs in order to increase their capacity to compete in the regional arena. On the asset adjustment, the government is planning to convert potential additional tax into capital injection, which still appears to be inline with the earlier strategy of empowering SOEs. In our view, the government's strong commitment in this regard continues to be the cornerstone of Indonesia's investment story at this juncture, especially as economic growth will continue to remain soft in 2Q14. In 2H, we anticipate a greater influx of spending, which will eventually accelerate economic activity.

3. This time, however, the situation is rather different as the plan comes from parliament. Commission VI of the House of Representatives is contemplating the idea of increasing the government's ownership portion in state-owned enterprises that are listed on the stock exchange to about 60% -70% from the current 51% according to the SOE Act. The proposal is in conjunction with the Commission VI plans to revise the current state-owned enterprises regulation No.19/2003, which is expected to be completed by the second half of this year. Without any details on the main rationale, the proposal to raise the government's ownership in SOEs will draw some concerns: 1. If the aim is to give the government more control, by having at least a 51% stake, it is the case that the government already has ultimate control without the need to raise its stakes further; and 2. without any solid rationale identifying the clear benefits, the plan would draw concerns from investors as it would relate to several SOE listed companies which would increase the complexity of the process. We don't think this plan will materialize in the near term.

Among the 20 listed SOEs, there are four companies that the government has 51% ownership: SMGR, TLKM, ADHI and PTPP. And if this proposal were to get through, in our view, there are potentially two scenarios, which have their respective pros and cons:

1. Share buy-back, in which the company will raise its treasury shares by reducing minority shares, then cancelling the shares which will eventually result in higher government ownership.
Pro: The buy-back plan would improve sentiment and support the share price.
Con: The company would deplete its cash, which could have an impact on its expansion plans.
2. Non pre-emptive rights issue, in which the government can raise its stake by receiving new shares issued by the company.
Pro: The company's expansion plans would not be affected by this exercise.
Con: Weaker sentiment on the stock on potential dilution of minority shares, especially without any solid reasoning of the clear benefits for the company. By regulation, the non pre-emptive rights issue is a maximum 10% of the current shares, so at least the government will need to undertake two rights issues to raise its stake from 51% to 60%.

Exhibit 7. Government ownerships in SOE

No	Code	Company	Listing Date	Govt. Ownerships (%)	No	Code	Company	Listing Date	Govt. Ownerships (%)
1	SMGR	Semen Indonesia	8-Jul-91	51.0	11	PGAS	Perusahaan Gas Negara	15-Dec-03	57.0
2	TINS	Timah	19-Oct-95	65.0	12	ADHI	Adhi Karya	18-Mar-04	51.0
3	TLKM	Telekomunikasi Indonesia	14-Nov-95	51.2	13	WIKA	Wijaya Karya	29-Oct-07	65.0
4	BBNI	Bank Negara Indonesia	25-Nov-96	60.0	14	JSMR	Jasa Marga	12-Nov-07	70.0
5	ANTM	Aneka Tambang	27-Nov-97	65.0	15	BBTN	Bank Tabungan Negara	17-Dec-09	60.1
6	INAF	Indofarma	17-Apr-01	80.6	16	PTPP	Pembangunan Perumahaan	9-Feb-10	51.0
7	KAEF	Kimia Farma	4-Jul-01	90.0	17	KRAS	Krakatau Steel	10-Nov-10	80.0
8	PTBA	Bukit Asam	23-Dec-02	65.0	18	GIAA	Garuda Indonesia	11-Feb-11	60.5
9	BMRI	Bank Mandiri	14-Jul-03	60.0	19	WSKT	Waskita Karya	19-Dec-12	67.3
10	BBRI	Bank Rakyat Indonesia	10-Nov-03	56.8	20	SMBR	Semen Baturaja	28-Jun-13	76.2

Source: Danareksa Sekuritas

On this issue, we believe it can be solved relatively easy through more elaborate details and timing. Also, the government should further improve the coordination within ministries, which is critical to avoid conflicting message on government target and policy from government's officials

Concern #6: IDR weakness – where's the bottom

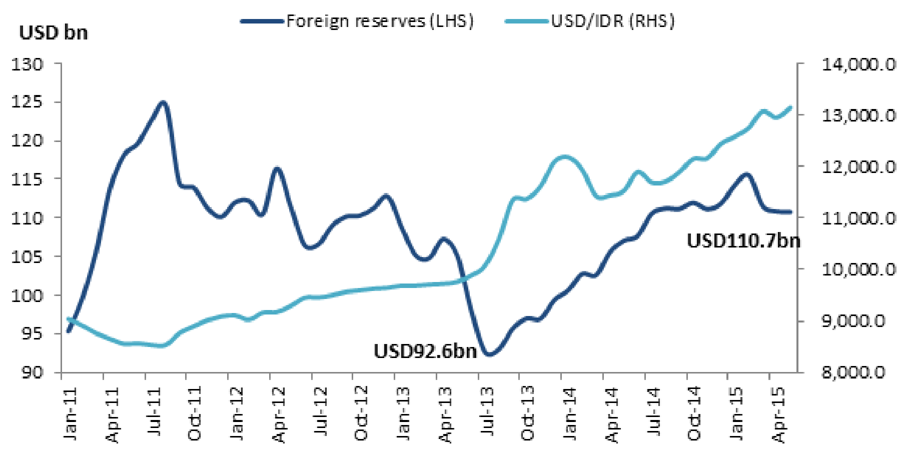
Weak IDR has re-emerged on the center stage. To our view, current account deficit (CAD) has become the specter of the economy over the past couple years, which considered to be the culprit of weak IDR. In contrast, however, the CAD situation was essentially driven by an increased in capital inflow (FDI and portfolio) since 2010, which ultimately supported economic growth. Higher capital inflow would consequently increase import activity on raw materials which would led to CAD expansion. The monetary policy response was to tightened monetary policy through rising BI benchmark rate and reduced the growth rate of money supply. Arguably, the policy was effective to bring down CAD, as seen in the recent 1.8% CAD to GDP, but it came at considerable cost of slower economic growth.

In contrast to its initial target, weak economic growth has driven outflow from equity market, which in the end would further pressured down IDR, despite an improved CAD figures. In our view, BI has taken several steps to reduce the volatility of the currency, although we believe it will only effective over the longer term. Recently, BI has introduced several changes to its regulation intended to deepen the market for forex transactions domestically which, in the end, will improve forex monitoring.

Arguably, the strength of USD also partially causes the weakness in most currency, including IDR. BI also came with the statement that domestic requirement of USD would increase during May – June, which we believe driven by the repatriation of dividend payment this month. To reduce the usage of USD domestically, the regulation to use IDR for transaction became effective earlier this month.

