

MORNING HIGHLIGHT

FROM EQUITY RESEARCH

Automotive:

Gaikindo Auto Show 2015: challenging times (Neutral)

We visited the Gaikindo Indonesia International Auto Show 2015 which adopted the theme "Smart Mobility of the Future". For the first time, the event was hosted by Gaikindo at the new convention center in BSD City whereas it was previously held at Kemayoran. Several of the top car manufacturers launched new models, especially in the low-end MPV segments. The highlights were: a) the major facelift of Toyota Avanza/Daihatsu Xenia, b) the Honda BR-V prototype (which will be positioned in the low-end MPV segment), and c) the minor facelift of Suzuki Ertiga. While some car manufacturers offered discounts of up to Rp30mn/unit for existing models – which should help monthly car sales recover from their low seen in July 2015, we nonetheless expect domestic car sales to remain lackluster given the current challenging economic conditions. Maintain NEUTRAL on Indonesia's Automotive Sector and HOLD on Astra International.

Previous Reports:

- PTPP: PP Properti remains the driving force, PPRO: More contribution from apartment projects-[Snapshot20150824](#)
- SSIA: Lower contribution from industrial land-[Snapshot20150821](#)
- WIKA: Facing headwinds-[Snapshot20150820](#)
- Automotive: Lowest monthly car sales volume in the past five years, BBNI: Time will heal-[Snapshot20150819](#)

MARKET NEWS

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- MAIN Posted Net Loss IDR84bn in 1H15 (Not rated)
- ACES has not revised expansion plan (BI)
- Government to relax budget oversight (TJP)
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- JSMR asked to Acquire Toll in Java (BI)
- New Tax Holiday Rule Expands Industry Coverage (TJP)
- PPRO pocketed IDR 1.1tn (BI)
- SMCB Completes Tuban Plant (ID)
- Today, 21 CCoW holder declare their decision regarding Contract Amendment (ID)
- TINS to Enter Property Business with SOE Contractors (ID)

IDX ANNOUNCEMENT

Cash Announcement

Code	Ex-Date	Date Payable	Amount (Rp)
HMSP	19-Aug-15	9-Sep-15	1,033
APII	26-Aug-15	9-Sep-15	5.94143

Source: KSEI

Key Index

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	4,164	(4.0)	(20.3)	312
Thailand	1,301	(4.7)	(13.1)	1,682
Philippines	6,791	(6.7)	(6.1)	273
Malaysia	1,532	(2.7)	(13.0)	499
Singapore	2,843	(4.3)	(15.5)	1,338
Regional				
China	3,210	(8.5)	(0.8)	42,605
Hong Kong	21,252	(5.2)	(10.0)	18,018
Japan	18,541	(4.6)	6.2	23,040
Korea	1,836	0.3	(4.2)	5,722
Taiwan	7,410	(4.8)	(20.4)	4,410
India	25,742	(5.9)	(6.4)	658
NASDAQ	4,526	(3.8)	(4.4)	159,596
Dow Jones	15,871	(3.6)	(11.0)	21,280

Currency and Interest Rate

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	14,076	(1.8)	(4.4)	(13.2)
SBI rate %	6.67	(0.3)	(0.3)	(0.6)
10y Gov Indo bond	9.05	0.4	0.8	1.3

Hard Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	56	(0.1)	(4.4)	(21.5)
Gold	US\$/toz	1,154	(0.1)	5.0	(2.6)
Nickel	US\$/mt.ton	9,478	(6.8)	(15.8)	(37.1)
Tin	US\$/mt.ton	14,190	(5.5)	(8.2)	(27.0)

Soft Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	3,133	(1.5)	(7.5)	5.5
Corn	US\$/mt.ton	137	1.2	(5.2)	(4.5)
Crude Oil	US\$/barrel	43	(6.1)	(21.8)	(25.5)
Palm oil	MYR/mt.ton	1,919	0.2	(12.3)	(16.5)
Rubber	USD/kg	126	(4.3)	(11.4)	(17.1)
Pulp	US\$/tonne	846	N/A	(0.6)	(9.2)
Coffee	US\$/60kgbag	88	(1.2)	3.9	18.8
Sugar	US\$/MT	334	(0.0)	(3.8)	(14.7)
Wheat	US\$/ton	138	0.8	(2.3)	(17.4)

