Danareksa Snapshot

Equity Research
Friday, August 28, 2015

MORNING HIGHLIGHT

FROM EQUITY RESEARCH

BBRI: A safe bet in troubled times

(BBRI IJ. Rp 10,500. BUY. TP Rp 13,400)

Despite the current challenges, BBRI still managed to post 14.7% YoY growth in micro loans in June 2015. Regarding the latest KUR program (12.0% lending rate and 7.0% interest rate subsidy provided by the government), the impact on the bank's NIM will be minimal given that KUR only accounted for a mere 2.5% of the total loans portfolio as of June 2015. We forecast growth of 13.4% and 14.2% in 2015-16F. However, in the face of prevailing headwinds, we forecast the gross NPLs to increase to 2.3% by end-2015F before declining slightly to 2.2% as of December 2016F. Given these assumptions, we expect flat net profits in FY15F with only 6.0% growth in FY16F. We roll over our valuation to 2016 and maintain our TP at IDR13,400 implying PBV of 2.4-2.1x for 2016-17F derived from the DBV model. BUY maintained with the stock remaining as our top pick in the sector.

FROM DANAREKSA RESEARCH INSTITUTE

August 2015 Inflation Outlook: Milder

Prices of goods and services at the consumer level still rose in July. During the month, headline inflation reached 0.93% MoM, or 7.26% on an annual basis.

Economic Update

The latest GDP data shows that the Indonesian economy has slowed further, weighed down by weaker commodity exports on the back of the global economic slowdown with uncertainty over when the Fed will hike interest rates.

Previous Reports:

- **MIKA: Maintaining solid profitability-*Snapshot20150827***
- **MYOR: In sweet spot-*Snapshot20150826***
- **Automotive: Gaikindo Auto Show 2015: challenging times-*Snapshot20150825***

MARKET NEWS

***Analysts' comment inside**

- ANTM: Raising Gold Sales Recover Operating Profit
- 4W production fell 35.7% (ID)
- KLBF absorps capex of IDR 600bn (BI)
- WSKT acquired 60% stake in Pemalang-Batang Toll Road (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	4,431	4.6	(15.2)	410
Thailand	1,358	2.9	(9.3)	1,459
Philippines	7,022	2.2	(2.9)	287
Malaysia	1,602	1.3	(9.1)	537
Singapore	2,945	2.5	(12.5)	1,158
Regional				
China	3,084	5.3	(4.7)	69,867
Hong Kong	21,839	3.6	(7.5)	15,870
Japan	18,574	1.1	6.4	16,142
Korea	1,908	0.7	(0.4)	5,835
Taiwan	7,825	1.4	(15.9)	3,335
India	26,231	2.0	(4.6)	457
NASDAQ	4,813	2.5	1.6	102,512
Dow Jones	16,655	2.3	(6.6)	13,000

Currency and Interest Rate

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US$	13,995	0.2	(4.3)	(12.5)
SBI rate	%	6.75	0.1	0.1	(0.5)
10y Gov	Indo bond	8.87	0.0	0.5	1.1

Hard Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US$/ton	58	(0.3)	(3.2)	(6.3)
Gold	US$/toz	1,127	0.2	2.9	(4.9)
Nickel	US$/mt.ton	10,031	5.2	(8.7)	(33.5)
Tin	US$/mt.ton	14,000	(0.1)	(11.2)	(28.0)

Soft Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US$/mt.ton	3,147	(0.2)	(2.9)	5.9
Corn	US$/mt.ton	135	1.0	(0.9)	(5.6)
Crude Oil	US$/barrel	48	10.2	(11.1)	(17.0)
Palm oil	MYR/mt.ton	1,811	(1.1)	(16.5)	(21.2)
Rubber	USd/kg	129	2.8	(7.9)	(15.2)
Pulp	US$/tonne	846	N/A	(0.7)	(9.2)
Coffee	US$/60kgbag	89	0.9	5.3	20.9
Sugar	US$/MT	343	2.6	(1.8)	(12.3)
Wheat	US$/ton	133	(0.9)	(4.3)	(20.3)

Source: Bloomberg

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Danareksa

BANKING/COMPANY UPDATE

Bank Rakyat Indonesia

A safe bet in troubled times

BUY

Target Price, IDR	13,400
Upside	27.6%

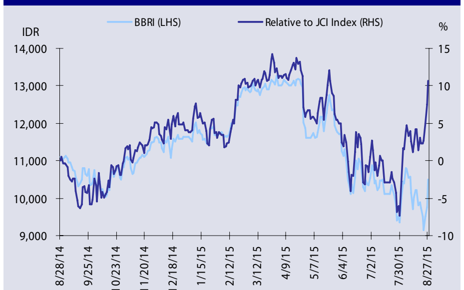
BBRI IJ/BBRI.JK

Last Price, IDR	10,500
No. of shares (mn)	24,422
Market Cap, IDR bn	**256,431**
(US$ mn)	18,316
3M T/O, US$mn	29.6

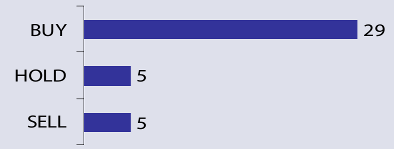
Last Recommendation

03-Aug-2015	BUY	IDR 13,400
23-Jul-2015	BUY	IDR 13,400
18-Jun-2015	BUY	IDR 13,800

BBRI relative to JCI Index



Market Recommendation



Danareksa vs Consensus

	Our	Cons	% Diff
Target price, IDR	13,400	12,203	9.8
EPS 2015F, IDR	987	1,014	-2.7
PBV 2015F, x	2.3	1.4	64.3

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

Despite the current challenges, BBRI still managed to post 14.7% YoY growth in micro loans in June 2015. Regarding the latest KUR program (12.0% lending rate and 7.0% interest rate subsidy provided by the government), the impact on the bank's NIM will be minimal given that KUR only accounted for a mere 2.5% of the total loans portfolio as of June 2015. We forecast growth of 13.4% and 14.2% in 2015-16F. On the costs side, the bank is also performing well: its blended CoF is already down by nearly 50 bps from 4.5% in 1Q15 to 4.0% in 2Q15 supported by the decline in its blended CoF in TD . Going forward, we expect the blended CoF to fall further to 3.8% and 3.7% in FY15-16F. However, in the face of prevailing headwinds, we forecast the gross NPLs to increase to 2.3% by end-2015F before declining slightly to 2.2% as of December 2016F. Given these assumptions, we expect flat net profits in FY15F with only 6.0% growth in FY16F. We roll over our valuation to 2016 and maintain our TP at IDR13,400 implying PBV of 2.4-2.1x for 2016-17F derived from the DBV model. BUY maintained with the stock remaining as our top pick in the sector.

Micro still a safe bet

Micro loans still grew by a relatively brisk 14.7% YoY in June 2015. Most notably, Kupedes, its champion product, still accounted for a large chunk of its loans portfolio (32.5% as of June 2015) with gross NPLs of 1.6%. Moreover, under the latest KUR program (12.0% lending rate and 7.0% interest rate subsidy provided by the government), the impact on the bank's NIM will be minimal given that KUR only accounted for a mere 2.5% of the total loans portfolio as of June 2015 (IDR13.0 tn). As such, we expect micro loans to grow a brisk 13.4% and 14.2% in 2015-16F, outpacing the expected growth in total loans of 11.3% and 12.6% in 2015-16F.

More favorable blended CoF

On the costs side, with the TD accounting for 46.2% of total deposits as of June 2015, the blended CoF was still high at 4.2% in 1H15, up from 3.8% in 1H14. However, on a QoQ comparison, the blended CoF is already down by nearly 50 bps from 4.5% in 1Q15 to 4.0% in 2Q15. Based on our calculations, the blended CoF in TD already dropped to 6.6% in 2Q15 from 7.7% and 8.5% in 1Q15 and 4Q14, respectively. By comparison, the blended CoF in CASA was relatively stable at 1.2-1.5%. As such, looking ahead, we expect the blended CoF to decline further to 3.8% and 3.7% in FY15-16F, respectively.

Maintain BUY, TP of IDR13,400

In the face of prevailing headwinds, we adjust our forecasts for gross NPLs as well as our coverage ratio assumption. As such, we expect flat net profits in FY15F with only 6.0% growth in FY16F as gross NPLs are forecast to rise to 2.3% by end-2015F before declining slightly to 2.2% as of December 2016F with a coverage ratio of 189.1% and 187.9% for 2015-16F, respectively. We also roll over our valuation to 2016 and maintain our TP at IDR13,400 implying PBV of 2.4-2.1x for 2016-17F derived from the DBV model. BBRI currently trades at 1.8x its 2016F PBV, slightly below its -1 standard deviation of 1.9x PBV. BUY maintained. The downside risk includes but is not limited to deterioration in assets quality, a higher coverage ratio and lower loans growth.

	2013	2014	2015F	2016F	2017F
Net interest income, IDR bn	44,106	51,442	58,088	65,541	73,139
PPOP, IDR bn	30,074	34,081	38,518	43,628	48,099
PBT, IDR bn	27,910	30,859	31,625	33,588	36,965
Net income, IDR bn	21,344	24,254	24,352	25,863	28,463
EPS, IDR	865	983	987	1,048	1,154
EPS growth, %	14.3	13.6	0.5	6.2	10.1
Dividend yield, %	2.5	2.8	2.8	2.0	2.2
ROAE, %	29.7	27.4	22.9	20.7	19.4
PBV, x	3.3	2.7	2.3	1.9	1.6
PER, x	12.1	10.7	10.6	10.0	9.1
BVPS, IDR	3,209	3,962	4,645	5,483	6,406

Micro still a safe bet

After the announcement of slightly disappointing 1H15 results with the bottom line a tad weaker than expected (at 45.2% of our FY15 forecast), micro loans still managed to grow by a relatively brisk pace of 14.7% YoY in June 2015. Most notably, Kupedes, its champion product still accounted for a large chunk of its loans portfolio with an outstanding balance of IDR165.5 tn as of June 2015. Overall, micro loans accounted for 32.5% of the total loans portfolio as of June 2015, reflecting the management's strong core business in this segment. Gross NPLs in the micro segment remained manageable at 1.6% as of June 2015.

Moreover, under the latest KUR program (12.0% lending rate and 7.0% interest rate subsidy provided by the government), the government expects BBRI to disburse IDR21 tn of KUR loans in 2015. Our view is that the bank will remain as the main player in this program backed by its long track record of handling the micro segment even though there are now only four months left of this year. Even so, the amount of KUR lending is relatively small. Indeed, as of June 2015, KUR only accounted for a mere 2.5% of the total loans portfolio (IDR13.0 tn) or down from 4.9% as of December 2014 (IDR24.5 tn). As such, the impact from the lower KUR lending rate on the bank's NIM should be minimal going forward.

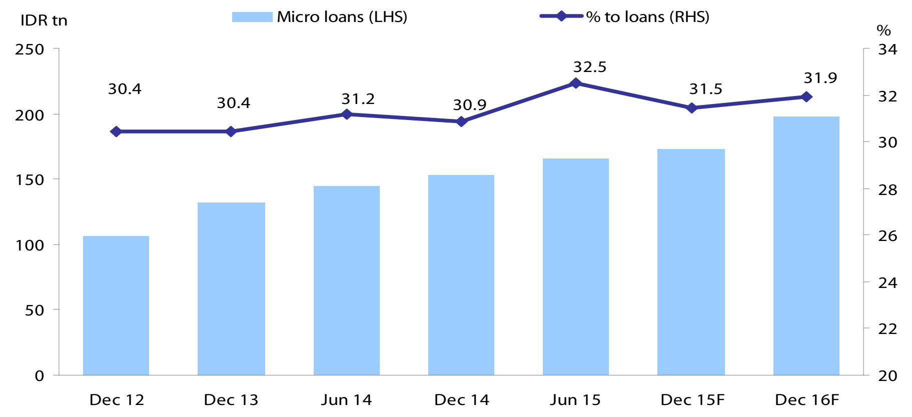
All in all, we forecast the bank's micro loans to grow by 13.4% and 14.2% in 2015-16F, supported by its resilient business model and underutilized mantri BRI with one mantri BRI ideally handling around 400 micro customers. Overall, the total loans are forecast to grow by 11.3% and 12.6% in 2015-16F, or slightly less than the growth in micro loans given the challenging economic landscape in the country.