With ample forex reserve, Bank Indonesia undoubtedly has ample ammunition on hand to support IDR. Nonetheless, the disinclination of BI to use forex reserve earlier this year might be well repeated. With hikes in Fed rates on the cards, the USD will strengthen across all currencies. This may go some way to explaining BI's reluctance to intervene heavily in the market and deplete "precious" forex reserves given the ineffectiveness of such a move.

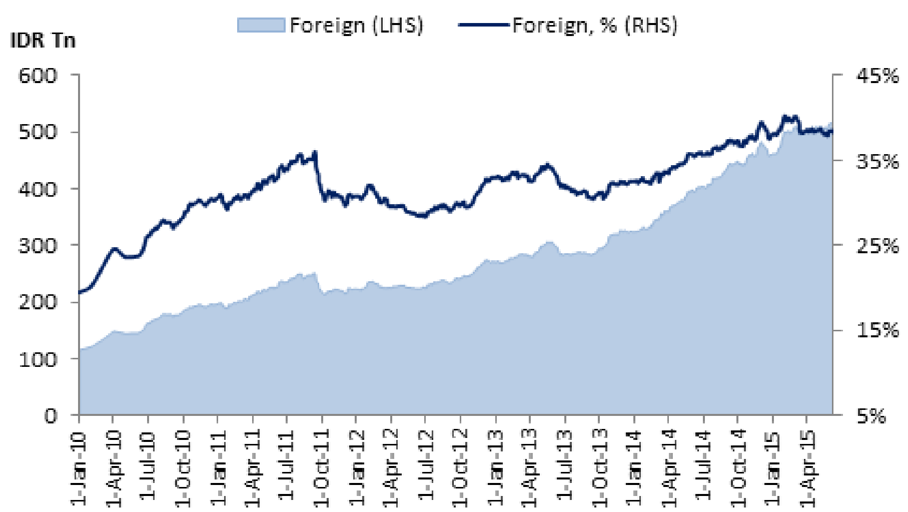
Exhibit 8. Foreign reserves vs USDIDR



Source: CEIC

The biggest risk to IDR would be potential departure of foreign investor in bond market, which so far, has still shown resiliency. According to our Fixed Income Research team, foreign ownership stood at IDR516.46 trillion last Wednesday, which is an all-time high in nominal terms. Although foreign investor holdings keep setting new highs, their holdings have been maintained in proportional terms. Over the last month, the average proportion of foreign holdings in Government bonds reached 38.37% with a minimum proportion of 37.93% and maximum proportion of 38.73%, respectively. At the moment, our economist still believes that IDR is undervalue, with fundamental value range at 12,000 level, a view that might looks aggressive at this stage. However, with the expected better government's execution on its projects which will partially restore economic growth, the attractiveness on Indonesia should arise, so as the IDR value.

Exhibit 9. Foreign holding in government bonds

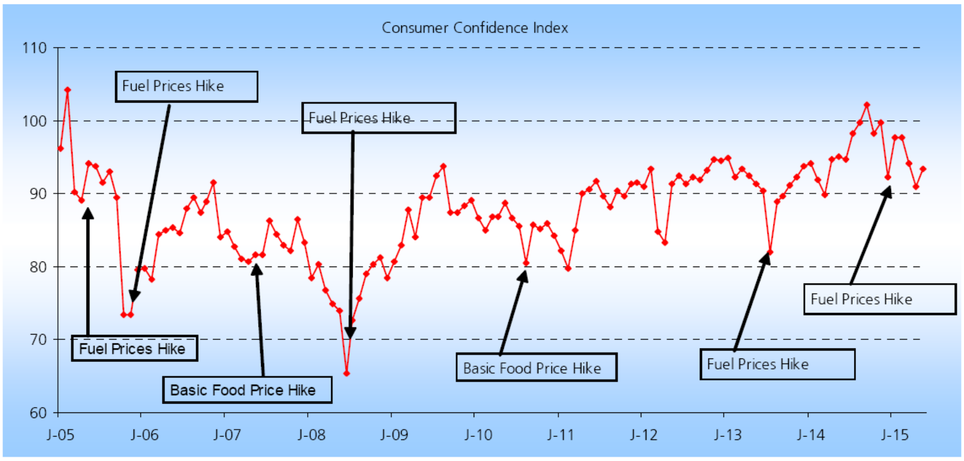


Source: Danareksa Debt Research

Consumer confidence rebounded in May

Some comfort is provided by the improvement in our Consumer Confidence survey. After falling for two consecutive surveys, the Consumer Confidence Index (CCI) increased 2.7% from its lowest level in a year of 90.9 to 93.4. Most notably, consumer concerns over higher fuel prices declined. Indeed, only 46.1% of consumers cited rising fuel prices as a major concern in May – or less than April's figure of 52.8%. Also encouragingly, consumers gave more positive assessments on overall economic conditions and the economic outlook.

Exhibit 10. Consumer Confidence Index, as of May 2015

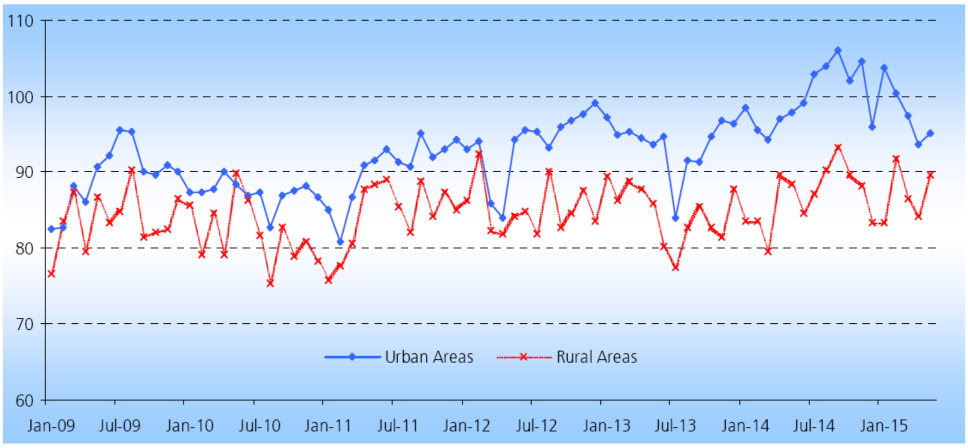


Source: Danareksa Research Institute

The two main components of the CCI both increased in May 2015. The first one – the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), added 4.7 percent to 73.4 as sentiment toward the current state of the local economy and the national economy improved. The other component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – also increased, climbing 1.8 percent to 108.4, reflecting stronger optimism toward the overall economic outlook over the next six months.

