

MORNING HIGHLIGHT

FROM EQUITY RESEARCH

KLBF: Facing the strong headwind

(KLBF IJ. Rp1,350. HOLD. TP Rp1,355)

KLBF booked poor performance in 9M15, which was attributable to: 1) prolonged suspension of its line 6 production facilities, 2) shifting into lower margin unbranded generic drugs, 3) weak IDR and 4) waning purchasing power. However, we believe the worst will soon come to an end, as next year KLBF expects normalization of production in prescription pharmaceutical, new product launching in consumer health, and the commencing of its liquid milk facilities. We have lowered our earnings forecasts by 8.1% - 4.2% in FY15F-16F respectively and trim our Target Price to IDR1,355 based on FY16F target P/E of 28x as we see a de-rating on the stock valuation. Downgrade to HOLD.

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MARKET NEWS

*Analysts' comment inside

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- BIRD's fleet acquisition to reach Rp 1.5tn (BI)
- IPO of WIKA Gedung on the top of the list (ID)
- PTBA preparing to withdraw loan from Cexim amounted to US\$ 1.2bn (ID)
- SMCB divests its Holcim Malaysia shares (BI)
- Township Expansion, SMRA aim Rp800bn sales (ID)
- SGRO's production to potentially declining (ID)

IDX ANNOUNCEMENT

Buyback schedule

Code	Buyback period	Max buyback (Rp bn)	Max price/share (Rp)
MPMX	24-Aug 23-Nov	50	1,000
RALS	25-Aug 24-Nov	400	--
ARNA	25-Aug 25-Nov	18	--

Source: KSEI

Key Index

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	4,498	(0.1)	(13.9)	225
Thailand	1,377	(1.0)	(8.1)	1,001
Philippines	6,825	0.8	(5.6)	110
Malaysia	1,657	(0.3)	(5.9)	467
Singapore	2,886	(1.1)	(14.2)	683
Regional				
China	3,568	(1.0)	10.3	118,053
Hong Kong	22,188	(0.3)	(6.0)	8,282
Japan	19,649	0.1	12.6	11,292
Korea	1,976	0.7	3.2	3,868
Taiwan	8,340	(0.9)	(10.4)	2,524
India	25,483	(1.5)	(7.3)	442
NASDAQ	5,075	1.8	7.2	81,421
Dow Jones	17,737	1.4	(0.5)	8,400

Currency and Interest Rate

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,819	(1.6)	(2.2)	(11.6)
SBI rate %	6.75	0.1	0.1	(0.5)
10y Gov Indo bond	8.61	(0.1)	(0.0)	0.8

Hard Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	53	0.1	(0.7)	(15.3)
Gold	US\$/toz	1,072	0.1	(8.4)	(9.5)
Nickel	US\$/mt.ton	8,940	(1.4)	(15.3)	(40.7)
Tin	US\$/mt.ton	14,610	(0.7)	(8.5)	(24.8)

Soft Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	3,414	(0.2)	7.2	14.9
Corn	US\$/mt.ton	137	-	(2.8)	(4.3)
Crude Oil	US\$/barrel	44	1.3	(12.5)	(23.0)
Palm oil	MYR/mt.ton	2,099	0.6	(4.3)	(8.6)
Rubber	US\$/kg	117	(0.4)	(7.8)	(22.9)
Pulp	US\$/tonne	819	N/A	(1.3)	(12.1)
Coffee	US\$/60kgbag	96	(0.6)	3.3	38.2
Sugar	US\$/MT	391	(1.4)	0.3	(0.1)
Wheat	US\$/ton	132	(0.4)	(3.0)	(21.6)

Source: Bloomberg

PT Danareksa Sekuritas

Jl. Medan Merdeka Selatan No. 14
Jakarta 10110
Indonesia
Tel (62 21) 29 555 888
Fax (62 21) 350 1709

Equity Research Team

A. Indrajatri Suwono, CFA

adriana.suwono@danareksa.com
(62-21) 2955 5616
Strategy

Anindya Saraswati

anindyas@danareksa.com
(62-21) 2955 5820
Property, Retail

Armando Marulitua

armandom@danareksa.com
(62-21) 2955 5817
Pharmaceutical

Stefanus Darmagiri

stefanus.darmagiri@danareksa.com
(62-21) 2955 5831
Coal, Heavy Equipment, Metal Mining