Exhibit 1. BBRI's 1H15 result (IDR bn unless stated)

	1H15	1H14	YoY %	2Q15	1Q15	2Q14	YoY %	QoQ %	FY15F	A/F %
Interest income	41,547	35,034	18.6	21,200	20,347	17,934	18.2	4.2	85,141	48.8
Interest expenses	13,770	10,008	37.6	6,911	6,859	5,310	30.2	0.8	25,680	53.6
NII	27,777	25,026	11.0	14,289	13,488	12,625	13.2	5.9	59,461	46.7
Non-int income	5,735	3,891	47.4	2,958	2,777	2,066	43.2	6.5	12,771	44.9
Opex	15,355	12,056	27.4	7,985	7,370	5,735	39.2	8.4	31,247	49.1
PPOP	18,157	16,861	7.7	9,261	8,896	8,955	3.4	4.1	40,986	44.3
Provisions	3,996	3,134	27.5	2,431	1,565	2,034	19.5	55.4	8,409	47.5
PBT	14,802	14,839	(0.2)	7,171	7,631	7,427	(3.4)	(6.0)	34,351	43.1
Net Profit	11,954	11,744	1.8	5,807	6,147	5,809	(0.0)	(5.5)	26,451	45.2
NIM	7.9	8.7		8.1	7.6	8.8			8.5	
CoF	4.2	3.8		4.0	4.5	4.0			3.7	
CIR	45.8	41.7		46.3	45.3	39.0			43.3	

Source: Company, Danareksa Sekuritas

Exhibit 2. Micro loans still accounted for a large chunk of the bank's loans portfolio



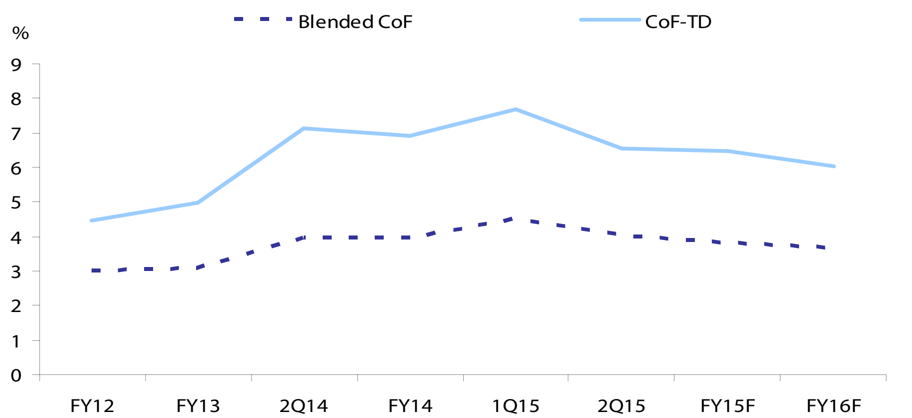
Source: Company, Danareksa Sekuritas

More favorable blended CoF

On the costs side, with TD accounting for 46.2% of total deposits as of June 2015, the blended CoF was still high at 4.2% in 1H15, up from 3.8% in 1H14. However, on a QoQ comparison, the blended CoF is already down by nearly 50 bps from 4.5% in 1Q15 to 4.0% in 2Q15. The lower blended CoF owed to a better TD structure as the LDR was still at a safe level of 87.9% as of June 2015, within the management's guidance of 87.0-92.0%.

Based on our calculations, the blended CoF in TD already dropped to 6.6% in 2Q15 from 7.7% and 8.5% in 1Q15 and 4Q14, respectively. By comparison, the blended CoF in both Current Accounts and Saving Accounts was relatively stable at 1.2-1.5%. As such, looking ahead, we expect the blended CoF to decline further to 3.8% and 3.7% in FY15-16F, respectively, reasonable figures in our view.

Exhibit 3. Gradual decline in the blended CoF



Source: Company, Danareksa Sekuritas

Maintain BUY, TP of IDR13,400

To better reflect the more challenging environment, we adjust our forecasts for gross NPLs as well as our coverage ratio assumption. As such, we expect flat net profits in FY15F with only 6.0% growth in FY16F as gross NPLs are forecast to rise to 2.3% by end-2015F before declining slightly to 2.2% as of December 2016F with a coverage ratio of 189.1% and 187.9% for 2015-16F, respectively.

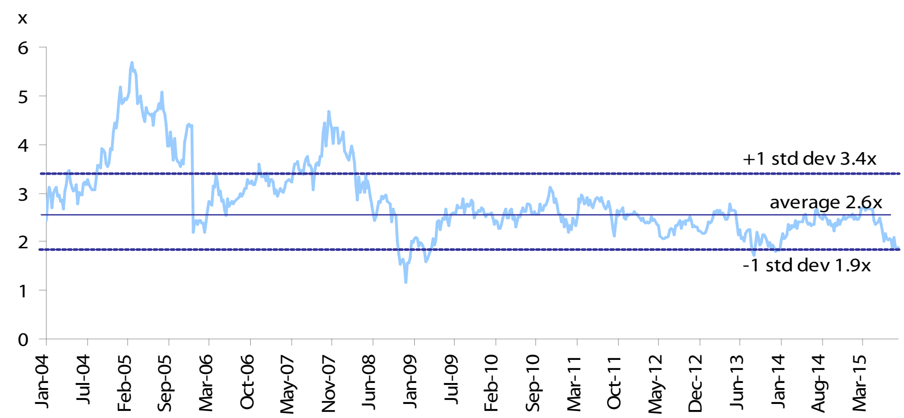
Nonetheless, we maintain our positive stance on BBRI despite the economic headwinds given the bank's relatively resilient yet unique business model supported by a more favorable blended CoF outlook. We roll over our valuation to 2016 and maintain our TP at IDR13,400 implying PBV of 2.4-2.1x for 2016-17F derived from the DBV model. BBRI currently trades at 1.8x its 2016F PBV, slightly below its -1 standard deviation of 1.9x PBV. BUY maintained. The downside risk includes but is not limited to deterioration in assets quality, a higher coverage ratio and lower loans growth.

Exhibit 4. Changes in assumptions (% unless stated)

Assumptions	2014	Current			Previous			Changes		
		2015F	2016F	2017F	2015F	2016F	2017F	2015F	2016F	2017F
Gross NPL	1.7	2.3	2.2	2.1	2.1	2.0	2.0	0.2	0.2	0.1
Coverage	192.3	189.1	187.9	186.7	188.7	187.5	186.3	0.4	0.4	0.4
CoC	1.2	1.6	1.9	1.9	1.5	1.7	1.7	0.1	0.2	0.2
Provisions (IDR bn)	5,720	8,667	11,980	13,204	8,409	10,663	11,755	258	1,317	1,449
Net profit growth	14.0	0.0	6.0	10.0	9.0	10.0	11.0	(9.0)	(5.0)	(1.0)

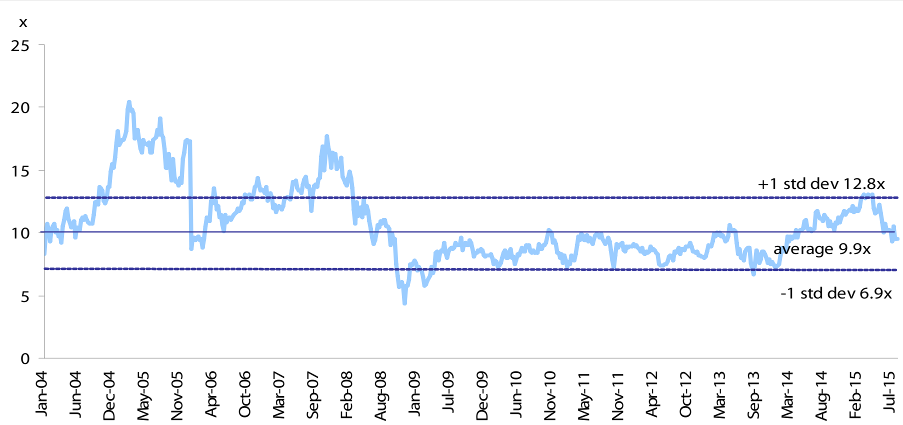
Source: Company, Danareksa Sekuritas

Exhibit 5. Attractive valuation at current PBV



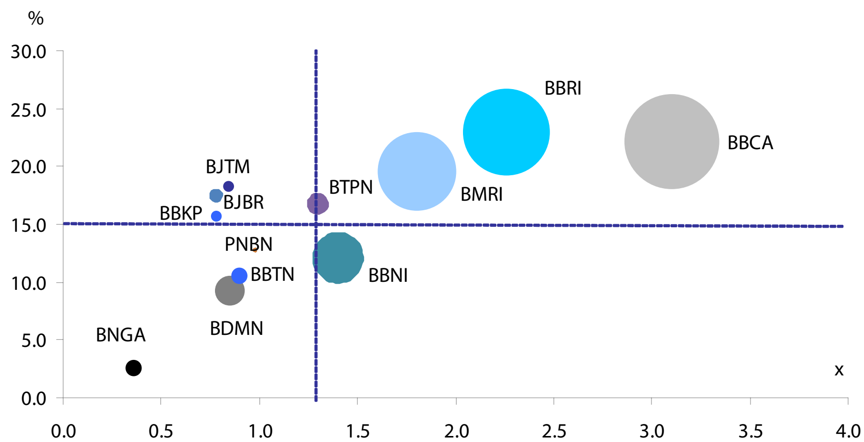
Source: Bloomberg, Danareksa Sekuritas

Exhibit 6. Current rolling PE



Source: Bloomberg, Danareksa Sekuritas

Exhibit 7. PBV/ROE matrix



Source: Bloomberg, Danareksa Sekuritas

Exhibit 8. Balance sheet (IDR bn)

	2013	2014	2015F	2016F	2017F
Cash	19,172	22,469	23,650	24,227	24,686
Placement BI and banks	86,460	123,800	134,802	146,475	159,537
Marketable securities	42,674	84,168	90,489	96,535	102,989
Government bond	4,511	4,304	3,814	3,314	3,314
Net loan	419,145	479,211	527,958	595,178	677,349
Fixed assets - net	3,973	5,917	7,691	9,812	12,371
Others	50,248	82,114	62,028	72,082	73,279
Total assets	**626,183**	**801,984**	**850,431**	**947,624**	**1,053,525**
Demand deposit	78,666	89,430	104,819	118,666	132,248
Saving deposit	210,235	232,723	259,964	288,536	321,560
Time deposit	215,381	300,169	305,019	336,217	374,698
Deposit from customers	504,281	622,322	669,801	743,419	828,505
Deposit from other banks	3,691	8,655	7,491	7,638	7,789
Securities issued	6,023	8,258	6,094	6,094	5,789
Borrowings	9,085	24,987	17,491	14,541	12,132
Other liabilities	21,678	39,979	34,710	40,379	40,965
Subordinated loan	2,097	78	75	73	73
Loan capital	1	2	2	2	2
Total liabilities	**546,857**	**704,280**	**735,664**	**812,147**	**895,256**
Equity	**79,164**	**97,531**	**114,577**	**135,267**	**158,038**
Earning assets	525,854	655,622	718,416	800,875	898,867
Interest bearing liabilities	530,243	671,343	708,151	779,960	863,313

Source: Company, Danareksa Sekuritas

Exhibit 9. Profit and loss (IDR bn)

	2013	2014	2015F	2016F	2017F
Interest income	59,461	75,122	84,244	92,713	101,309
Interest expense	15,355	23,680	26,157	27,172	28,170
Net interest income	**44,106**	**51,442**	**58,088**	**65,541**	**73,139**
% yoy growth	21	17	13	13	12
Fee based income	4,862	6,072	7,368	8,751	10,171
Other opr. inc.	3,486	3,227	2,997	3,307	3,627
Non interest income	**8,348**	**9,299**	**10,365**	**12,058**	**13,798**
Total operating income	**52,455**	**60,742**	**68,453**	**77,598**	**86,937**
% yoy growth	17	16	13	13	12
G&A exp.	7,519	9,184	10,939	12,725	14,638
Personnel exp.	12,232	14,111	15,744	17,830	20,275
Other opr. exp.	2,630	3,365	3,252	3,415	3,925
Total operating expense	**22,381**	**26,660**	**29,935**	**33,970**	**38,838**
% yoy growth	15	19	12	13	14
Pre-provisioning profit	**30,074**	**34,081**	**38,518**	**43,628**	**48,099**
Provision	3,947	5,720	8,667	11,980	13,204
Operating profit	**26,127**	**28,361**	**29,851**	**31,648**	**34,895**
% yoy growth	15	9	5	6	10
Other inc./exp.	1,782	2,497	1,774	1,940	2,071
Profit before tax	**27,910**	**30,859**	**31,625**	**33,588**	**36,965**
% yoy growth	17	11	2	6	10
Tax	6,556	6,605	7,274	7,725	8,502
Minority interest	2	3	3	3	3
Net profit	**21,354**	**24,253**	**24,352**	**25,863**	**28,463**
% yoy growth	14	14	0	6	10
No of share, mn	24,669	24,669	24,669	24,669	24,669
EPS, IDR	**865**	**983**	**987**	**1,048**	**1,154**

Source: Company, Danareksa Sekuritas

Exhibit 10. Selected ratios (%)