Based on the survey, rural consumers were more upbeat than urban consumers. The survey shows that the CCI for rural consumers added 6.3 percent to 89.6 in May 2015, while the CCI for urban consumers rose less dramatically by only 1.4 percent to 95.0. In part, this reflects the income gains enjoyed by consumers living in rural areas from the ongoing harvesting season. Of the consumers living in rural areas, 10.0% of them said that good harvests had helped the local economy to improve over the last three months.

Exhibit 11. Rural Consumers were More Upbeat in May 2015



Source: Danareksa Research Institute

Looking ahead over the next six months, consumers are more optimistic on the country's economic outlook. The Expectations Index (EI) added 1.8 percent to 108.4 in May 2015. All components of the EI posted increases in May. Furthermore, all the components of the EI are still above the 100 level, suggesting that consumers are still generally upbeat on the outlook for the economy and the job market. In the May survey, consumers foresee a better national economic outlook.

Although consumers are more optimistic on the country's overall economic outlook, buying intentions for durable goods actually declined further in May 2015. In our latest survey, some 31.2 percent of consumers expressed plans to purchase a durable good over the next six months. This is less than in the previous month - when some 32.0 percent of consumers expressed plans to purchase a durable good. What is more important is that of the ten categories tracked by our survey, however, buying intentions only fell in two of them. Most notably, buying intentions for automobiles posted a significant decline from 0.46 percent to 0.35 percent in May 2015.

Exhibit 12. Buying intensions

	Jan-15	Feb-15	Mar-15	Apr-15	May-15
Automobile	0,41	0,41	0,35	0,46	0,35
Motorcycle	2,26	2,03	2,44	2,15	2,38
Bicycle	0,17	0,00	0,17	0,12	0,70
House	0,46	0,87	0,87	0,81	1,10
House Renovation	2,67	2,38	2,09	2,55	2,84
Land	0,58	0,17	0,29	0,23	0,23
Audio-visual	3,07	2,32	3,02	2,96	3,36
Home appliance	5,05	5,74	6,55	6,90	8,35
Gold & jewelry	0,87	0,99	0,81	1,57	2,09
Livestock	0,41	0,41	0,17	0,52	0,46

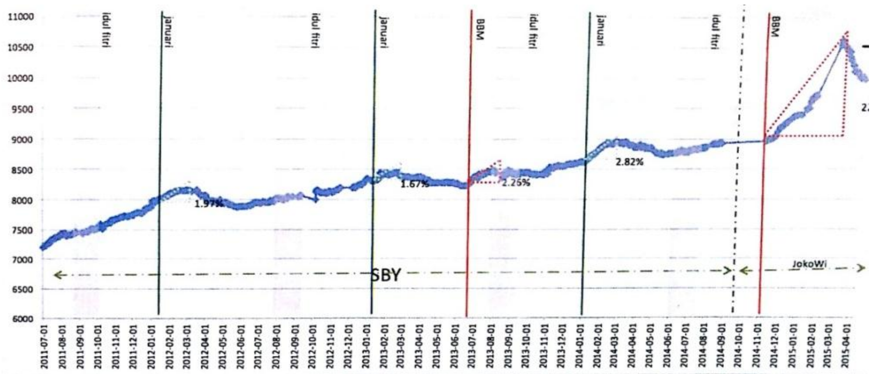
Source: Danareksa Research Institute

Inflation will be the focus of the government

We believe the government will continue to focus on keeping inflation in check as its short term priority. Recently, the government empowered the Bureau of Logistics (Bulog) by adding its function to an entity which supports and stabilizes 9 basic commodities, from currently only handling such matters related to rice. Mr. Djarot Kusumayakti (ex Director at BRI) has been appointed as the President Director, replacing Lenny Sugihat, to help in preparing the strategic aim and procedures for national self-sufficiency.

We also believe that cross coordination among ministries should see an improvement. As we can see, unsatisfactory coordination during the initial stage of the new government appeared to cause a major spike in inflation post the government's decision to raise fuel prices in November 2014. Fuel price increases always create major cost-push inflation, which consequently erodes purchasing power. To make matters worse, rice price increases were excessive, mainly given the unavailability of subsidized rice, the availability of which was effective in controlling the rice price during the SBY era. The government took swift action to get better coordination between Bulog and various ministries to ensure better rice availability in the market and also conducted market operations to stabilize the price. The rice price has gradually declined since then, and the government's plans to widen the market operations from the usual wet market to include modern retail channels such as Alfa to distribute subsidized rice should help stabilize the rice price. In May, although food prices were the main source of higher inflation, the rice price still showed a deflationary trend.

Exhibit 13. Rice price trends



Source: CEIC

Some progress has been made, although it might fall short of expectations

The government's progress is now taking center stage, especially given its importance to tackle the recent softness in economic activity. Recognizing the currently soft economic conditions, the government is now on all cylinders to push through some mitigation plans such as: 1) sustaining the people's purchasing power, 2) maintaining price stability, 3) expediting budget absorption and 4) attracting more investment to Indonesia.

To maintain purchasing power, the government launched the Family Welfare Deposit Program (PSKS) for poor families in April 2015, of which IDR6.6tn has been distributed. To boost investment, the government has been aggressively inviting foreign investments, accelerating infrastructure projects, reorganizing bureaucracy, and developing Jakarta's Mass Rapid Transit (MRT).

In regard to the MRT, the development of the East-West corridor will be started later in this year in conjunction with the North-South Corridor that is currently under construction. In addition to this, the government has also started to accelerate the development of several projects, including: groundbreaking power plant projects, commencing toll road projects (trans Sumatera, Solo-Ngawi and Ngawi-Kertosono), and starting the construction of rusunawa.