Source: Bloomberg

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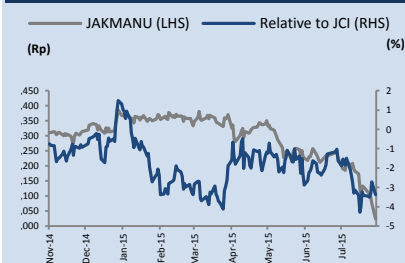
AUTO/SECTOR UPDATE

Automotive Sector

Tuesday, August 25, 2015

NEUTRAL

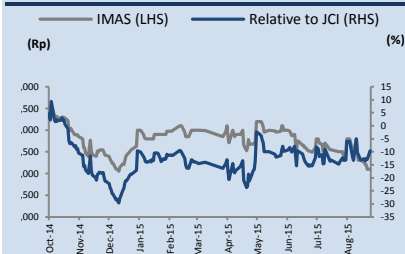
JAKMANU relative to JCI Index



ASII relative to JCI Index



IMAS relative to JCI Index



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Gaikindo Auto Show 2015: challenging times

We visited the Gaikindo Indonesia International Auto Show 2015 which adopted the theme “Smart Mobility of the Future”. For the first time, the event was hosted by Gaikindo at the new convention center in BSD City whereas it was previously held at Kemayoran. Several of the top car manufacturers launched new models, especially in the low-end MPV segments. The highlights were: a) the major facelift of Toyota Avanza/ Daihatsu Xenia, b) the Honda BR-V prototype (which will be positioned in the low-end MPV segment), and c) the minor facelift of Suzuki Ertiga. While some car manufacturers offered discounts of up to Rp30mn/unit for existing models – which should help monthly car sales recover from their low seen in July 2015, we nonetheless expect domestic car sales to remain lackluster given the current challenging economic conditions. Maintain **NEUTRAL** on Indonesia’s Automotive Sector and **HOLD** on Astra International.

Two new motor show events this year

This year is quite unique since two motor show events are being held at the same time but at different locations. They are: a) the Gaikindo Indonesia International Auto Show (GIAS) 2015 hosted by Gaikindo at the new convention center in the Indonesia Convention Exhibition (ICE) at BSD City, Tangerang, and b) the Indonesia International Motor Show (IIMS) hosted by Dyandra at Kemayoran, Jakarta. Most of the sole car distributors showcased their models at GIAS, encompassing about 34 car brands in total, consisting of 25 passenger car brands and 9 heavy commercial vehicle brands. In all, there were around 350 exhibitors.

New model launches were mostly in the low-MPV segment

Most of the new models being showcased at this year’s motor show events are in the low-end MPV segment. Notable highlights include: a) the major facelift of Toyota Avanza/ Daihatsu Xenia, b) the Honda BR-V prototype, and c) the minor facelift of Suzuki Ertiga. The Honda BR-V prototype- a type of new generation crossover utility vehicle - is expected to compete head-to-head with Toyota Avanza in the low-end MPV segment. Although the Honda BR-V sells at a premium price of Rp230 – 265mn/unit compared to Toyota’s Grand New Avanza which sells for between Rp178 – 227mn/unit, we believe that the first delivery of the Honda BR-V at the end of 1Q16 shall further squeeze the market share of Toyota and Daihatsu in the low-end MPV segment. The launch of the Honda HR-V in the beginning of 2015 - which is positioned in the low-end SUV segment – helped lift Honda’s market share to 16% in 7M15 from 13% in 2014 and thereby reduce Toyota’s domestic market share to 30% in 7M15 from 33% in 2014.

More discounts on existing models in the face of challenging economic conditions

While new models launched at this year’s motor shows have not been given price discounts, several top car brands are aggressively giving discounts of up to Rp30mn/unit (on a cash basis) on their existing models. We believe this is part of a strategy to bolster car sales in the currently unsupportive economic environment.