	2013	2014	2015F	2016F	2017F
NIM	8.9	8.6	8.5	8.5	8.4
Fee based/total income	9.3	10.0	10.8	11.3	11.7
BOPO	61.5	66.4	68.4	69.8	69.7
CIR	42.7	43.9	43.7	43.8	44.7
ROAE	29.7	27.4	22.9	20.7	19.4
ROAA	3.6	3.4	2.9	2.9	2.8
CAR	17.0	18.3	16.1	16.6	17.2
Tier 1 CAR	13.6	14.1	14.8	15.3	15.9
Avg yield on earning assets	12.0	12.7	12.3	12.2	11.9
Loans/earning assets	82.3	75.4	76.0	76.9	78.0
Earning assets/total asset	84.0	81.7	84.5	84.5	85.3
Loan growth	23.8	14.0	11.3	12.6	13.6
Avg cost of fund	3.1	3.9	3.8	3.7	3.4
Deposit/int bearing liab.	92.5	90.2	94.6	95.3	96.0
Deposit growth	11.7	23.5	10.6	11.0	11.4
Int bearing liab./total asset	84.7	83.7	83.3	82.3	81.9
NPL - gross	1.6	1.7	2.3	2.2	2.1
Coverage	224.6	192.3	189.1	187.9	186.7
LDR	88.5	81.8	82.3	83.5	85.1
LFR	85.1	78.5	81.5	82.8	84.5
CASA	57.3	51.8	54.5	54.8	54.8
CoC	0.9	1.2	1.6	1.9	1.9

Source: Company, Danareksa Sekuritas

MONTHLY REPORT

∂Ri/1213/cso/2015

August 2015

∂Ri DANAREKSA RESEARCH INSTITUTE

CPI AND SBI OUTLOOK

August 2015 Inflation Outlook: Milder

- **Prices of goods and services at the consumer level still rose in July. During the month, headline inflation reached 0.93 percent MoM, or 7.26 percent on an annual basis. Pressures on prices heightened in the food components (+1.34 percent MoM) and, to a lesser degree, in the non food components (+0.70 percent MoM). July's inflation figure exceeded both our estimate of 0.82 percent MoM and the median consensus of 0.74 percent MoM.**

- **Seasonal factors related to the fasting month of Ramadan, Idul Fitri and the start of the new academic year were the main drivers of inflation in July. Among the seven main CPI components, prices rose quickest in the foodstuffs component (+2.02 percent), followed by the transportation (+1.74 percent), clothing component (+0.39 percent), and education (+0.34 percent). The other components were relatively stable: prices in the prepared foods component rose by 0.51 percent, followed by the medical care component (+0.36 percent), and the housing component (+0.13 percent).**

- **For August, we predict that pricing pressures from foodstuffs and prepared foods will tend to normalize. Nonetheless, the new academic year - which begins in the July-September period – will add to pressures in the education component.**

- **The new regulation of the Minister of Finance (PMK No 132/PMK.010/ 2015) came into effect on 23 July 2015. Under this regulation, import duties on imported goods have been adjusted, varying from 0% to 150%. According to our calculations, the tariff adjustments will give an additional impact on inflation (1.0 percent of annual inflation) over at least 3 months. At the same time, weakening of the rupiah will add to the inflationary pressure in August.**

- **We predict inflation in August 2015 of 0.54 percent MoM, translating into YoY inflation of 7.34 percent.**

- **BI's Board of Governors decided to keep the BI rate unchanged at its current level of 7.50 percent, with the Deposit Facility rate and the Lending Facility rate unchanged at 5.50 percent and 8.00 percent, respectively. Weaker domestic demand has slowed non oil and gas imports, leading to a stronger trade balance and improving CAD. In Q2 2015, the current account deficit (CAD) reached US$ 4.5 bn (2.1% of GDP), or lower than the US$ 9.6 bn (4.3% of GDP) in Q2 2014. Given BI's goal of keeping the CAD at a manageable level coupled with fairly high inflationary pressures over the short term, we believe that the BI rate is likely to be maintained at its current level over the near future.**

DRI Forecast for August 2015

Inflation	
MoM (%)	0.54
YoY (%)	7.34
SBI	
End of period (% p.a)	7.50
Forecast for 2015	
Inflation (%)	5.04
SBI (% p.a)	7.50

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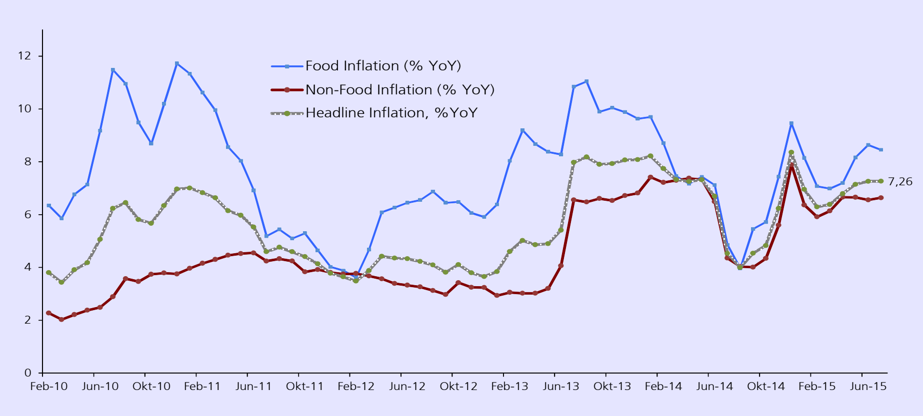
GRAPH 1. THE YOY INFLATION RATE REACHED 7.26 PERCENT IN JULY 2015



Source : BPS,, Bank Indonesia

TABLE 1. MOM FOODSTUFFS INFLATION

	M-on-M changes			Y-on-Y changes			Jan-Jul		
	May-15	**Jun-15**	**Jul-15**	**May-15**	**Jun-15**	**Jul-15**	**2013**	**2014**	**2015**
FOODSTUFF	1,39	1,60	2,02	7,92	8,58	8,66	13,00	4,41	2,60
PREPARED FOOD	0,50	0,55	0,51	8,47	8,71	8,19	4,02	3,76	3,83
HOUSING	0,20	0,23	0,13	7,49	7,33	6,99	3,42	2,67	2,31
CLOTHING	0,23	0,28	0,39	3,78	3,76	3,29	(1,94)	2,24	2,44
MEDICAL CARE	0,34	0,32	0,36	5,68	5,63	5,60	2,20	3,24	3,13
EDUCATION	0,06	0,07	0,34	4,15	4,13	4,02	0,95	1,44	1,03
TRANSPORTATION	0,20	0,11	1,74	7,84	7,75	8,67	11,40	2,09	(1,08)
GENERAL	**0,50**	**0,54**	**0,93**	**7,15**	**7,26**	**7,26**	**6,44**	**2,94**	**1,90**
Food and Non-Food									
FOOD	0,98	1,12	1,34	8,17	8,64	8,45	8,85	4,11	3,15
NON-FOOD	0,20	0,18	0,70	6,65	6,56	6,64	4,74	2,33	1,14

Source : BPS

TABLE 2. DRIVERS OF PRICE CHANGES IN JULY 2015

Component	Change (%)	Drivers	Contribution (%)
Foodstuffs	2.02	Red chili, chicken meat, rice, egg	0.40
Prepared foods,beverages and cigarettes	0.51	Sugar, filtered-flavored cigarettes	0.09
Housing	0.13	Electricity tariff, house rent	0.03
Clothing	0.39	Man and woman apparel	0.02
Medical care	0.36	Medicine, health care	0.02
Education, recreation and sports	0.34	Tuition costs	0.02
Transportation and communications	1.74	Air freight cost, railway cost, land transport	0.35
		General	**0.93**

Source : BPS

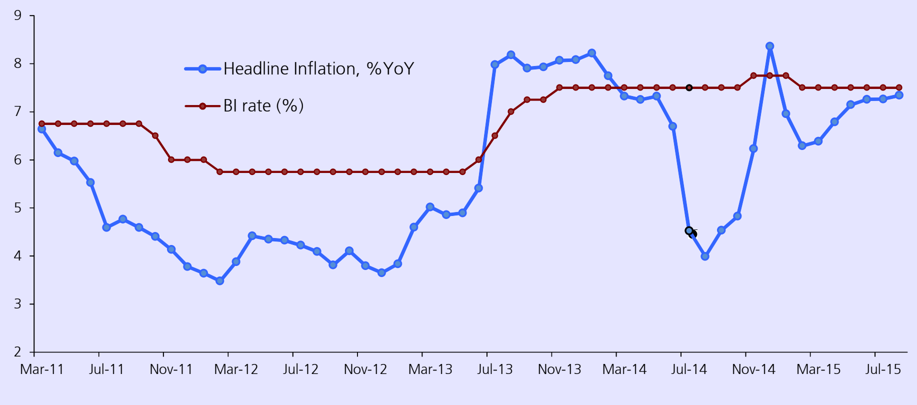
TABLE 3. AUGUST 2015 INFLATION FORECAST

	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
M0M changes	0,47	0,27	0,47	1,50	2,46	(0,24)	(0,36)	0,17	0,36	0,50	0,54	0,93	0,54
YoY changes	3,99	4,53	4,83	6,23	8,36	6,96	6,29	6,38	6,79	7,15	7,26	7,26	7,34
Yearly*	3,93	4,45	4,73	6,07	8,08	6,77	6,15	6,24	6,62	6,95	7,06	7,06	7,13

** 12-month cummulative*

Source : BPS, Danareksa Research Institute

GRAPH 2. THE BI RATE WAS UNCHANGED IN AUGUST 2015



Source : BPS,, Bank Indonesia

Thursday, August 27, 2015

DOMESTIC HIGHLIGHTS

▪ GDP Growth

The latest GDP data shows that the Indonesian economy has slowed further, weighed down by weaker commodity exports on the back of the global economic slowdown with uncertainty over when the Fed will hike interest rates. In 2Q15, growth reached 4.67 percent, or down from 4.72 percent in 1Q15 and its slowest pace since 2009. Nonetheless, this figure still exceeded economist forecasts of 4.61 percent growth.

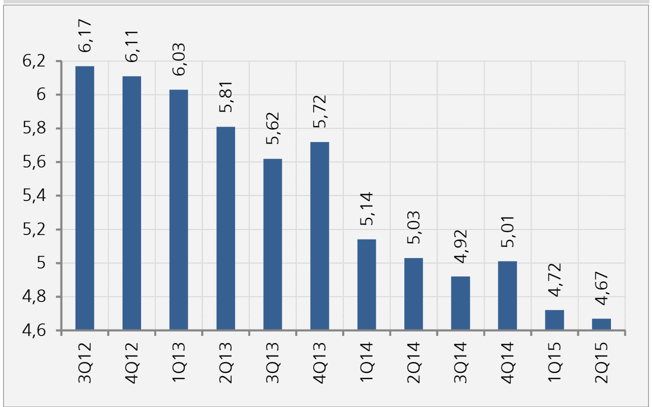
Looking forward, hopes remain that growth will pick up in the second half. Activities related to the election of regional heads across the country at end-2015 should help give a boost to consumption. Furthermore, the recent cabinet reshuffle, which included the appointment of a new chief economic minister and trade minister, has been well received and should help to give a timely boost to the national economy.

▪ Inflation Rate

July's inflation rate jumped to 0.93 percent (MoM), or up from 0.54 percent in June. According to BPS, the high inflation rate owes partly to seasonally higher prices of volatile foods and higher transportation costs in relation to Idul Fitri. Nonetheless, given that the year-to-date inflation stands at only 1.90 percent, or less than the 2.94 percent figure in 2014, inflation still looks to be under control. In July, the YoY inflation rate reached 7.26 percent, the same level as in June 2015.

For August and September, monthly inflation is still expected to be high due to the start of the new school year. Yet because this is seasonal in nature, yearly inflation should stay at around 7 percent. The downtrend in oil prices will help ease inflationary pressures. The inflation rate in November – December is projected to drop to 4 – 5 percent as the impact of last year's gasoline price hikes on inflation disappears.