Exhibit 14. Progress on the Government's Infrastructure Program

I	**Power Plant Project 35,000 MW**			
	Project Progress	**Location**		**Capacity**
	1 Signing of PPA PLTB (wind power plant) Samas	Yogyakarta		50 MW
	2 Signing of PPA PLTU (steam power plant) Kendari-3	South East Sulawesi		2x50 MW
	3 Signing of PPA PLTU (steam power plant) Jeneponto Expansion	South Sulawesi		2x125 MW
	4 Signing of PPA PLTA (hydro power plant) Malea	South Sulawesi		2x45 MW
	5 Signing of LOI of EPC PLTU (steam power plant) Grati	East Java		450 MW
	6 Groundbreaking PLTA (hydro power plant) Jati Gede	West Java		2X55 MW
	7 Groundbreaking PLTU (steam power plant) Takalar	South Sulawesi		2x100 MW
	8 Groundbreaking PLTU (steam power plant) Pangkalan Susu unit 3 and 4	North Sumatera		2x220 MW
II	**Trans Sumatera Toll Road (Ground Breaking)**			
	a. Four Main Corridor Development Plan	**Length**		
	1 Bandar Lampung - Palembang (South Sumatera)	358	Km	
	2 Palembang - Pekanbaru (Riau)	610	Km	
	3 Pekanbaru - Medan (North Sumatera)	548	Km	
	4 Medan - Banda Aceh	460	Km	
	b. Three Priority Corridor Development Plan	**Length**		
	1 Palembang – Bengkulu	303	Km	
	2 Pekanbaru - Padang (West Sumatera)	242	Km	
	3 Medan – Sibolga	175	Km	
III	**Solo - Kertosono Toll Road (Accelerating program)**	**Length**		
	1 Solo - Ngawi acceleration program (91.62% completion)	90.1	Km	
	2 Ngawi - Kertosono toll road ground breaking (48.5% land acquisition, expect to complete by end of 2016)	87.02	Km	
IV	**One Million Housing Programs (Ground Breaking)**			
	Total Budget Allocation Rp13tn:			
	-60 percent allocation for low income people, selling price breakdown:			
	1 Greater Jakarta	Rp120mn	per unit	
	2 Java (exclude greater Jakarta)	Rp105mn	per unit	
	3 Sumatera (exclude Bangka Belitung)	Rp105mn	per unit	
	4 Kalimantan	Rp118mn	per unit	
	5 Sulawesi	Rp110mn	per unit	
	6 Papua and Papua Barat	Rp165mn	per unit	
	-40 percent allocation for middle income people			
IV	**Inauguration of Way Leman Dam in Maluku**			
	*Project value of Rp25.8bn			
IV	**Pledge Rp3tn budget for infrastructure project in North Maluku**			

Source: Cabinet Secretary of Republic of Indonesia; Danareksa Sekuritas

We also recently made a site visit to the Pejagan-Pemalang toll road, which has a total length of 57.5km and is part of the Trans Java toll road. The full section is targeted for completion in August 2016 and so far the progress is on track. In fact, the first two sections will be used during Idul Fitri to help ease traffic congestion, as part of its trial opening. On top of that, the completion of the 117 km-long Cikampek-Palimanan (Cikapali) toll road and several ground breaking projects could be early signs of progress on infrastructure development.

Exhibit 15. Land acquisition problems

Source: Company

Exhibit 16. Bridge Construction on Section I

Source: Danareksa Sekuritas

Exhibit 17. Land Condition on Section I

Source: Danareksa Sekuritas

While the government has arguably made some progress in achieving its transformation story, the results may fall short of expectations. With relatively slow progress, it is likely that the government might not be able to fully spend its planned infra budget this year. However, more influx of spending will be more visible post Lebaran, and intensified in 4Q15 as the government will likely to speed up progress, to achieve as much as possible on the budget absorption.

Weaker confidence in the government; more real results are needed

The government should continue to deliver more meaningful results, and the pressure has been increasing - especially given its popularity has been going south. Consumer confidence in the government's ability to carry out its duties weakened for the fourth consecutive month in May 2015. After declining 1.9 percent in the previous survey, the Consumer Confidence in the Government Index (CCGI) retreated 3.9 percent to 88.3. In our latest survey, four components that make up the CCGI declined while one component still managed to post an increase. On a more encouraging note, however, it should be appreciated that the CCGI has been relatively high over the past four years, an indication that the government has retained the trust of consumers.

The component of the CCGI to decline the most was the one measuring sentiment toward the government's ability to stabilize prices (it slumped 10.5 percent to 65.1 in May 2015). Furthermore, the level of this index is still way below 100, suggesting that consumers still harbor doubts over the government's ability to stabilize prices. Indeed, according to our survey, consumer concerns over rising foodstuff prices are still relatively high (80.6 percent of consumers cited rising foodstuff prices as a main issue in May).

Also down significantly was the component of the CCGI measuring sentiment toward the government's ability to spur economic growth. It dropped 5.4 percent to 92.7 in May 2015. At the same time, the component of the CCGI measuring sentiment toward the government's ability to enforce the rule of law declined 6.0 percent to 82.3 in May 2015 and the component of the CCGI measuring sentiment toward the government's ability to ensure a safe and orderly environment slipped 0.7 percent to 97.1.

By contrast, one component of the CCGI still increased. The component measuring sentiment toward the government's ability to provide and maintain public infrastructure added 0.8 percent to 104.1 in May 2015. Indeed, the latest survey reveals that improvements to public infrastructure are a major factor behind the stronger local economic conditions in the last three months. In our survey, 16.9 percent of consumers cited this government policy as being a major factor behind the stronger local economic conditions in the last three months.

Exhibit 18. Confidence Toward The Current Government

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	MoM %Change
Recovery National Economy	108,5	107,9	102,5	98,0	92,7	-5,4
Stabilize the Price of Goods	87,5	87,3	79,2	72,8	65,1	-10,5
Maintain Public Infrastructure	111,9	106,7	102,5	103,2	104,1	0,8
Provide A Sense of Safety	108,7	103,6	95,4	97,8	97,1	-0,7
Provide A Sense of Certainty	99,4	89,9	88,5	87,6	82,3	-6,0
CCGI	103,2	99,1	93,6	91,9	88,3	-3,9

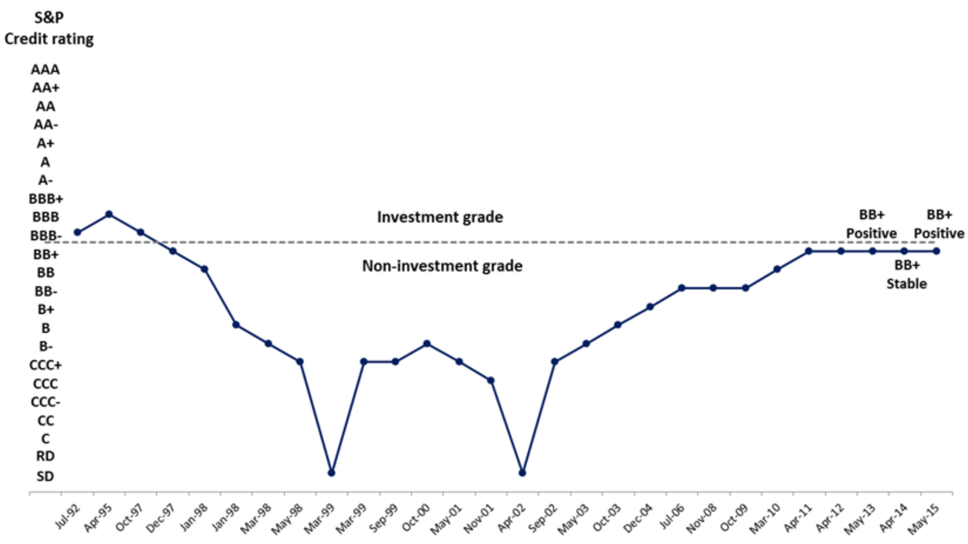
** Note: Starting in April 2007, the Consumer Confidence in the Government Index (CCGI) has been adjusted to the year of 2003 = 100*