Puti Adani

putia@danareksa.com
(62-21) 2955 5824
Research Associate

Antonia Febe Hartono

antonia.hartono@danareksa.com
(62-21) 29555 888 ext.3504
Research Associate

Sales team

Ermawati A. Erman

ermawati@danareksa.com
(62 21) 29555 888 ext. 3151

Novrita E. Putrianti

novrita@danareksa.com
(62 21) 29555 888 ext. 3128

Ehrlich Suhartono

ehrliech@danareksa.com
(62 21) 29555 888 ext. 3132

Yunita L. Nababan

yunita@danareksa.com
(62 21) 29555 888 ext. 3145

Martin Joshua

martinjs@danareksa.com
(62 21) 29555 888 ext. 3126

Laksmi Armandani

laksmi@danareksa.com
(62 21) 29555 888 ext. 3125

Muhammad Hardiansyah

mhardiansyah@danareksa.com
(62 21) 29555 888 ext. 3109

Tuty Sutopo

tuty@danareksa.com
(62 21) 29555 888 ext. 3121

Upik Yuzarni

upik_y@danareksa.com
(62 21) 29555 888 ext. 3137

Kevin Giarto

kevin.giarto@danareksa.com
(62 21) 29555 888 ext. 3139

HOLD

Target Price, Rp 1,355
Upside 0.4%

KLBF IJ/KLBF.JK

Last Price, Rp 1,350

No. of shares (bn) 46,875

Market Cap, Rp bn 63,282

(US\$ mn) 4,615

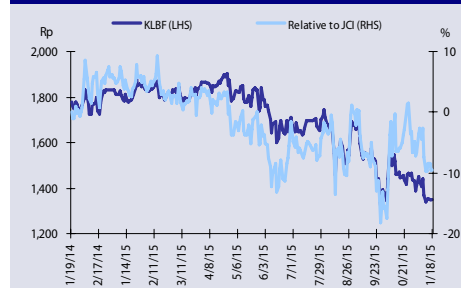
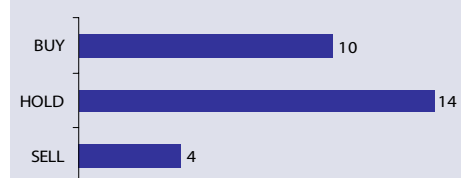
3M T/O, US\$mn 2.6

Last Recommendation

03-Aug-2015 BUY Rp 1,925

22-Jun-2015 HOLD Rp 1,800

20-Feb-2015 HOLD Rp 1,900

KLBF relative to JCI Index**Market Recommendation****Consensus**

	Our	Cons	% Diff
Target price, Rp	1,355	1,589	-14.7
EPS 2016F, Rp	49	52.7	-7.0
PE 2016F, x	27.8	25.6	8.6

**Armando Marulitua**

(62-21) 2955 5817

armandom@danareksa.com

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

Kalbe Farma**Facing the strong headwind**

KLBF booked poor performance in 9M15, which was attributable to: 1) prolonged suspension of its line 6 production facilities, 2) shifting into lower margin unbranded generic drugs, 3) weak IDR and 4) waning purchasing power. However, we believe the worst will soon come to an end, as next year KLBF expects normalization of production in prescription pharmaceutical, new product launching in consumer health, and the commencing of its liquid milk facilities. We have lowered our earnings forecasts by 8.1%-4.2% in FY15F-16F respectively and trim our Target Price to IDR1,355 based on FY16F target P/E of 28x as we see a de-rating on the stock valuation. Downgrade to HOLD.

Performance hit by strong headwind

2015 is certainly a tough year for Kalbe Farma (KLBF) as it faced 1) prolonged suspension of its line 6 production facilities, 2) trends toward higher demand of unbranded generics drugs which carries lower margins, 3) weak IDR and 4) waning purchasing power. The suspension of production activity at its line 6 production facilities has cost KLBF c.5% of prescription pharmaceuticals sales in FY15 plus loss in competitiveness as the products were unavailable in the market. Furthermore, the launching of National Health Insurance program (JKN) has forced KLBF to shift the product mix into lower margin unbranded products at the expense of the higher margin branded products. We expect that this trend will continue into foreseeable future.

KLBF's nutritional to be the light at the end of tunnel

Despite a setback on prescription segment, we remain positive on KLBF's nutritional business due to its strong brand equity and defensive nature. This segment recorded a solid 10.2% yoy sales growth in 9M15 even under the unfavorable macroeconomic condition and waning purchasing power. Into the 2016, the performance of the nutritional segment will be strengthened by the operation of its new liquid milk facilities. An additional benefit is the currently sluggish commodity market, resulted in low price of the raw material i.e. skim milk, should help to bolster the segment's margin. Over the medium term, the growth driver from this segment will come from the burgeoning middle class income people.