FIGURE 1. INDONESIA GDP ANNUAL GROWTH RATE



Source: BPS

FIGURE 2. INDONESIA INFLATION RATE

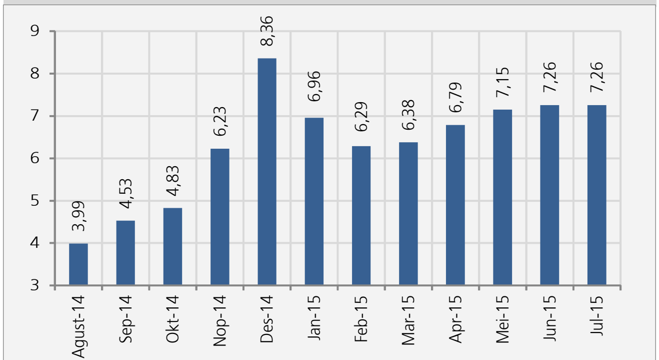
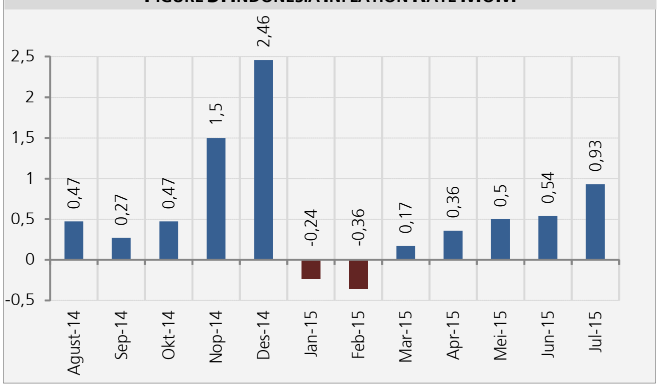


FIGURE 3. INDONESIA INFLATION RATE MOM



Source: BPS

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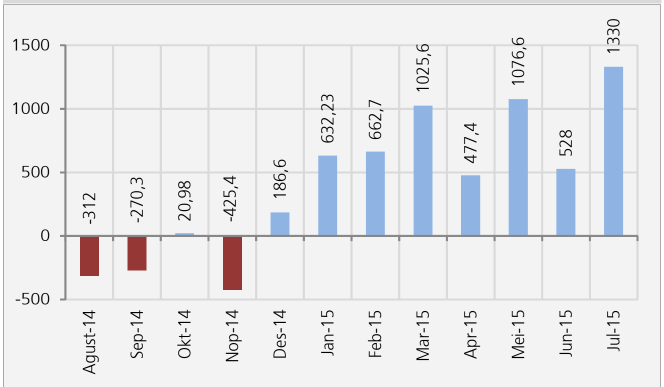
DOMESTIC HIGHLIGHTS

■ Trade Balance

The trade balance surprisingly showed a wider surplus of USD 1.33 billion in July compared to a revised USD 528 million in June. This surplus is the largest since January 2014. The surplus stemmed from a USD 2.2 billion surplus in the non oil and gas trade balance, since the oil and gas account actually showed a deficit of USD 870 million. July's large trade surplus is encouraging since it helps to rein in the current account deficit. July's trade data was marked, however, by declines in both exports and imports, with the decline in imports (down 28.4 percent to USD 10.1 billion) outpacing the fall in exports (down 19.2 percent to USD 11.4 billion). The sharp fall in imports signals weakness in the domestic economy.

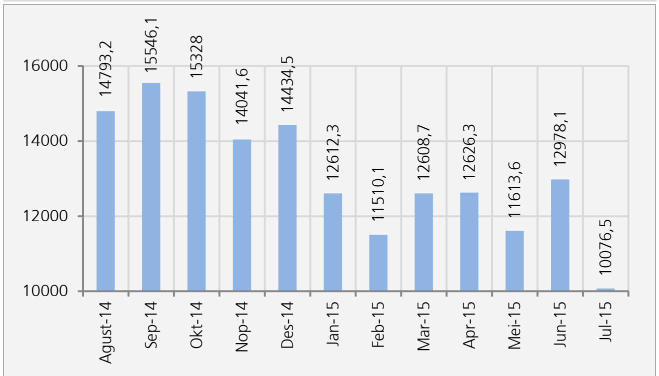
Looking forward, Indonesia's exports still have the potential to increase, although not significantly in our view. The main challenge on the trade front is the worrying slowdown in the Chinese economy whilst another matter of concern is the downtrend in commodity prices. Imports, meanwhile, are declining as the economy continues to slow. Nonetheless, an overall trade surplus is still expected to contribute toward economic growth.

Figure 4. Indonesia Balance of Trade



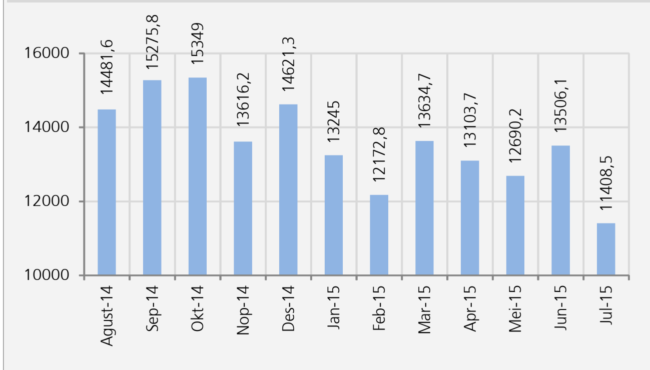
Source: BPS

Figure 5. Indonesia Imports



Source: BPS

Figure 6. Indonesia Exports



Source: BPS

■ BI Rate

At its last meeting, the Board of Governors decided to keep the BI Rate unchanged at 7.50 percent, the Deposit Facility rate at 5.5 percent and the Lending Facility rate at 8.00 percent. BI aims to keep the inflation rate in check within the range of 4±1 percent in 2015 and 2016, as well as stabilize the rupiah and improve macroeconomic conditions amidst strong global headwinds.

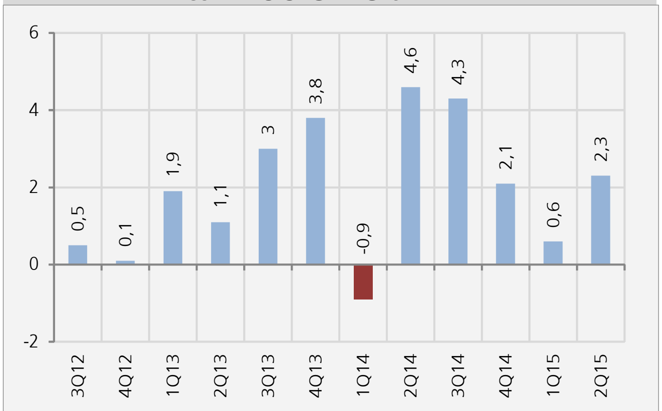
As anticipated, BI looks to have less room to lower the benchmark BI Rate since BI prefers stability to growth. Moreover, the inflation rate is still high, whilst the current account is still in deficit and rupiah volatility is increasing. Furthermore, the timing of the Fed's plan to normalize its monetary policy remains unclear. However, the slowing growth has put more pressure on BI to relax its monetary and/or macroprudential policies. With a more benign outlook for inflation at the end of 2015, BI will still have room to cut its key rate at the end of 2015 to 7.25 percent.

GLOBAL HIGHLIGHTS

■ **The U.S.**

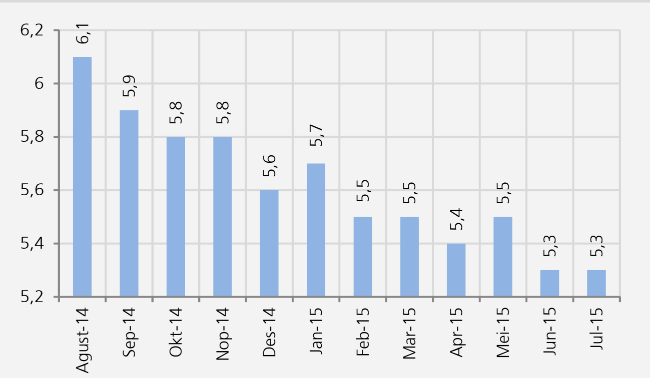
Recent data releases show that the economic recovery in the U.S. is on a more solid footing. GDP growth in 2Q15 accelerated by 2.3 percent (annual rate), or much brisker than the 0.6 percent pace in 1Q15. Consumer spending rose by 2.9 percent in 2Q15, or up from 1.8 percent in the first quarter, as gasoline prices were cheaper. The labor market improved. In July, the economy added 215,000 jobs – a solid figure. Overall, the unemployment rate was unchanged at 5.3 percent in July, a level considered close to full employment. Monthly retail sales increased by 0.6 percent in July after posting no growth in June, while annual retail sales rose 2.4 percent compared to 1.4 percent in June. The housing market index increased to 61 in August, up from 60 in July. Industrial production rose 0.6 percent in July, after increasing only 0.1 percent in June.

FIGURE 1. U.S. GDP GROWTH RATE



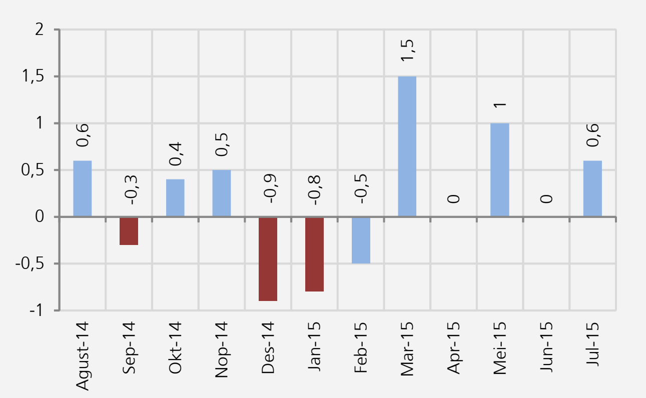
Source: U.S. Bureau of Economic Analysis

FIGURE 2. U.S. UNEMPLOYMENT RATE



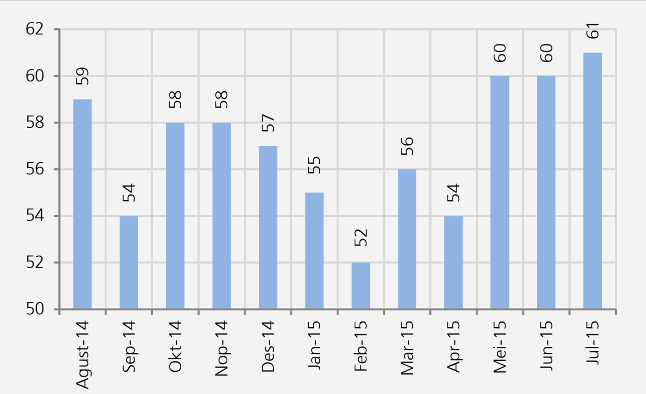
Source: U.S. Bureau of Labor Statistics

FIGURE 3. U.S. RETAIL SALES MoM



Source: Cencus Bureau

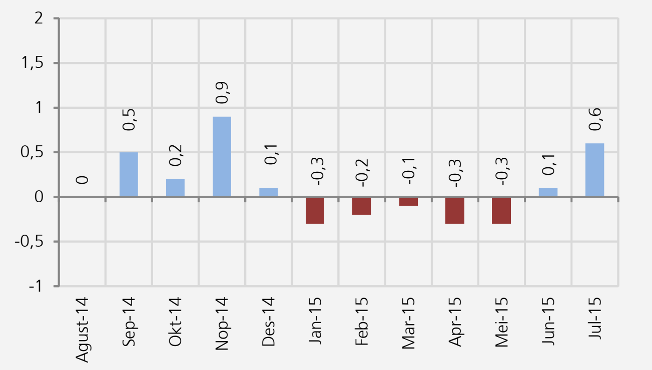
FIGURE 4. U.S. NAHB HOUSING MARKET INDEX



Source: National Association of Home Builders

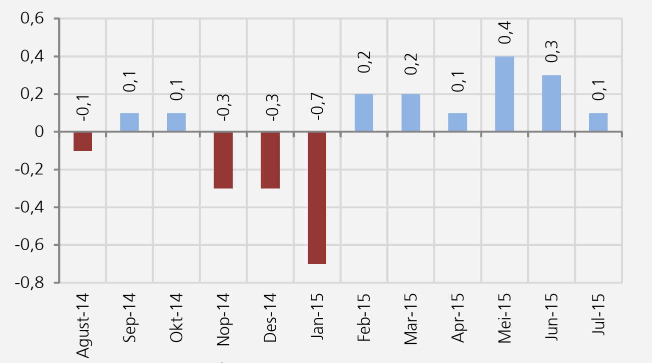
GLOBAL HIGHLIGHTS

Figure 5. U.S. Industrial Production MoM



Source: Federal Reserve

Figure 6. U.S. Inflation Rate MoM



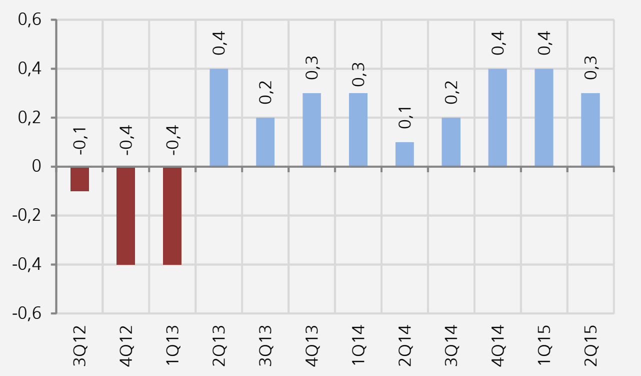
Source: U.S. Bureau of Labor Statistics

Although the U.S. economy has picked up significantly and may strengthen further, the timing of rate hikes is not clear since doubts remain over whether the U.S. economy is strong enough to support higher borrowing costs. Furthermore, the inflation rate is still below target with global demand at risk and commodity prices under pressure. In July, the inflation rate only increased by 0.1 percent, or less than the 0.3 percent increase in June and lower than the expectation of 0.2 percent. On top of this, China's surprise devaluation of the Yuan may also put downward pressures on inflation. In such an environment, hikes in the Fed rate look less likely in September . In any case, if the Fed does hike rates this would be done gradually since the Fed will seek to maintain stability in the markets.