Source: Danareksa Research Institute

One step closer to investment grade

The recent S&P upgrade on Indonesia's outlook to positive further cements Indonesia's transformation story, and despite the current slowing down of the economy, it is still on track to make further improvements. We don't believe, however, that the upgrade will necessarily restore investor confidence as it mainly reflects the more prudent government budget with lower fuel subsidies, a development that has been largely priced in. In its statement, S&P said that the positive outlook indicates the possibility for a rating upgrade over the next 12 months, which currently stands only one notch below investment grade. The impact from an upgrade to investment grade would be considerable, in our view, especially with potential huge inflows to Indonesia, which could, in turn, lead to a valuation re-rating. While the positive catalyst is there, the process might not be easy and instant, especially as S&P would also require the government to achieve its objectives on improvements to the quality of expenditure. YTD, the government has made little progress on spending, although it has pledged to accelerate its spending in 2H, which means that an upgrade to investment grade could potentially only transpire next year at the earliest.

Exhibit 19. Historical credit rating by S&P



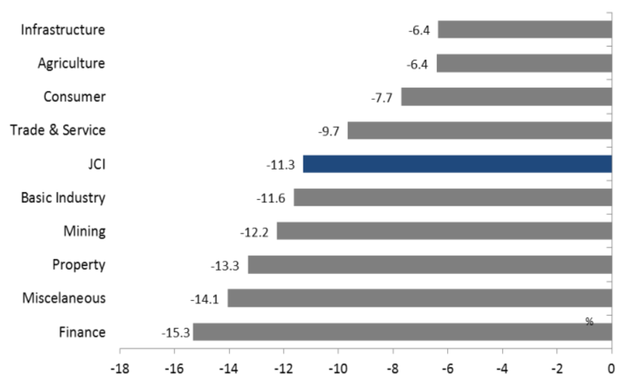
Source: Standard & Poor

The aftermath of market deep correction

The market correction was heavy yesterday, down 3% on intra day, although it recovered a bit on the afternoon session. While in recent weeks, it has been palpable that foreign outflow was persistent, market continue to hold up its ground on the support of domestic investors. It appeared that the domestic investors had now raised their risk-adverse stance, especially in the market that already weakened by several concerns. The recent IDR weakness was act as a catalyst to exacerbate the market meltdown.

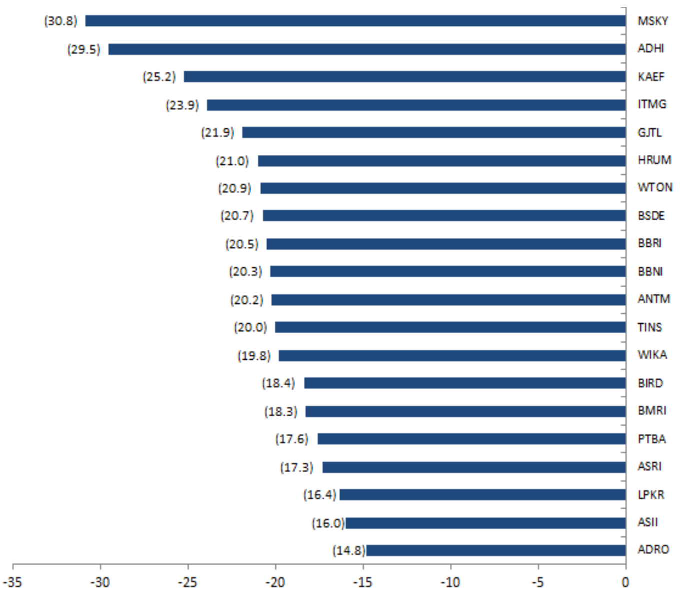
From the recent peak in early April, JCI had took a drastic hit, down 11.3%, with banking sector collapsed 15.3% followed by miscellaneous industry (Automotive) down 14.1%. On the other hand, utilities & telcos sector and agriculture outperformed as these sector only down 6.4% during the same period. Within the company under our coverage, MSKY, ADHI, KAEF, ITMG and GJTL were stacked up in the bottom five, in term of performance. Post the market correction, banking sector looks attractive at this level concomitant to its still robust outlook on longer term perspective.

Exhibit 20. JCI sector performance, peak to date (7-Apr to 9-Jun)



Source: Indonesia Statistic Agency

Exhibit 21. Bottom 20 performance of stocks under our coverage (7-Apr to 9-Jun)



Source: Indonesia Statistic Agency

Our 5,500 index target is based on PE multiple of 16x with EPS growth of 6-7% in 2015, a reduction from our beginning of the year EPS growth estimates of 13%. Based on our calculation, every 1% reduction in EPS growth, *ceteris paribus*, would lead to 52 points cut in index target. We like big caps and defensive sectors, and pitch BMRI IJ (TP IDR13,600), BBRI IJ (TP IDR13,800), PTPP IJ (TP IDR4,600), WSKT IJ (TP IDR2,100), SMGR IJ (TP IDR18,800), INDF IJ (TP IDR8,050), BSDE IJ (TP IDR 2,100), ACES IJ (TP IDR780) and INCO IJ (TP IDR4,200). We raise JSMR IJ (TP IDR8,200) and ISAT IJ (TP IDR4,200) in our basket of top picks given their defensive quality.

MARKET NEWS

4W Sales Dropped 17% YoY (BI)

January-May 2015 4W sales dropped 17% YoY, to 443,328 units, from 531,805 in the same period in 2014. Sales figures in May clocked in at 79,383 units, while April numbers are at 81,600 units, down 2.7% MoM. Toyota remains as the market leader with 29% market share (23,223 units), with Daihatsu on second place with 18.2% market share (14,486 units) and Honda in third place with 14.2% market share (11,301 units). The drop was attributed to unfavorable macro condition which reduce consumer's purchases, as well as the unexciting commodities prices which dim purchasing power in Sumatra and Kalimantan.