Expecting a recovery in monthly car sales

We expect a recovery in monthly car sales in August 2015 after monthly sales slumped to a 5-year low in July. Our expectation of stronger car sales reflects: a) normalization in the number of working days in August 2015 and b) our belief that the motor shows will help trigger higher car sales. With the notable exception of 2007, monthly car sales following the annual motor show have been lifted by between 2% - 49%. Nonetheless, amidst strong economic headwinds, we expect monthly car sales of only around 70,000 – 75,000 units in the remainder of 2015 (this compares to a monthly average of 100,668 units in 2014).

Company	Recom.	Current price Rp	Target price Rp	PE, x 2015F	EV/EBITDA, x 2015F	EPS CAGR FY14-FY16F	ROE, % 2015F	Net Gearing, % 2015F
Sector average				9.58	8.28	16.35	19.15	33.47
ASII	HOLD	5,675	8,300	9.58	8.28	16.35	19.15	33.47

Exhibit 1. Toyota Avanza's major facelift



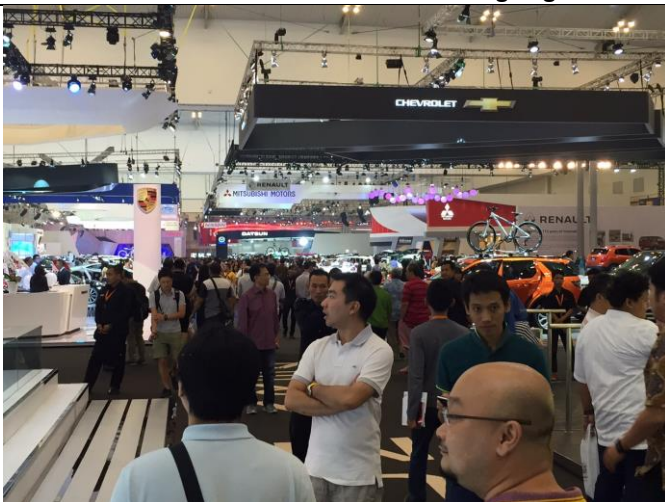
Source: Danareksa Sekuritas

Exhibit 2. Honda BRV prototype



Source: Danareksa Sekuritas

Exhibit 3. Visitors are still enthusiastic about going to motor shows



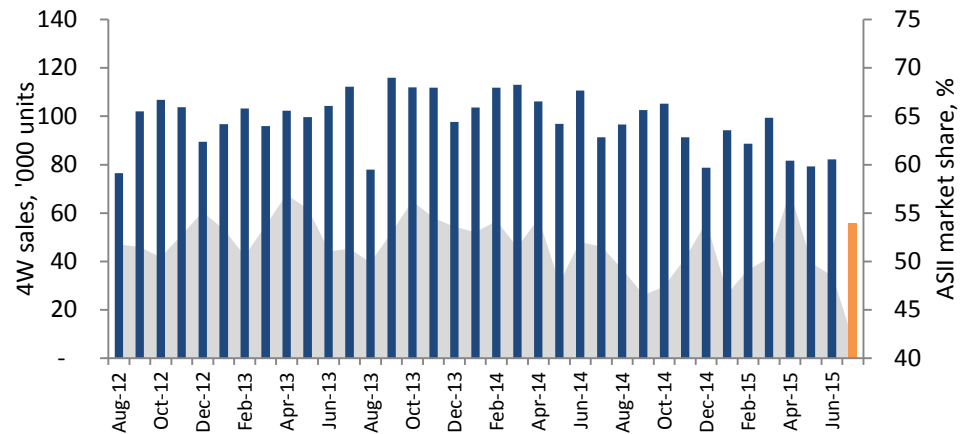
Source: Danareksa Sekuritas



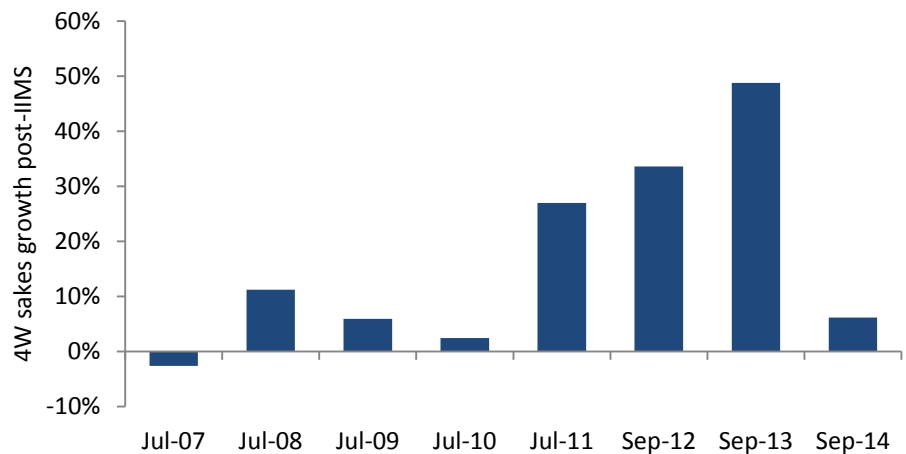
Exhibit 3. Top Low-end MPV car segment comparison

	Toyota Avanza	Daihatsu Xenia	Honda Mobilio	Honda BR-V	Suzuki Ertiga
Engine (cc)	1,329	989	1,496	1,496	1,373
Cylinder	4	3	4	4	4
Torsion (nm)	121	90	145	145	130
Overall Length (mm)	4,190	4,190	4,386	4,455	4,265
Overall Width (mm)	1,660	1,660	1,683	1,735	1,695
Overall Height (mm)	1,695	1,685	1,603	1,650	1,685
Wheelbase (mm)	2,655	2,655	2,650	2,660	2,740
Ground clearance (mm)	200	190	189	200	185