- **Euro Area**

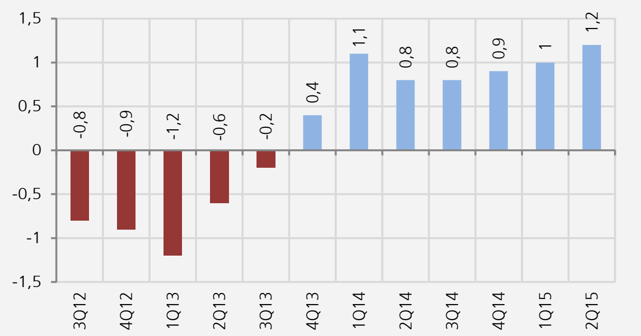
The economy of the Euro Area grew by 0.3 percent in the second quarter, slower than the first quarter's growth of 0.4 percent and narrowly missing the forecast of 0.4 percent. GDP increased by 1.2 percent in 2Q15 YoY, up from 1.0 percent in the first quarter. Among the 19 Euro Area countries, Germany's economy remains the driving force supported by its solid exports. Germany's growth accelerated by 0.4 percent from 0.3 percent in 1Q15. Nonetheless, the performance of the French and Italian economies – the Euro Area's second and third largest economies respectively – was disappointing. France recorded no growth in 2Q after expanding by 0.7 percent in the previous quarter. Italy's economy, meanwhile, only recorded growth of 0.2 percent, or down from 0.3 percent. The ECB expects the Euro Area economy to grow by 1.5 percent this year and 1.9 percent in 2016.

Figure 1. Euro Area GDP Growth Rate



Source: Eurostat

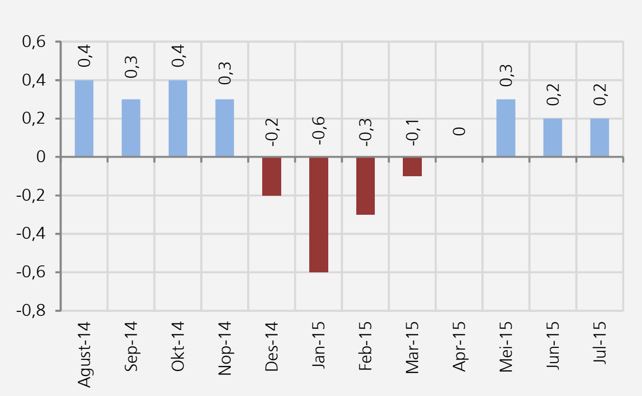
Figure 2. Euro Area GDP Annual Growth Rate



Source: Eurostat

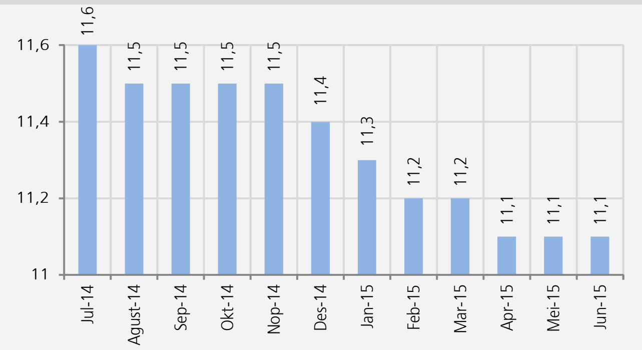
The inflation rate in the Euro Area was steady at 0.2 percent in July - the third straight month of positive annual inflation. Increases in the cost of services offset declines in energy prices. Nonetheless, low inflation remains a persistent challenge for the ECB. In the coming months, the ECB foresees low inflation before inflation is expected to accelerate to 1.5 percent in 2016. Unemployment stood unchanged at 11.1 percent in June, higher than economists' prediction of 11 percent. Monthly retail sales dropped 0.6 percent in June after increasing 0.1 percent in May, while annual retail sales increased only 1.2 percent, or less than May's growth of 2.6 percent.

FIGURE 3. EURO AREA INFLATION RATE



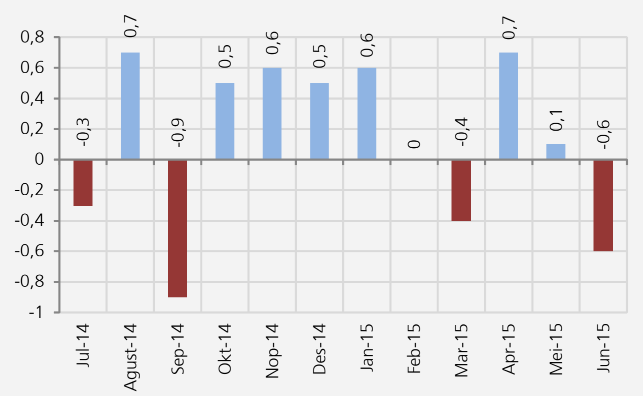
Source: Eurostat

FIGURE 4. EURO AREA UNEMPLOYMENT RATE



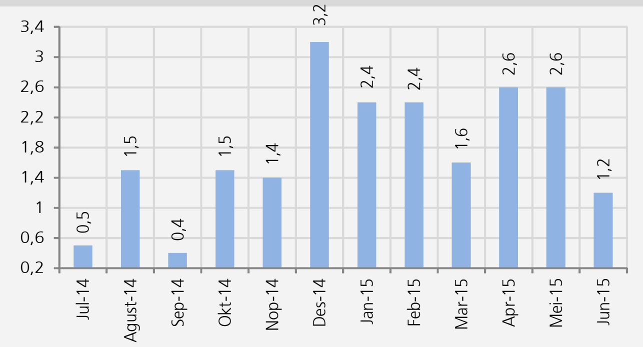
Source: Eurostat

FIGURE 5. EURO AREA RETAIL SALES MoM



Source: Eurostat

FIGURE 6. EURO AREA RETAIL SALE YoY



Source: Eurostat

Looking ahead, the outlook for the economy of the Euro Area is improving. While China's economic slowdown may restrict Germany's exports, the decision to bailout Greece has removed uncertainty over the possibility of a Greek exit from the monetary union - for the time being at least. Monetary developments have also been encouraging. The annual growth rate of M2 in June showed a 6.3 percent increase, or up from 6.2 percent in May, whereas the annual growth rate of M1 rose to 13.5 percent in June from 13.3 percent in May. The LEI has also been in an increasing trend since last year. In the latest data, the LEI reached 98.29 in July, or up from 98.28 in June.

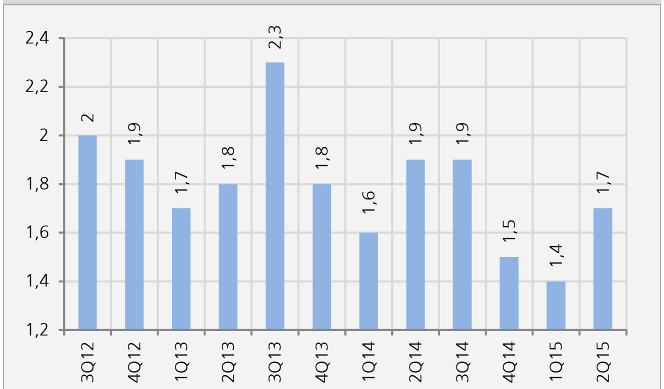
GLOBAL HIGHLIGHTS

- **China**

The PBOC recently devalued its currency in a bid to support the Chinese economy. With this move, the yuan's value, which was previously tightly controlled by the PBOC, is more market-based since it is allowed to move 2 percent above or below the PBOC daily rate. The decision to devalue the yuan followed the release of disappointing trade data. China - whose economy is strongly exports orientated - is expected to become more competitive with this devaluation. In addition, the devaluation is also an attempt to fulfill the requirements to be included in IMF Special Drawing Rights (SDR).

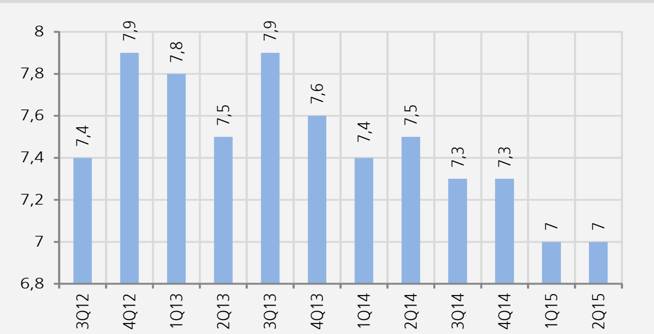
The latest data shows that China's economy is continuing to struggle. Economic growth in the second quarter came in at 7 percent YoY and 1.7 percent QoQ. The annual growth in 2Q15 was the same as in 1Q15 and slightly above the forecast of 6.9 percent. Nonetheless, the 7 percent growth pace recorded in 2Q15 is the slowest since Q109.

Figure 1. China GDP Growth Rate



Source: National Bureau of Statistics of China

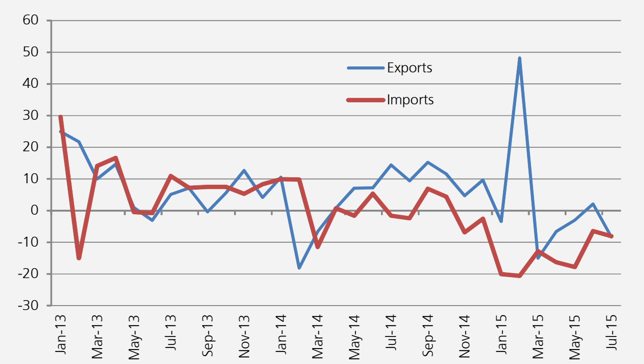
Figure 2. China GDP Annual Growth Rate



Source: National Bureau of Statistics of China

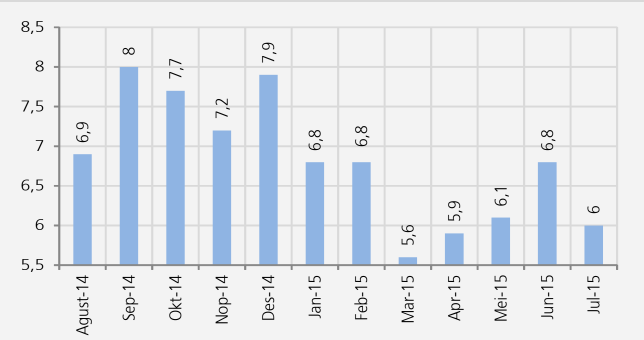
The industrial sector expanded by only 6 percent in July, or lower than 6.8 percent in June. Retail sales grew by only 10.5 percent in July, or slower than the 10.6 percent growth recorded in June. Meanwhile, July's exports and imports declined more than expected. Exports unexpectedly shrank by 8.3 percent compared to the much smaller forecast decline of 1 percent. Imports, by comparison, declined by 8.1 percent after registering a 6.1 percent fall in June. The Caixin general manufacturing PMI took a sharp decline: dropping to 47.1 in August from 47.8 in July, the biggest decline since 2009. Furthermore, consumer price inflation in July was below the government's target of about 3 percent, albeit at the highest level this year. In July, inflation increased to 1.6 percent, up from 1.4 percent in June, due to rising food prices.