Comments: *Relatively weak May sales is disappointing, especially as we initially expect for an improvement on Pre Lebaran demand to already show up in May figures. While demand is likely to log some improvement in June, it will still below last year's trend. (Helmy)*

Cement Manufacturers Need to Optimized Export Market (BI)

ASI stated cement manufacturers need to address the oversupply condition that potentially will lasts until 2020 given the eight new cement plants in 2015-2016 with increasing the share of export markets. For this year, total national cement capacity has reached 75mn tons p.a. With the operation of the whole new plants in 2016, the total national cement capacity will be boosted to 93mn tons p.a. Yet, the cement demand until May 2015 only reached 23mn tons, down 2.8%y-y. Therefore, ASI still expects the significant increase in demand in 2H15F driven by the realization of government infrastructure projects.

ERAA Revised Its Sales Target, Opening New Outlets in Malaysia (BI)

Erajaya Swasembada (ERAA) aims to reach Rp15tn of revenue in 2015, or +3.8% YoY. The new target was revised from the initial target of 6% growth, citing unfavorable economic condition, IDR depreciation and uncertainties regarding the minimum national content. For 2015, ERAA continues to plan to add 60 new outlets, 10 of which will be located in Malaysia, allocating around Rp100bn as capex in 2015.

Government Levy's Threatened under Target (BI)

Government levy's target of Rp12.05tn in 2015 potentially will not be achieved if the CPO price did not show any improvement until the end of this year. The levy income for this year heavily relies on the development of CPO price, aside from cooper export quota from Freeport and Newmont. In 2014, the levy income only reached 55% from target Rp20.6tn. Until May 2015, the levy income still continuing trend of a slowdown with total of only Rp1.5tn, down 74%YoY

Intiland to boost recurring income amid slow property sector (TJP)

Intiland Development (DILD) to boost its recurring income contribution to around 20-30% of total revenue for the next five years by expanding its superblock portfolio projects. Currently, DILD is developing several superblock projects in Jakarta and East Java; South Quarter, Kebon Melati I-II, Praxis, and Spazio. DILD had yet launch any project on 1Q15 and relied solely on the existing project such as Intiland Tower in Surabaya and Jakarta, Spazio, and Intiwhiz Hotel chain. As of 2015, DILD allocated IDR 2tn to finance its project development.

KFC franchisee sees growth amid weak purchasing power (TJP)

Fast Food Indonesia (FAST) aims to boost its revenue by 10-20% or up to IDR 4.71tn, from sales of food, beverage, and music CD. FAST will close 9 stores due to its high leasing cost and poor financial performance, while allocated IDR 350bn in capex which IDR 225bn will be used to open 49 new stores and 5 KFC-Box mini outlets across Indonesia, particularly in East Indonesia. Due to weak consumer purchasing power and rupiah depreciation that affect their imported ingredients price, FAST also considering a price increase on their food and beverage of around 3-5%, without elaborating the price hike timing.

Tin Export Rose Ahead of New Regulation in August 1st (BI)

Tin export volume in May 2015 rose significantly after the government revised the rules of the commodity on May 19. The condition varies inversely with the government hopes to curb the export of tin in order to improve the price conditions. In May 2015, the total volume of tin exports reached 6.3mn tons, up 23.5%m-m. Value wise, the value of tin exports in May 2015 rose 17.7%m-m. The association estimates that the increase in export volume will continue for the next two months until the regulations fully implemented in August 1, 2015.