Lowering our Target Price to Rp1,355; downgrade to HOLD

The worst will soon come to an end for KLBF on the back of better sales performance next year supported by normalization of production in prescription pharmaceutical, new product launching in consumer health and the commencing of its liquid milk facilities on top of expected better macroeconomic outlook to support stronger purchasing power. Taking into account the 9M15 financial performance, we reduce our topline and earnings forecast by 1.7%/1.7% and 8.1%/4.2% in FY15F/16F respectively. This leads to a lower Target Price of Rp1,355 based on FY16F target P/E of 28x, KLBF's 5-years mean forward P/E, as we see a de-rating on KLBF stock price owed to slower earnings growth and profitability risk. The deep 29% correction from its peak has priced in all the bad news, we believe. However, the stock has only limited upside from its current level. Thus, we downgrade our recommendation to HOLD.

	2013	2014	2015F	2016F	2017F
Sales, Rp bn	16,002	17,369	17,867	19,742	22,119
EBITDA, Rp bn	2,804	3,069	3,040	3,474	3,865
EBITDA growth, %	15	9	-1	14	11
Net profit, Rp bn	1,920	2,065	2,040	2,274	2,533
Core profit, Rp bn	1,918	2,071	2,009	2,293	2,543
EPS, Rp	41	44	44	49	54
EPS growth, %	10.7	7.6	(1.2)	11.5	11.4
Net Gearing, %					
PER, x	33.0	30.6	31.0	27.8	25.0
PBV, x	7.2	6.7	6.1	5.4	4.9
EV/EBITDA, x	22.6	20.6	20.8	18.2	16.4
Dividend yield, %	1.4	1.3	1.6	1.6	1.8

2015 is certainly a tough year for Kalbe Farma (KLBF). KLBF poor performance in 9M15 was attributable to: 1) prolonged suspension of its line 6 facilities, 2) trends toward higher demand of unbranded generics drugs which carries lower margins, 3) weaker IDR and 4) waning purchasing power. Going forward, purchasing power should recover on the back of better macroeconomic outlook in FY16F. This will support KLBF's better performance in 2016, especially on its consumer related products.

We expect topline and earnings growth of 11% CAGR respectively in FY15F-FY17F on the back of normalizing prescription pharmaceuticals segment, consumer health recovery, and improving nutritionals sales following the operational of its liquid milk facilities in FY16F. Nonetheless, despite our expectation on rupiah strengthening next year, we remain cautious on increased volatility in USD/IDR given the lingering uncertainty on the US Fed interest rate hike.

Prolonged production line suspension hurt the prescription pharmaceuticals division

The suspension of production activity at its line 6 production facility cost KLBF c.5% of prescription pharmaceuticals sales in FY15. The BPOM (Indonesian FDA) has yet to give KLBF permission to resume operational activity despite the completion of its investigation at the facility. Another complication emerges as hospitals typically used bundling order for drugs procurement. In several occasions, KLBF could not provide the bundling order that required certain products types produced at this facility due to the temporary shutdown. As the result, KLBF suffered sales losses from some of its customers.

Nonetheless, KLBF claims to have complied with all BPOM's terms and conditions in order to speed up the process. Though uncertainty still exists, KLBF is hopeful that the production activity can resume by end of this year at the latest. The operational of the facility should normalize prescription pharmaceutical performance in FY16F following a sharp drop in 9M15.

The trend toward higher sales of unbranded drugs jeopardizes the prescription segment's margins

KLBF will also suffer from the National Health Insurance program (JKN) since, like it or not, it has to take part in the selling generic drugs. The JKN program means that government will provide unbranded drugs for free to the public, so in effect, KLBF is forced to sell more unbranded products to government health institution, or otherwise, its market share in unbranded drugs being taken over by other companies, while the market shares of branded products will decline anyway.

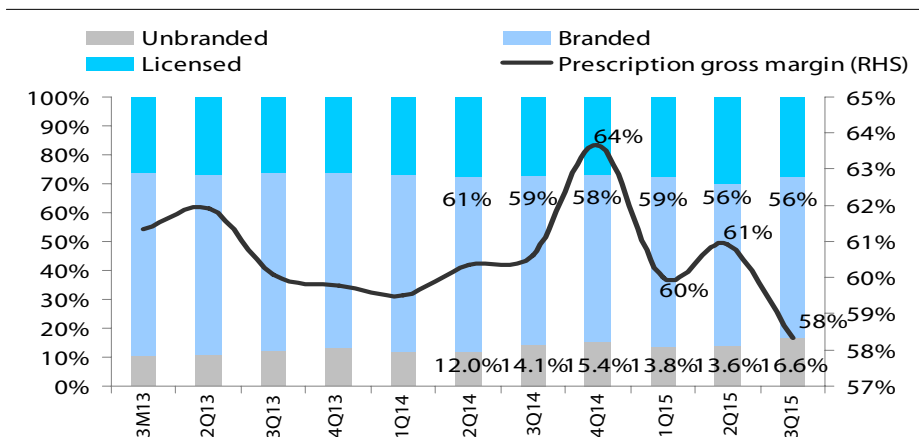
KLBF's proportion of unbranded generic drug sales increased to 14.6% in 9M15 from 12.7% in 9M14, at the expense of sales of the higher margin branded products which recorded a negative -5.1% yoy sales growth. This will negatively impacts KLBF over the near term as it needs to achieve higher sales volume of unbranded generic drugs to compensate for lower sales of branded generic drugs. Going forward, the low margin unbranded drugs will risk KLBF's margin in prescription segment as JKN implementation will last into foreseeable future.