Figure 3. China Exports and Imports Growth YoY



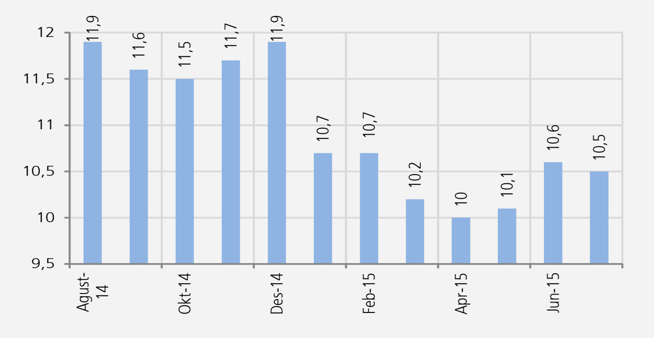
Source: China General Administration of Customs

Figure 4. China Industrial Production



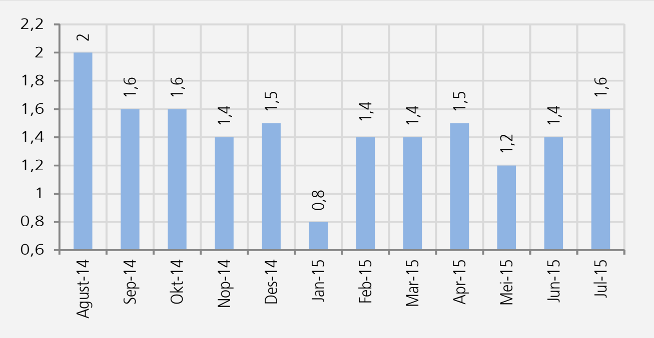
Source: National Bureau of Statistics of China

Figure 5. China Retail Sales YoY



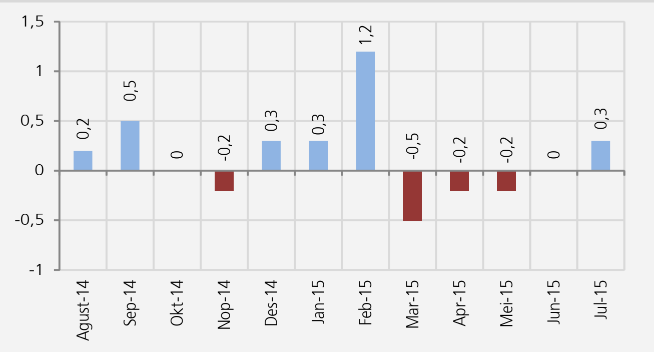
Source: National Bureau of Statistics of China

Figure 6. China Inflation Rate



Source: National Bureau of Statistics of China

Figure 7. China Inflation Rate MoM



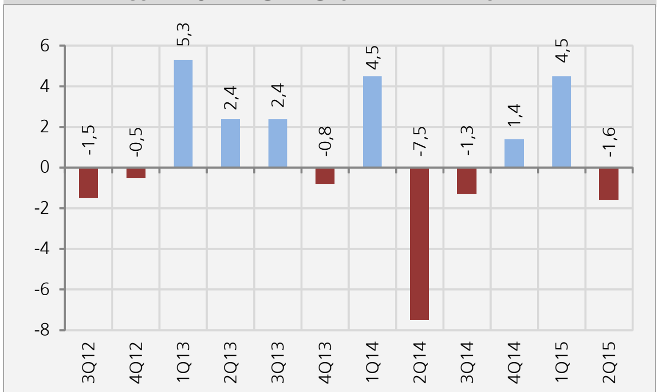
Source: National Bureau of Statistics of China

Despite China's woes, the country's leaders are determined to prevent a hard landing. Several measures have been adopted including rate cuts, the lowering of bank reserves requirements, in addition to the already-mentioned yuan devaluation, which are hoped to help the Chinese economy gain traction. In the most recent development, the PBOC cut both benchmark lending and deposit rates by 25 bps to 4.6 percent and 1.75 percent, respectively. The PBOC also lowered the reserves requirement ratio (RRR) by 50 bps to 18 percent for most big banks, a move expected to release liquidity of around 750 billion yuan into the market. In its latest forecasts, the IMF has projected China to grow by 6.8 percent this year and by 6.3 percent in 2016.

- **Japan**

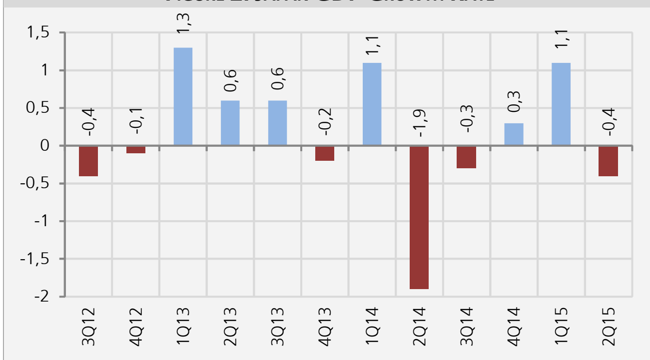
Japan has also faced many challenges on the economic front. In 2Q15, the country's GDP shrank at an annualized pace of 1.60 percent after expansion of 4.50 percent in the first quarter. The decline in GDP growth owed to a slump in exports and lower consumer spending. The growth pace still surpassed the forecast consensus of a 1.9 percent fall, however. On a quarterly basis, GDP contracted by 0.40 percent.

Figure 1. Japan GDP Growth Rate Annualized



Source: Cabinet Office, Japan

Figure 2. Japan GDP Growth Rate

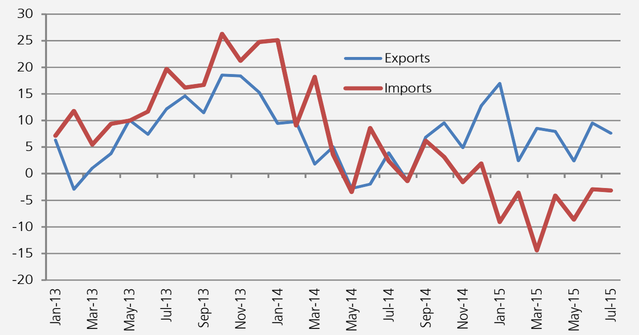


Source: Cabinet Office, Japan

Exports grew at a slower pace in July, up 7.6 percent YoY, compared to a more robust increase of 9.5 percent in June. Imports, by comparison, fell 3.2 percent, a sharper fall than the 2.9 percent decline recorded in June. The slowing exports growth stemmed from slowing exports to Asia, although exports to the U.S. were higher. The decline in imports was due to the lower cost of crude oil and liquefied natural gas. The trade balance in July showed a deficit of 268 billion yen (USD 2.2 billion), or much wider than the deficit of 70.5 billion yen in the previous month and the estimate of a 56.7 billion yen deficit.

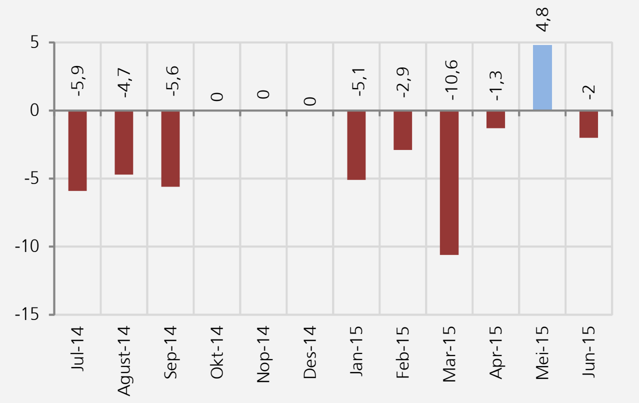
GLOBAL HIGHLIGHTS

FIGURE 3. JAPAN EXPORTS AND IMPORTS GROWTH YOY



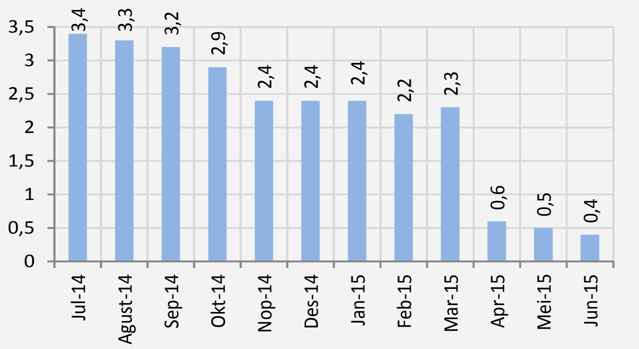
Source: Ministry of Finance, Japan

FIGURE 4. JAPAN HOUSEHOLD SPENDING



Source: Ministry of Internal Affairs & Communications, Japan

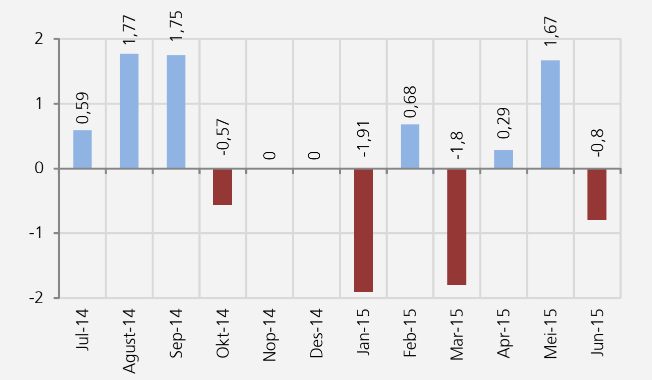
FIGURE 5. JAPAN INFLATION RATE



Source: Ministry of Internal Affairs & Communications, Japan

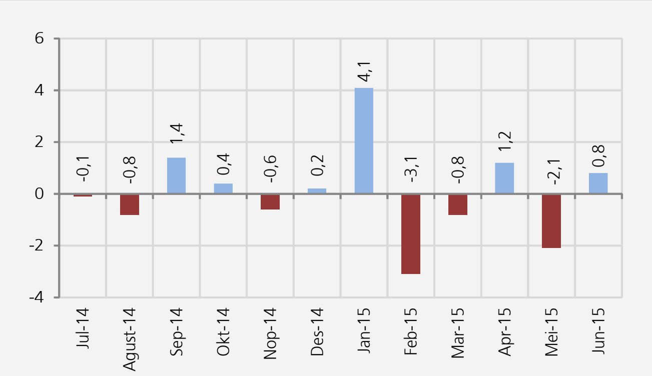
Household spending unexpectedly fell 2.0 percent in June against expectations of a 1.7 percent increase. The drop followed a 4.8 percent increase in May – the first increase since last year's sales tax hikes. Meanwhile, the inflation rate was recorded at 0.4 percent, or down from 0.5 percent in May. Retail sales dropped 0.8 percent from May, while industrial production rebounded in June (up 0.8 percent) after declining 2.1 percent in May. In addition, the unemployment rate increased to 3.4 percent in June, up from 3.3 percent in May 2015.

FIGURE 6. JAPAN RETAIL SALES MOM



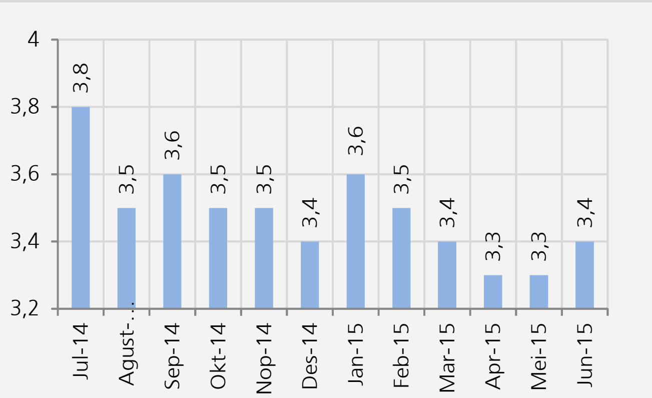
Source: Japan Ministry of Economy, Trade and Industry

FIGURE 7. JAPAN INDUSTRIAL PRODUCTION MOM



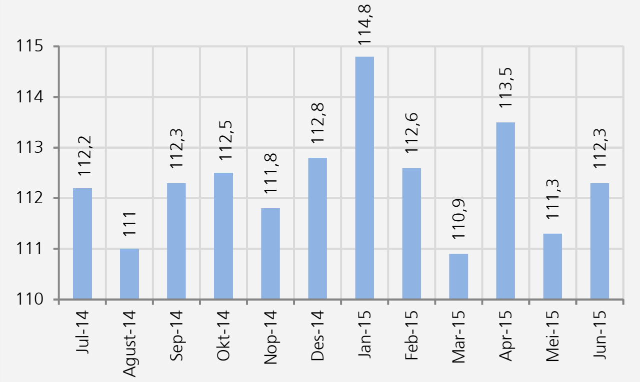
Source: Japan Ministry of Economy, Trade and Industry

FIGURE 8. JAPAN UNEMPLOYMENT RATE



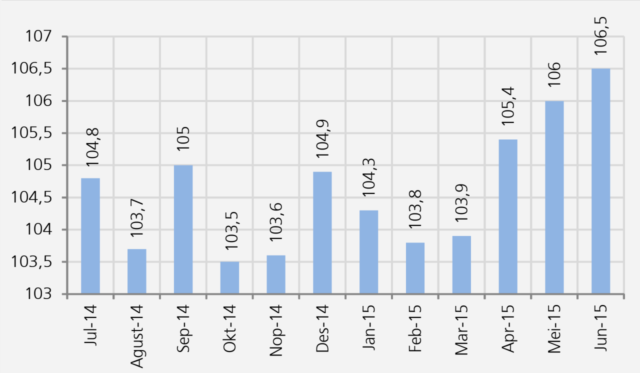
Source: Japan Ministry of Internal Affairs & Communication, Japan

FIGURE 9. JAPAN COINCIDENT INDEX



Source: Cabinet Office, Japan

FIGURE 10. JAPAN LEADING COMPOSITE INDEX



Source: Cabinet Office, Japan

Going forward, China's devaluation of the Yuan and the slowdown of the global economy are the main challenges for Japan's exports. Nonetheless, the latest coincident index (CEI) still showed an upward trend. The CEI in June (112.3) was higher than in May (111.3). At the same time, the leading indicator also improved. It rose to 106.5 in June from 106 in May, indicating a positive economic outlook.