Equity Valuation

	Rating	Price (Rp)	Price Target	Mkt Cap Rp Bn	Net profit, Rp bn 2015	Net profit, Rp bn 2016	EPS (Rp) 2015	EPS (Rp) 2016	EPS Growth 2015	EPS Growth 2016	PER (x) 2015	PER (x) 2016	EV / EBITDA (x) 2015	EV / EBITDA (x) 2016	PBV (x) 2015	PBV (x) 2016	Net Gearing 2015	ROE 2015
Danareksa Universe				**2,844,907**	**197,711**	**225,489**	**328.3**	**374.4**	**11%**	**14%**	**14.4**	**12.6**	**12.5**	**11.4**	**2.6**	**2.3**		**19.0**
Auto				**290,208**	**24,660**	**29,165**	**451.7**	**534.3**	**15%**	**18%**	**11.8**	**10.0**	**9.5**	**8.2**	**2.1**	**1.8**		**18.6**
Astra International	HOLD	6,850	8,300	277,312	23,976	28,096	592	694	16%	17%	11.6	9.9	9.7	8.3	2.1	1.8	33.5	19.1
Gajah Tunggal	BUY	1,000	1,500	3,485	266	633	76	182	-1%	139%	13.2	5.5	4.6	4.4	0.6	0.5	80.8	4.4
Selamat Sempurna	BUY	4,700	5,300	6,766	419	437	291	303	14%	4%	16.2	15.5	9.3	8.8	4.7	4.1	net cash	32.3
Banks				**959,194**	**84,332**	**96,420**	**782.9**	**895.1**	**13%**	**14%**	**11.4**	**9.9**			**2.2**	**1.9**		**21.4**
BCA	HOLD	13,300	14,050	327,912	19,127	21,921	767	879	15%	15%	17.3	15.1	NA	NA	3.5	2.9	NA	22.4
BNI	BUY	5,800	7,450	108,162	12,142	13,914	651	746	13%	15%	8.9	7.8	NA	NA	1.6	1.4	NA	19.1
BRI	BUY	10,475	13,800	258,409	27,391	31,497	1,110	1,277	13%	15%	9.4	8.2	NA	NA	2.2	1.8	NA	25.2
Bank Tabungan Negara	BUY	1,090	1,400	11,519	1,357	1,609	129	153	22%	19%	8.4	7.1	NA	NA	0.9	0.8	NA	10.6
Bank Mandiri	BUY	9,950	13,600	232,167	22,087	24,946	947	1,069	11%	13%	10.5	9.3	NA	NA	1.9	1.7	NA	19.8
Bank Tabungan Pensiunan	BUY	3,600	5,450	21,025	2,228	2,533	381	434	19%	14%	9.4	8.3	NA	NA	1.5	1.3	NA	17.2
Cement				**162,584**	**12,525**	**15,375**	**725**	**890**	**7%**	**23%**	**13.0**	**10.6**	**7.9**	**6.9**	**2.5**	**2.2**		**20.0**
Holcim	HOLD	1,515	2,300	11,609	923	1,213	120	158	12%	31%	12.6	9.6	6.7	5.2	1.1	1.0	30.0	9.1
Indocement	BUY	20,750	28,300	76,386	5,741	6,595	1,559	1,792	8%	15%	13.3	11.6	7.7	6.5	2.7	2.4	net cash	21.2
Semen Indonesia	BUY	12,575	18,800	74,589	5,861	7,567	988	1,276	5%	29%	12.7	9.9	8.3	7.7	2.8	2.4	12.3	23.2
Construction				**105,521**	**4,577**	**5,552**	**120**	**145**	**24%**	**21%**	**23.1**	**19.0**	**11.3**	**9.6**	**3.6**	**3.1**		**16.7**
Jasa Marga	BUY	6,100	8,200	41,480	1,600	1,877	422	547	25%	30%	14.5	11.2	14.2	12.8	3.3	3.0	116.4	13.4
Wijaya Karya	BUY	2,800	4,000	17,218	843	1,004	137	164	37%	19%	20.4	17.1	8.4	7.1	2.9	2.5	8.9	15.4
Pembangunan Perumahan	BUY	3,680	4,600	17,820	694	856	143	177	30%	23%	25.7	20.8	10.0	8.3	6.0	4.8	18.0	25.8
Adhi Karya	BUY	2,185	3,700	3,936	399	531	221	295	23%	33%	9.9	7.4	5.4	4.7	1.9	1.5	66.5	20.8
Waskita Karya	BUY	1,645	2,100	16,308	646	792	66	81	28%	23%	25.0	20.4	12.9	10.5	4.9	4.1	39.2	20.9
Wika Beton	HOLD	1,005	1,350	8,759	396	491	45	56	32%	24%	22.1	17.8	11.6	9.4	3.5	3.0	net cash	17.1
Consumer				**446,026**	**13,686**	**15,530**	**498**	**565**	**9%**	**13%**	**32.6**	**28.7**	**19.5**	**17.6**	**8.6**	**7.8**		**27.8**
Indofood CBP	HOLD	12,900	13,800	75,219	3,033	3,308	520	567	16%	9%	24.8	22.7	17.1	16.1	4.8	4.3	net cash	20.3
Indofood	BUY	6,600	8,050	57,951	3,811	4,287	434	488	-2%	12%	15.2	13.5	7.2	6.6	2.1	1.9	19.2	14.1
Unilever	SELL	39,700	30,000	302,911	6,365	7,332	834	961	11%	15%	47.6	41.3	33.2	29.1	56.2	50.3	net cash	129.7
Nippon Indosari Corpindo	HOLD	1,200	1,200	6,074	266	377	53	75	41%	42%	22.8	16.1	13.1	9.2	5.2	4.1	63.0	25.0
Mandom	BUY	19,250	19,300	3,871	210	226	1,045	1,126	8%	8%	18.4	17.1	9.9	9.2	2.7	2.4	2.6	15.3
Heavy Equipment				**78,891**	**5,764**	**6,341**	**1,261**	**1,387**	**4%**	**10%**	**13.7**	**12.4**	**6.0**	**5.1**	**1.9**	**1.7**		**14.1**
Hexindo Adiperkasa	HOLD	2,885	3,650	2,423	220	260	262	309	13%	18%	11.0	9.3	5.2	4.1	0.9	0.8	net cash	8.0
United Tractors	HOLD	20,500	22,200	76,468	5,544	6,081	1,486	1,630	3%	10%	13.8	12.6	6.0	5.1	1.9	1.8	net cash	14.5
Healthcare				**98,626**	**2,633**	**3,039**	**49**	**57**	**11%**	**15%**	**37.5**	**32.5**	**22.4**	**18.7**	**6.8**	**6.1**		**19.3**
Kalbe Farma	HOLD	1,645	1,900	77,110	2,273	2,593	48	55	9%	15%	34.3	29.9	22.4	19.2	7.3	6.4	net cash	22.7
Kimia Farma	BUY	965	1,500	5,360	258	313	47	56	12%	19%	20.5	17.2	14.0	11.2	2.6	2.3	2.3	13.5
Siloam Hospital	BUY	13,975	15,750	16,156	102	133	89	115	64%	30%	157.8	121.6	27.7	20.6	9.2	8.5	64.2	6.0
Mining				**106,604**	**8,963**	**10,056**	**138**	**155**	**5%**	**12%**	**11.9**	**10.6**	**5.4**	**4.8**	**1.1**	**1.1**		**9.4**
Adaro Energy	BUY	835	1,150	26,708	2,095	2,202	66	69	2%	5%	12.7	12.1	4.5	4.0	0.8	0.8	33.0	6.2
Timah	BUY	760	1,400	5,660	651	765	87	103	40%	18%	8.7	7.4	4.3	3.9	1.0	1.0	10.2	12.4
Vale Indonesia	BUY	2,865	4,200	28,468	2,375	2,566	239	258	17%	8%	12.0	11.1	5.5	4.7	1.3	1.2	2.6	11.0
Aneka Tambang	HOLD	730	1,100	6,963	194	400	20	42	-148%	106%	35.8	17.4	13.8	10.3	0.6	0.5	62.8	1.6
Bukit Asam	BUY	9,125	13,500	21,025	1,746	1,939	803	892	-13%	11%	11.4	10.2	8.2	7.1	2.3	2.1	net cash	19.7
Indo Tambangraya Megah	HOLD	12,900	16,000	14,576	1,782	1,982	1,577	1,755	-15%	11%	8.2	7.4	3.7	3.3	1.4	1.4	net cash	18.0
Harum Energy	HOLD	1,185	1,750	3,204	119	202	44	75	-53%	69%	26.9	15.9	2.2	1.7	0.8	0.9	net cash	3.1
Plantation				**61,353**	**5,510**	**5,938**	**211**	**227**	**11%**	**8%**	**11.1**	**10.3**	**6.0**	**5.4**	**1.6**	**1.5**		**14.9**
Astra Agro Lestari	BUY	23,200	27,100	36,534	2,770	2,832	1,759	1,798	4%	2%	13.2	12.9	7.9	7.4	3.1	2.9	net cash	24.5
Sampoerna Agro	BUY	1,770	2,600	3,345	464	550	245	291	18%	19%	7.2	6.1	4.7	4.0	1.0	0.9	31.8	14.5
PP London Sumatra	HOLD	1,710	2,090	11,667	1,055	1,133	155	166	8%	7%	11.1	10.3	5.7	4.9	1.5	1.3	net cash	13.9
Salim Ivomas Pratama	BUY	620	850	9,806	1,221	1,423	77	90	33%	17%	8.0	6.9	4.2	3.7	0.6	0.6	37.6	8.2
Property				**78,564**	**5,943**	**6,634**	**80**	**89**	**-25%**	**12%**	**13.2**	**11.8**	**10.0**	**8.8**	**1.8**	**1.6**		**14.4**
Alam Sutera	BUY	525	700	10,316	1,254	1,516	64	77	15%	21%	8.2	6.8	8.1	6.9	1.4	1.2	75.3	18.9
Bumi Serpong Damai	BUY	1,740	2,100	33,489	2,369	2,617	135	150	-36%	10%	12.8	11.6	11.2	9.9	2.2	1.9	net cash	16.6
Metropolitan Land	BUY	414	620	3,138	290	322	38	43	14%	11%	10.8	9.7	7.3	6.8	1.4	1.3	27.7	14.2
Surya Semesta Internusa	HOLD	1,080	1,040	5,082	464	415	99	88	32%	-11%	10.9	12.2	5.0	5.1	1.7	1.6	net cash	16.9
Lippo Karawaci	BUY	1,150	1,200	26,539	1,565	1,763	72	82	-38%	13%	15.9	14.1	12.1	10.3	1.7	1.5	29.1	10.1
Telco & Infrastructure				**429,719**	**19,454**	**22,656**	**142**	**166**	**25%**	**16%**	**22.1**	**19.0**	**6.4**	**5.8**	**3.5**	**3.2**		**17.1**
XL Axiata	BUY	3,880	4,710	33,141	356	680	42	80	-140%	91%	92.9	48.7	6.2	5.6	2.3	2.2	120.7	2.5
Indosat	BUY	3,630	4,200	19,725	312	588	57	108	-152%	89%	63.3	33.5	3.6	3.3	1.2	1.2	132.4	2.0
Telkom	HOLD	2,830	3,050	285,264	15,554	16,458	158	168	6%	6%	17.9	16.9	5.7	5.3	3.9	3.6	net cash	22.1
Sarana Menara Nusantara	BUY	4,000	4,525	40,812	1,702	2,121	167	208	35%	25%	24.0	19.2	12.0	10.2	6.3	5.0	107.9	29.8
Tower Bersama	HOLD	8,900	8,725	42,689	1,528	2,387	300	429	9%	43%	29.6	20.7	16.1	12.9	3.7	3.0	129.0	19.3
MNC Sky Vision	HOLD	1,145	1,410	8,088	2	423	0	60	-101%	19638%	3,773.8	19.1	8.1	6.7	4.9	3.9	150.1	0.1
Tranportation				**20,017**	**1,253**	**1,554**	**501**	**621**	**62%**	**24%**	**16.0**	**12.9**	**9.0**	**7.3**	**4.5**	**3.6**		**32.3**
Blue Bird	BUY	8,000	12,200	20,017	1,253	1,554	501	621	62%	24%	16.0	12.9	9.0	7.3	4.5	3.6	47.8	32.3
Utility				**101,572**	**11,088**	**10,313**	**457**	**425**	**3%**	**-7%**	**9.2**	**9.8**	**6.2**	**6.7**	**2.5**	**2.3**		**28.7**
PGN	BUY	4,190	6,650	101,572	11,088	10,313	457	425	3%	-7%	9.2	9.8	6.2	6.7	2.5	2.3	net cash	28.7
Retail				**24,671**	**1,210**	**1,509**	**47**	**58**	**15%**	**25%**	**20.4**	**16.4**	**9.8**	**8.3**	**2.7**	**2.4**		**14.0**
Mitra Adi Perkasa	BUY	5,550	6,525	9,213	352	543	212	327	112%	54%	26.2	17.0	8.5	7.1	3.2	2.8	84.7	13.0
Ramayana	SELL	680	660	4,825	243	255	34	36	-31%	5%	19.8	18.9	9.5	8.7	1.4	1.4	net cash	7.2
Ace Hardware	BUY	620	780	10,633	615	711	36	41	17%	14%	17.2	15.1	12.2	10.3	3.7	3.1	net cash	23.8