Price range (Rpmm)	180.6-211	150.4-204.35	168.5-222.5	230-265	171.5-223.4

Source: Company website, various publications

Exhibit 4. Monthly car sales dropped to a five-year low in July

Source: Gaikindo, Astra International

Exhibit 5. Monthly car sales growth post motor shows in the past

Source: Gaikindo, various sources

Exhibit 6. Comparison between GIAS and IIMS 2015

Comparison	GAIKINDO INDONESIA INTERNATIONAL AUTO SHOW 2015	INDONESIA INTERNATIONAL MOTOR SHOW 2015
Location	Indonesia Convention Exhibition (ICE) BSD, Tangerang	Jakarta International Expo (JIE) Kemayoran, Jakarta
Area, '000 m ²	210	93
Participants, brands	25 passenger 9 commercial/ heavy 350 exhibitors	50
Audience Target, '000 people	380	380
Transactions Target, IDR tn	5.4	5
Ticket Price, IDR '000	40 (weekdays) 60 (weekend)	40 (weekdays) 60 (weekend)

Source: Gaikindo, various sources

1H15 RESULT

MAIN Posted Net Loss IDR84bn in 1H15 (Not rated)

- Malindo Feedmill (MAIN) posted 1H15 result, with net loss of IDR83.9bn, stemming from lower overall margins and dragged down by below the line items. 2Q15 net loss came in at IDR24.2bn, improved from net loss of IDR59.7bn in 1Q15, on the back of favorable prices during the Ramadhan festivities.
- 1H15 top line came in at IDR2.3tn, relatively unchanged YoY, with 2Q15 revenue at IDR1.18tn, despite having Ramadhan that should boost the revenue.
- Despite having net loss, we note that margins in 2Q15 are improving from 1Q15 levels, as DOC prices were also salvaged during the Ramadhan season.
- Balance sheet wise, although gearing level remains excessive at 172% in 2Q15, it has come down from 183% in 1Q15, on the back of reduced total debts.