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1H15 RESULT

ANTM: Raising Gold Sales Recover Operating Profit (ANTM IJ. Rp 525. U/R)

Managed to lower a net loss

While the company reported higher other expenses due to a) higher forex loss of Rp205bn in 1H15 (1H14 forex loss of Rp37bn) as a result of weakening of Rupiah vs. US Dollar and the company has net monetary liabilities denominated in foreign currency of Rp3.4tr as of 1H15 and b) rising interest expenses by 82.4% yoy, Aneka Tambang (ANTM) reported lower net loss by 41% yoy to Rp396bn in 1H15 vs Rp671bn during the same period last year. A recovery in the operating income as well as lower loss in associates and joint venture managed to lower the net loss. The results was below consensus expectation with net loss expectation of Rp418bn for 2015.

Stronger top line backed by substantial increased on gold sales volume

The company managed to improve its consolidated revenue by almost doubled to Rp7,849bn in 1H15 from Rp3,987bn in 1H14. This was mainly attributable a) rising revenue in gold division by 190% yoy to Rp5,649bn. While the company experienced a decline in gold ASP by 7.0% yoy to US$1,228/tr oz, the company managed to increase the gold sales volume substantially by 180% yoy to 10,996 kg, b) Improvement in the second largest revenue contributor, nickel division, which posted higher revenue by 5% yoy to Rp1,923bn. This was mainly driven by rising ferronickel sales volume by 27% yoy to 11,307 tons, but offset from weak ferronickel ASP by 23.1% yoy to US$6.01/lb. And c) better coal sales volume on higher demand for domestic power plant to increase revenue for coal division by 39% yoy to Rp102bn as well as the rising bauxite sales volume following the pre-production of CGA to improve bauxite revenue by 284.6% yoy to Rp35bn.

This reflected on recovery in the operating income

The company managed to recover its operating profit to Rp103bn in 1H15 from operating loss of Rp187bn in 1H14. This is supported from rising gold sales volume. As the company experienced a decline by gold production by 7% yoy to 1,107 kg and gold sales volume to increase quite significantly, this reflected on rising gold trading activities. However, amid substantial increase in the gold trading activities, the company managed to maintain operating margin at gold division at around 7.5% in 1H15 (1H14: 7.3%). Amid lower ferronickel ASP, the margin from nickel division was also maintained at level 1.2% in 1H15 from 1.3% in 1H14. The lower in the cash cost of production to US$4.38/lb in 1H15 from US$5.84/lb in 1H14 managed to cushion the further decline in ASP.

1H15 Financial Statement

Operational performance	1Q15	2Q15	QoQ,%	1H14	1H15	YoY, %
Ferronickel, tons						
Production	4,512	4,931	*9*	7,579	9,443	*25*
Sales	4,247	7,060	*66*	8,900	11,307	*27*
Nickel Ore, tons						
Production	432,471	311,593	*(28)*	396,461	744,064	*88*
Sales	0	0	*n.a.*	215,400	0	*(100)*
Gold, kg						
Production	541	566	*5*	1,172	1,107	*(6)*
Sales	3,792	7,204	*90*	3,926	10,996	*180*
ASP (US$/tr oz)	1,244	1,220	*(2)*	1,320	1,228	*(7)*

Financial performance	1Q15	2Q15	QoQ,%	1H14	1H15	YoY, %
Revenue, IDR bn	2,867	4,982	*74*	3,987	7,849	*97*
COGS, IDR bn	(2,610)	(4,711)	*81*	(3,743)	(7,321)	*96*
Gross profit, IDR bn	257	271	*6*	244	528	*117*
Operating profit, IDR bn	56	48	*n.a.*	(187)	103	*n.a.*
Net profit, IDR bn	(240)	(156)	*(35)*	(671)	(396)	*(41)*
Gross margin, %	9.0	5.4	*(3.5)*	6.1	6.7	*0.6*
Operating margin, %	1.9	1.0	*(1.0)*	(4.7)	1.3	*6.0*
Net margin, %	(8.4)	(3.1)	*5.3*	(17.1)	(5.0)	*12.1*

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MARKET NEWS

WIKA and PTPP rights issue proceeds in 2016 (Multiple Sources)

Yesterday, WIKA and PTPP held the public hearing with House of Representatives in regards with the discussion on government capital injection in 2016. In draft state budget 2016, WIKA will receive Rp3.0tn government capital injection while PTPP will receive Rp2tn. Both companies plan to do the rights issue in 1H16F which potentially rise to Rp4.7tn for WIKA and Rp3.9tn for PTPP. The proceeds mainly will be used to finance the country's future infrastructure projects, with the notable one is the High-speed train (HST) that will connect Jakarta-Bandung, the development of Kuala Tanjung industrial estate, and some on-tender toll roads. In our view, the biggest risk from next year rights issue will be on WIKA's side considering its majority ownership in HST project, while other projects should be considered a significant addition to company's order book in 2016 given the rights-to-match scheme. (Joko)

WIKA rights issue proceeds

Project	Ownership, %	Total Investment, Rp tn	Equity, Rp tn	Debt, Rp tn
High-speed train	23.0	60.0	3.45	10.35
Kuala Tanjung industrial	20.0	8.0	0.48	1.12
Soreang-Pasir Koja toll road	25.0	1.5	0.11	0.26
Manado-Bitung toll road	20.0	3.3	0.20	0.46
Balikpapan-Samarinda toll road	15.0	8.3	0.38	0.88
Jatiluhur watter supply	14.0	2.0	0.08	0.20
TOTAL		**83.1**	**4.70**	**13.27**

PTPP rights issue proceeds

Project	Ownership, %	Total Investment, Rp tn	Equity, Rp tn	Debt, Rp tn
High-speed train	5.0	60.0	0.90	1.20
Kuala Tanjung industrial	35.0	8.0	0.84	1.96
Kuala Tanjung terminal	25.0	3.0	0.21	0.56
Balikpapan-Samarinda toll road	15.0	8.3	0.38	0.88
Pandaan-Malang toll road	25.0	3.95	0.30	0.69
Manado-Bitung toll road	15.0	3.3	0.15	0.35
Medan-Tebing Tinggi toll road	15.0	4.0	0.20	0.42
Batang-Semarang toll road	25.0	7.5	0.56	1.30
Jakarta six inner city toll road	3.0	41.7	0.38	0.88
TOTAL			**3.92**	**8.24**

4W production fell 35.7% (ID)

4W vehicle production volume in July reached 58.858 units, fell 35.7% mom from previous month as many as 91.567 units due to weak domestic and export markets. Currently, the industry players have taken steps to deal with high production costs due to the Rupiah depreciation and market slowdown through reducing the number of factory work shift.

ANTM peg prices at IDR371-535 (ID/BI)

Aneka Tambang (ANTM) estimates right issue price implementation to be IDR371-535 per share for total of shares to be offered at 14.11 billion, or approximately 59.7% of paid up capital. Therefore, amount of funds collected by the company as much IDR5.31 trillion. Every 25 old shares holder whose names are recorded on October 20, 2015, entitled into 26-37 new shares.

KLBF absorps capex of IDR 600bn (BI)

Kalbe Farma (KLBF) has realized capex worth IDR 600bn, or 60% of total capital expenditure in 2015 amounted to IDR 1tn derived from internal cash. Capex used to build a factory in Cikampek and Sukabumi, expanding production capacity in Cikarang and Bekasi and also to expand KLBF distribution point.

PUPR projects auction still left IDR 3.5tn (ID)

The Ministry of Public Works and Housing (PUPR) recorded that budget absorption has reached IDR 33tn, 27.8% from the total budget limit of IDR 118.5tn, with a target of 30% as of August. While the budget package which has not yet auctioned is IDR 3.5tn from the total of IDR 95tn, which mainly are multiyear project and some funded by foreign loans. PUPR targets 40% budget realization in September and 93% for FY15. Currently the remaining IDR 4.5tn budget for the project auction, mostly are transferred for the payment of land compensation, financing several dam construction projects, and speed up the auction process.

WSKT acquired 60% stake in Pemalang-Batang Toll Road (ID)

Waskita (WSKT) through its subsidiary Waskita Toll Road, acquired 60% stake for Pemalang-Batang toll road in order to support the government's program for the construction of 1000km highway within 5 years. Pemalang-Batang toll previously owned by PT Langkah Hutama Perkasa (45%), PT Sumber Mitra Jaya (45%), and Countryside Investment Corp (10%), with WSKT acquire ownership of Sumber Mitra Jaya and Countryside Investment. Until now, land acquisition only reached 5.2ha or 1.86% from the total requiremen of 279ha. WSKT has asked PUPR to deliver at least 75% land needed in order to do the construction as lenders requirement. The process of land acquisition is expected to be completed in 2016, with construction expected to be completed in 2018. This toll road construction is divided into two sections; section 1 26.25km and section 2 12.95km.