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on 09-Jun-2015	Price as on 08-Jun-2015	Chg, %	w-w, %	m-m, %	YTD, %	Rating
Selamat Sempurna	SMSM	4,700	4,600	2.2	(4.1)	0.9	(1.1)	BUY
Indosat	ISAT	3,630	3,560	2.0	(2.6)	(5.2)	(10.4)	BUY
Sarana Menara Nusantara	TOWR	4,000	3,980	0.5	-	1.3	(3.6)	BUY
Siloam Hospital	SILO	13,975	13,975	-	(1.2)	0.5	2.0	BUY
Harum Energy	HRUM	1,185	1,185	-	(2.9)	0.4	(28.6)	HOLD
Metropolitan Land	MTLA	414	414	-	(0.2)	1.0	(7.0)	BUY
Mandom	TCID	19,250	19,275	(0.1)	(0.1)	(0.8)	9.8	BUY
Lippo Karawaci	LPKR	1,150	1,155	(0.4)	(11.2)	(9.1)	12.7	BUY
Gajah Tunggal	GJTL	1,000	1,005	(0.5)	(4.8)	-	(29.8)	BUY
Indofood CBP	ICBP	12,900	12,975	(0.6)	(8.5)	(6.4)	(1.5)	HOLD

Sources: Bloomberg

LAGGARDS

	Code	Price as on 09-Jun-2015	Price as on 08-Jun-2015	Chg, %	w-w, %	m-m, %	YTD, %	Rating
MNC Sky Vision	MSKY	1,145	1,275	(10.2)	(11.6)	(27.3)	(28.4)	HOLD
Ace Hardware	ACES	620	665	(6.8)	(8.1)	(8.1)	(21.0)	BUY
United Tractors	UNTR	20,500	21,850	(6.2)	(0.1)	(14.3)	18.2	HOLD
Ramayana	RALS	680	720	(5.6)	(6.8)	(10.5)	(13.9)	SELL
Alam Sutera	ASRI	525	555	(5.4)	(12.5)	(17.3)	(6.3)	BUY
Indofood	INDF	6,600	6,975	(5.4)	(7.0)	(0.8)	(2.2)	BUY
Bank Tabungan Pensiunan Nasional	BTPN	3,600	3,800	(5.3)	(6.6)	(10.0)	(8.9)	BUY
Timah	TINS	760	800	(5.0)	(10.6)	(6.7)	(38.2)	BUY
Bank Rakyat Indonesia	BBRI	10,475	11,000	(4.8)	(10.7)	(10.1)	(10.1)	BUY
Adhi Karya	ADHI	2,185	2,290	(4.6)	(10.6)	(24.7)	(37.2)	BUY

Sources: Bloomberg

Disclaimer