Financial performance	1H14	1H15	y-y, %	2Q14	1Q15	2Q15	q-q %	y-y %	2015C	A/C, %
(in Rp bn)										
Net sales	2,300.3	2,305.0	0.20	1,216.6	1,122.2	1,182.9	5.41	-2.78	5,104	45.16
COGS	2,005.3	2,124.9	5.96	1,051.5	1,046.7	1,078.2	3.01	2.53		
Gross profit	295.0	180.2	-38.94	165.1	75.5	104.7	38.72	-36.59	-	
Opex	148.2	149.2	0.73	83.3	70.8	78.5	10.93	-5.80		
Operating profit	146.9	30.9	-78.95	81.8	4.7	26.2	455.94	-67.96	4,000	0.77
Other income (expenses)	(36.8)	(139.7)	279.43	(46.4)	(82.8)	(56.9)	-31.34	22.65		
Pretax profit	110.1	(108.8)	-198.83	35.4	(78.1)	(30.7)	-60.74	-186.57		
Tax expense	(22.8)	24.8	-209.14	(6.3)	18.4	6.4	-65.00	-201.63		
Minority interest	(0.1)	0.1	-163.14	(0.1)	0.0	0.0				
Net profit	87.2	(83.9)	-196.18	28.9	(59.7)	(24.2)	-59.47	-183.6%	68	-123.31
Core profit, Rp bn										
(in %)										
Gross margin	12.8	7.8		13.6	6.7	8.9			26.8	
Operating margin	6.4	1.3		6.7	0.4	2.2			78.4	
Net margin	3.8	-3.6		2.4	-5.3	-2.0			1.3	

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MARKET NEWS

Government to relax budget oversight (TJP)

With a commitment to spur economic growth through project development, government will give local leaders flexibility to speed up public expenditure this year through removing or ease regulations that hindered investment. Recently, government has scrapped requirement for foreigners working in Indonesia to master Indonesian. In addition, KPK head, police and attorney general agreed that a policy that potentially causes states losses will not be legally processed if the legal breach is not evident. This discretion, however, should be used to speeding up development.

Honda owns 77% market share for scooter (ID)

As of Juli 2015, Astra Honda Motor (AHM) managed to control 77.3% of the market share for automatic scooter nationwide after selling 240.355 units through its flagship products, namely Beat, Vario, Scoopy. The largest contribution scooter sales is derived from the All New Honda Beat esp series amounted to 128.140 units. In the motorcycle segment, AHM recorded a market share of 45.5% through the selling of Honda Supra series amounted to 13.848 units and Honda Revo amounted to 13.364 units.

JSMR asked to Acquire Toll in Java (BI)

Jasa Marga (JSMR) and other state-owned enterprises such as Waskita (WSKT) is expected to acquire a number of toll roads in Java to facilitate the Trans Java program, if it gets the state capital participation (PMN) next year. The Government proposes JSMR to get PMN worth IDR 1.25tn in the RAPBN 2016, or lower than the management proposal of IDR 2-3tn.

New Tax Holiday Rule Expands Industry Coverage (TJP)

Industries that will be eligible for the tax holiday facility has been expanded to nine industries from the previous five, to attract new investor to venture into the industry, particularly on develop pioneer and strategic business, in the form of FDI. The new industries included related to; agriculture, forestry, and fisheries; marine transport; manufacturing within Special Economic Zone; and economic infrastructure not part of govt-to-business scheme, where the first two can be seen to be related to Jokowi's maritime vision. The implementation has extended as well to last between five to fifteen years from the previous five to ten years, with a possibility to extend to 20 years if the ministry deems the investment is strategic to the economy. Minimum amount still set at IDR 1tn but lower figure, at IDR 500bn, can be applied specifically to the telecommunication, information, and communication industry as long as they met the high technology requirement. For the tax holiday ratio, MoF has introduced a new range of 10-100% which will depends on the industry type.

192/PMK.011/2014	159/PMK.010.2015
Basic Metals	Upstream Metals
Oil Refineries &/ Basic Chemicals rooted in oil/ natural gas	Oil refineries
Machinery	Organic Basic Chemicals rooted in oil & natural gas
	Machineries that produce for industrial machines
	Manufacturing based on agriculture, forestry, and fisheries
Renewable Energy	Telecommunication, information, and communication
Communication Equipment	Marine Transportation
	Manufacturing that is part of main industry in Special Economic Zone
	Economic infrastructure not under government-to- business scheme

PPRO pocketed IDR 1.1tn (BI)

Property PP (PPRO) pocketed IDR 1.1tn marketing sales over the last 7 months, or 47% from the 2015 target of IDR 2.3tn. This September, PPRO will also launch several new projects simultaneously, but still reluctant to provide details relating to the new project.