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	Core EPS (Rp) 2015	Core 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				**2,580,969**	**192,294**	**217,090**	**302.9**	**341.9**			**7%**	**13%**	**13.4**	**11.9**	**11.4**	**10.4**	**2.3**	**2.0**		**18.3**
Auto				**246,527**	**24,706**	**29,222**	**452.6**	**535.3**			**15%**	**18%**	**10.0**	**8.4**	**8.3**	**7.2**	**1.7**	**1.5**		**18.6**
Astra International	HOLD	5,825	8,300	235,817	23,976	28,096	592	694	497	567	16%	17%	9.8	8.4	8.5	7.3	1.8	1.5	33.5	19.1
Gajah Tunggal	BUY	475	1,500	1,655	266	633	76	182	140	127	-1%	138%	6.2	2.6	4.1	4.0	0.3	0.2	95.0	4.4
Selamat Sempurna	BUY	4,740	5,300	6,824	465	493	323	342	332	352	19%	6%	14.7	13.8	8.9	8.2	4.8	3.9	net cash	36.0
Banks				**900,687**	**78,322**	**87,987**	**727.0**	**816.7**			**5%**	**12%**	**11.5**	**10.2**			**2.1**	**1.8**		**20.0**
BCA	HOLD	12,600	14,050	310,653	19,127	21,921	767	879	767	879	15%	15%	16.4	14.3	NA	NA	3.3	2.8	NA	22.4
BNI	BUY	4,955	5,850	92,404	7,506	8,596	402	461	402	461	-30%	15%	12.3	10.7	NA	NA	1.4	1.3	NA	12.1
BRI	BUY	10,500	13,400	259,026	26,451	29,202	1,072	1,184	1,072	1,184	9%	10%	9.8	8.9	NA	NA	2.2	1.9	NA	24.8
Bank Tabungan Negara	BUY	1,050	1,400	11,111	1,357	1,609	129	153	129	153	22%	19%	8.1	6.8	NA	NA	0.8	0.8	NA	10.6
Bank Mandiri	BUY	9,000	13,600	210,000	21,856	24,422	937	1,047	937	1,047	10%	12%	9.6	8.6	NA	NA	1.7	1.5	NA	19.6
Bank Tabungan Pensiunan	BUY	2,995	4,500	17,492	2,026	2,237	347	383	347	383	8%	10%	8.6	7.8	NA	NA	1.3	1.1	NA	15.8
Cement				**130,693**	**12,525**	**15,375**	**725**	**890**			**7%**	**23%**	**10.4**	**8.5**	**6.2**	**5.4**	**2.0**	**1.8**		**20.0**
Holcim	HOLD	1,000	2,300	7,663	923	1,213	120	158	118	152	12%	31%	8.3	6.3	4.9	3.7	0.7	0.7	30.0	9.1
Indocement	BUY	19,000	28,300	69,943	5,741	6,595	1,559	1,792	1,555	1,788	8%	15%	12.2	10.6	6.9	5.7	2.5	2.2	net cash	21.2
Semen Indonesia	BUY	8,950	14,500	53,087	5,861	7,567	988	1,276	988	1,276	5%	29%	9.1	7.0	6.0	5.6	2.0	1.7	12.3	23.2
Construction				**103,567**	**4,317**	**5,350**	**102**	**126**			**17%**	**24%**	**24.0**	**19.4**	**11.4**	**9.8**	**3.0**	**2.7**		**14.4**
Jasa Marga	BUY	5,350	8,000	36,380	1,531	1,779	480	614	513	657	19%	28%	11.1	8.7	12.5	11.1	2.9	2.6	95.8	12.8
Wijaya Karya	HOLD	2,710	2,500	16,664	573	638	93	104	98	109	-7%	11%	29.1	26.1	11.9	10.0	3.0	2.7	29.0	10.9
Pembangunan Perumahan	BUY	3,295	4,600	15,956	694	856	143	177	150	185	30%	23%	23.0	18.6	9.4	7.9	5.4	4.3	39.2	25.8
Adhi Karya	BUY	1,970	3,700	3,549	399	531	221	295	244	322	23%	33%	8.9	6.7	5.0	4.4	1.7	1.4	66.6	20.8
Waskita Karya	BUY	1,650	2,000	23,087	725	1,054	53	78	53	78	4%	46%	30.9	21.2	15.3	12.8	2.6	2.4	net cash	12.5
Wika Beton	HOLD	910	1,350	7,931	396	491	45	56	46	57	32%	24%	20.1	16.1	10.4	8.3	3.2	2.7	net cash	17.1
Consumer				**423,530**	**13,419**	**14,186**	**488**	**516**			**7%**	**6%**	**31.6**	**29.9**	**18.7**	**17.7**	**7.4**	**6.3**		**25.9**
Indofood CBP	BUY	12,675	13,800	73,907	3,033	3,308	520	567	520	567	16%	9%	24.4	22.3	16.8	15.8	4.7	4.2	net cash	20.3
Indofood	BUY	5,125	7,100	45,000	3,704	4,059	422	462	563	610	-5%	10%	12.1	11.1	5.6	5.4	1.6	1.5	19.5	13.8
Unilever	SELL	38,750	30,475	295,663	5,889	6,234	772	817	772	817	3%	6%	50.2	47.4	34.6	32.9	28.9	18.1	net cash	80.4
Nippon Indosari Corpindo	BUY	1,095	1,680	5,543	266	309	53	61	53	61	41%	16%	20.8	17.9	12.0	9.7	4.6	3.8	59.5	24.7
Mandom	BUY	17,000	21,170	3,418	526	276	2,618	1,375	279	1,373	202%	-47%	6.5	12.4	7.2	6.3	2.0	1.9	net cash	35.7
Healthcare				**137,279**	**3,219**	**3,609**	**595**	**703**			**20%**	**18%**	**42.6**	**38.0**	**27.1**	**23.2**	**7.8**	**7.0**		**19.9**
Kalbe Farma	BUY	1,655	1,925	77,578	2,219	2,375	47	51	47	52	8%	7%	35.0	32.7	22.9	20.1	7.3	6.6	net cash	22.2
Kimia Farma	BUY	655	1,500	3,638	258	313	47	56	41	50	12%	19%	13.9	11.7	9.5	7.6	1.8	1.6	2.2	13.5
Siloam Hospital	HOLD	13,850	16,900	16,012	153	245	96	132	99	137	77%	38%	144.5	104.7	26.4	21.0	9.1	8.3	35.5	8.9
Mitra Keluarga	BUY	27,525	29,950	40,051	589	676	405	464	397	454	14%	15%	68.0	59.3	61.6	52.4	12.0	10.8	net cash	22.9
Heavy Equipment				**65,928**	**5,973**	**6,297**	**1,307**	**1,378**			**7%**	**5%**	**11.0**	**10.5**	**4.9**	**4.1**	**1.5**	**1.4**		**14.6**
Hexindo Adiperkasa	HOLD	1,330	3,650	1,117	220	260	262	309	238	273	13%	18%	5.1	4.3	2.2	1.4	0.4	0.4	net cash	8.0
United Tractors	HOLD	17,375	19,800	64,811	5,753	6,037	1,542	1,619	1,542	1,619	7%	5%	11.3	10.7	5.0	4.2	1.6	1.5	net cash	15.1
Mining				**68,100**	**7,134**	**8,305**	**110**	**128**			**-19%**	**16%**	**9.5**	**8.2**	**4.0**	**3.5**	**0.7**	**0.7**		**7.3**
Adaro Energy	BUY	590	1,150	18,872	2,095	2,202	66	69	66	69	2%	5%	9.0	8.6	3.6	3.1	0.5	0.5	33.0	6.2
Timah	BUY	560	850	4,171	157	237	21	32	21	32	-75%	51%	26.5	17.6	6.5	6.1	0.8	0.8	24.9	2.9
Vale Indonesia	BUY	1,415	3,700	14,060	1,386	1,790	140	180	140	180	-36%	29%	10.1	7.9	3.3	2.8	0.6	0.6	net cash	6.2
Aneka Tambang	HOLD	525	1,100	5,008	194	400	20	42	20	42	-148%	106%	25.8	12.5	12.0	9.1	0.4	0.4	62.8	1.6
Bukit Asam	BUY	5,725	8,400	13,191	1,560	1,674	718	770	718	770	-23%	7%	8.0	7.4	5.7	5.2	1.4	1.3	net cash	17.4
Indo Tambangraya Megah	HOLD	9,150	10,600	10,339	1,622	1,800	1,435	1,593	1,435	1,593	-23%	11%	6.4	5.7	2.1	1.8	0.9	0.8	net cash	15.2
Harum Energy	HOLD	910	1,750	2,460	119	202	44	75	44	75	-53%	69%	20.7	12.2 -	0.0 -	0.1	0.6	0.7	net cash	3.1
Plantation				**42,841**	**5,510**	**5,938**	**211**	**227**			**11%**	**8%**	**7.8**	**7.2**	**4.3**	**3.8**	**1.1**	**1.0**		**14.9**
Astra Agro Lestari	BUY	16,600	27,100	26,141	2,770	2,832	1,759	1,798	1,759	1,798	4%	2%	9.4	9.2	5.6	5.2	2.2	2.0	net cash	24.5
Sampoerna Agro	BUY	1,455	2,600	2,750	464	550	245	291	253	299	18%	19%	5.9	5.0	4.1	3.5	0.8	0.7	31.8	14.5
PP London Sumatra	HOLD	1,020	2,090	6,959	1,055	1,133	155	166	155	166	8%	7%	6.6	6.1	2.9	2.3	0.9	0.8	net cash	13.9
Salim Ivomas Pratama	BUY	442	850	6,991	1,221	1,423	77	90	87	98	33%	17%	5.7	4.9	3.5	3.0	0.5	0.4	37.6	8.2
Property				**90,833**	**8,896**	**10,205**	**87**	**99**			**-10%**	**15%**	**10.2**	**8.9**	**9.1**	**7.9**	**1.8**	**1.6**		**18.8**
Alam Sutera	BUY	351	700	6,897	1,254	1,516	64	77	73	85	15%	21%	5.5	4.6	6.4	5.3	1.0	0.8	75.3	18.9
Bumi Serpong Damai	BUY	1,575	2,100	30,314	2,369	2,617	135	150	140	156	-36%	10%	11.6	10.5	10.2	8.9	2.0	1.8	net cash	16.6
Metropolitan Land	BUY	292	620	2,235	290	322	38	43	38	43	14%	11%	7.6	6.9	5.6	5.2	1.0	0.9	27.7	14.2
Surya Semesta Internusa	HOLD	700	1,040	3,294	464	415	99	88	103	93	32%	-11%	7.1	7.9	2.9	2.9	1.1	1.0	net cash	16.9
Lippo Karawaci	BUY	1,030	1,200	23,770	1,565	1,763	72	82	58	64	-38%	13%	14.2	12.6	10.9	9.4	1.5	1.4	27.3	10.1
PP Properti	BUY	150	242	2,107	1,626	1,963	21	26	22	28	172%	27%	7.3	5.8	5.1	5.0	1.0	0.8	8.8	100.6
Summarecon	BUY	1,540	2,045	22,217	1,327	1,609	92	111	92	111	-5%	21%	16.7	13.8	12.3	10.2	4.5	3.6	57.1	29.6
Telco & Infrastructure				**416,708**	**19,313**	**22,528**	**141**	**165**			**28%**	**17%**	**21.6**	**18.5**	**6.2**	**5.7**	**3.4**	**3.2**		**17.0**
XL Axiata	BUY	2,935	4,710	25,069	356	680	42	80	42	80	-140%	91%	70.3	36.8	5.2	4.6	1.8	1.7	120.7	2.5
Indosat	BUY	3,920	4,200	21,301	312	588	57	108	38	89	-152%	89%	68.3	36.2	3.7	3.4	1.3	1.3	132.4	2.0
Telkom	HOLD	2,830	3,050	285,264	15,554	16,458	158	168	158	168	6%	6%	17.9	16.9	5.7	5.3	3.9	3.6	net cash	22.1
Sarana Menara Nusantara	BUY	3,930	4,600	40,097	1,585	2,040	155	200	158	202	89%	29%	25.3	19.7	12.3	10.3	6.5	5.1	108.8	29.2
Tower Bersama	HOLD	7,050	8,600	33,816	1,528	2,387	300	429	300	429	9%	43%	23.5	16.4	13.6	10.8	2.9	2.4	129.0	19.3
MNC Sky Vision	HOLD	1,580	1,230	11,161	(22)	375	(3)	53	(2)	1	-86%	-1776%	(499.4)	29.8	10.9	9.5	6.9	5.6	162.0	-1.4
Tranportation				**17,077**	**1,253**	**1,554**	**501**	**621**			**62%**	**24%**	**13.6**	**11.0**	**7.7**	**6.2**	**3.9**	**3.0**		**32.4**
Blue Bird	BUY	6,825	12,200	17,077	1,253	1,554	501	621	488	608	62%	24%	13.6	11.0	7.7	6.2	3.9	3.0	43.9	32.4
Utility				**70,300**	**11,088**	**10,313**	**457**	**425**			**3%**	**-7%**	**6.3**	**6.8**	**4.3**	**4.6**	**1.7**	**1.6**		**28.7**
PGN	BUY	2,900	6,650	70,300	11,088	10,313	457	425	5,775	5,313	3%	-7%	6.3	6.8	4.3	4.6	1.7	1.6	net cash	28.7
Retail				**21,253**	**1,091**	**1,385**	**42**	**53**			**11%**	**27%**	**19.5**	**15.3**	**9.1**	**7.5**	**2.4**	**2.1**		**12.6**
Mitra Adi Perkasa	BUY	3,945	6,525	6,549	287	492	173	296	183	306	284%	72%	22.8	13.3	7.5	5.8	2.3	2.0	111.8	10.7
Ramayana	SELL	610	660	4,329	243	255	34	36	34	36	-31%	5%	17.8	17.0	8.4	7.7	1.3	1.2	net cash	7.2
Ace Hardware	BUY	605	780	10,376	561	638	33	37	32	37	2%	12%	18.3	16.4	12.2	10.3	3.7	3.1	net cash	21.7

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on 27-Aug-2015	26-Aug-2015	Chg, %	w-w, %	m-m, %	YTD, %	Rating
Bumi Serpong Damai	BSDE	1,575	1,410	11.7	(3.4)	(10.5)	(12.7)	BUY
Astra Agro Lestari	AALI	16,600	15,025	10.5	(3.1)	(22.8)	(31.5)	BUY
Vale Indonesia	INCO	1,415	1,285	10.1	(9.9)	(36.4)	(61.0)	BUY
Adhi Karya	ADHI	1,970	1,790	10.1	(2.5)	(22.1)	(43.4)	BUY
Bank Negara Indonesia	BBNI	4,955	4,505	10.0	12.1	2.2	(18.8)	BUY
Indofood	INDF	5,125	4,680	9.5	(10.1)	(14.6)	(24.1)	BUY
Adaro Energy	ADRO	590	540	9.3	21.9	6.3	(43.3)	BUY
Summarecon	SMRA	1,540	1,415	8.8	(5.2)	(9.9)	1.3	BUY
Salim Ivomas Pratama	SIMP	442	407	8.6	(4.7)	(22.5)	(37.3)	BUY
Alam Sutera	ASRI	351	325	8.0	(11.6)	(31.2)	(37.3)	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on 27-Aug-2015	26-Aug-2015	Chg, %	w-w, %	m-m, %	YTD, %	Rating
Mandom	TCID	17,000	18,000	(5.6)	(5.6)	(12.8)	(3.0)	BUY
Metropolitan Land	MTLA	292	305	(4.3)	(7.3)	(13.5)	(33.7)	BUY
Hexindo Adiperkasa	HEXA	1,330	1,350	(1.5)	(17.4)	(45.3)	(62.1)	HOLD
Sampoerna Agro	SGRO	1,455	1,470	(1.0)	(9.1)	(11.3)	(30.7)	BUY
Blue Bird	BIRD	6,825	6,875	(0.7)	(3.2)	(11.4)	(27.6)	BUY
MNC Sky Vision	MSKY	1,580	1,585	(0.3)	0.3	11.3	(1.3)	HOLD
Sarana Menara Nusantara	TOWR	3,930	3,940	(0.3)	(0.3)	(1.8)	(5.3)	BUY
Bank Tabungan Pensiunan Nasional	BTPN	2,995	3,000	(0.2)	(7.8)	(13.8)	(24.2)	BUY
Harum Energy	HRUM	910	910	-	(11.2)	(9.0)	(45.2)	HOLD
Indosat	ISAT	3,920	3,910	0.3	(4.4)	(8.4)	(3.2)	BUY

Sources: Bloomberg

Disclaimer