SMCB Completes Tuban Plant (ID)

Holcim Indonesia (SMCB) announced the completion of its Tuban plant in East Java yesterday. The new plant has capacity of 3.4mn p.a., and has begun construction since 2011. The company hopes the new plant will help them to enlarge their market share in East Java, as well as to provide easier distribution access to other islands. Currently, SMCB operates 3 integrated cement plants and one grinding station with total capacity of 12.5mn tons p.a.

Today, 21 CCoW holder declare their decision regarding Contract Amendment (ID)

Ministry of Energy and Mineral Resources (EMR) has completed the preparation of draft amendments to the Coal Contract of Work (CCoW) as an elaboration of 6 points that have been agreed in MoU of contract amendments. 21 third- generations of CCoW holders have studied the draft and will declare their decision today. Should they express no objection, contract amendment to the contract can be signed immediately.

TINS to Enter Property Business with SOE Contractors (ID)

Timah (TINS) is partnering up with Wijaya Karya (WIKA) and Adhi Karya (ADHI) to form a JV which will dwell in property development in Bekasi. TINS will own 51% of the JV, while the 2 construction companies will each have 24.5%. According to Agung Nugroho, Corporate Secretary of TINS, the company aims for the JV to launch its maiden project by November 2015, with the first stage of the property development to build 25ha for 1,500 houses.

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		24-Aug-2015	21-Aug-2015					
Ace Hardware	ACES	630	570	10.5	7.7	(1.6)	(19.7)	BUY
Metropolitan Land	MTLA	320	303	5.6	(8.0)	(9.0)	(27.4)	BUY
Indosat	ISAT	4,080	3,990	2.3	(2.9)	(5.7)	0.7	BUY
Indofood CBP	ICBP	12,650	12,450	1.6	1.2	1.8	(3.4)	BUY
Mandom	TCID	18,000	18,000	-	-	(7.7)	2.7	BUY
Kalbe Farma	KLBF	1,510	1,510	-	(3.2)	(9.6)	(17.5)	BUY
Mitra Keluarga	MIKA	26,000	26,000	-	(2.3)	7.3	52.9	BUY
Surya Semesta Internusa	SSIA	635	635	-	(10.6)	(29.8)	(40.7)	HOLD
Sarana Menara Nusantara	TOWR	3,940	3,940	-	(1.3)	(1.5)	(5.1)	BUY
MNC Sky Vision	MSKY	1,575	1,575	-	(2.2)	12.5	(1.6)	HOLD

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		24-Aug-2015	21-Aug-2015					
Ramayana	RALS	515	600	(14.2)	(23.1)	(26.4)	(34.8)	SELL
Hexindo Adiperkasa	HEXA	1,315	1,505	(12.6)	(24.9)	(48.6)	(62.5)	HOLD
Wika Beton	WTON	855	960	(10.9)	(19.3)	(19.7)	(34.2)	HOLD
Vale Indonesia	INCO	1,310	1,460	(10.3)	(28.2)	(43.8)	(63.9)	BUY
Salim Ivomas Pratama	SIMP	409	455	(10.1)	(13.0)	(29.5)	(42.0)	BUY
Adhi Karya	ADHI	1,725	1,915	(9.9)	(21.6)	(32.7)	(50.4)	BUY
Perusahaan Gas Negara	PGAS	2,880	3,195	(9.9)	(14.9)	(29.8)	(52.0)	BUY
Semen Indonesia	SMGR	7,200	7,975	(9.7)	(17.5)	(35.9)	(55.6)	BUY
PP Properti	PPRO	144	159	(9.4)	(14.8)	(21.7)	(22.2)	BUY
Bumi Serpong Damai	BSDE	1,395	1,540	(9.4)	(17.5)	(23.6)	(22.7)	BUY

Sources: Bloomberg

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