Exhibit 1. Pharmaceutical prescription sales breakdown

	9M14 Rp bn	9M15 Rp bn	% chg y-y	3Q14 Rp bn	2Q15 Rp bn	3Q15 Rp bn	% chg q-q	% chg y-y
Licensed	864.3	907.6	5.0	290.4	328.0	275.8	(15.9)	(5.0)
Branded	1,930.3	1,831.3	(5.1)	633.6	615.9	563.3	(8.6)	(11.1)
Unbranded	406.5	468.3	15.2	151.5	148.6	166.7	12.2	10.0

Source: Company

Exhibit 2. Higher unbranded generic proportion



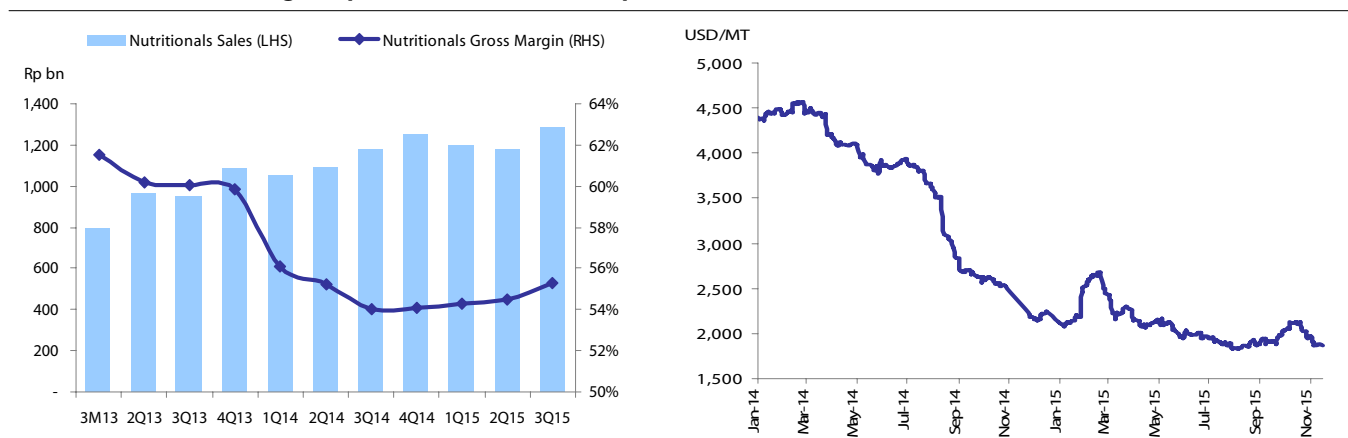
Source: Company, Danareksa Sekuritas

Nutritionals as the main growth engine

This segment will serve as the KLBF’s growth driver going forward due to its strong brand equity and defensive nature. The segment recorded a solid 10.2% yoy sales growth in 9M15 even under the unfavorable macroeconomic condition and waning purchasing power. KLBF’s nutritional products generally cater to more affluent consumers; hence the impact from lower purchasing power should not significantly affect demand for this segment’s products.

The performance of the nutritionals segment will also be supported by the operation of its new liquid milk facilities expected to be operational in FY16F. Burgeoning middle class income people will support the segment’s performance over the medium term. We expect this segment to record sales growth of 17% CAGR in FY15F-17F. Furthermore, the segment’s margins will also benefit from the low skimmed milk prices, since the higher cost raw materials inventory has gradually being used up. The nutritionals gross margin has shown improvement, up 1.3ppt yoy in 3Q15. Going forward, we believe this segment should be able to maintain solid margin.

Exhibit 3. Nutritionals margin improved on lower skim milk prices



Source: Company, Bloomberg and Danareksa Sekuritas

Exhibit 4. KLBF's flagship nutritional products are the market leader on its segment

Kalbe's Product	Market Share (%)		
	2012	2013	2014
Diabetasol	79.5	88.0	88.0
Milna	63.5	65.7	68.8
Prenagen	55.4	57.0	55.4
Morinaga Chil Mil	8.4	8.1	9.2
Morinaga BMT	8.6	10.4	10.9
Entrasol	7.6	8.1	9.7
Morinaga Chil Kid	5.9	5.8	6.8
Zee	3.5	5.5	6.5
Morinaga Chil School	1.9	2.4	2.7

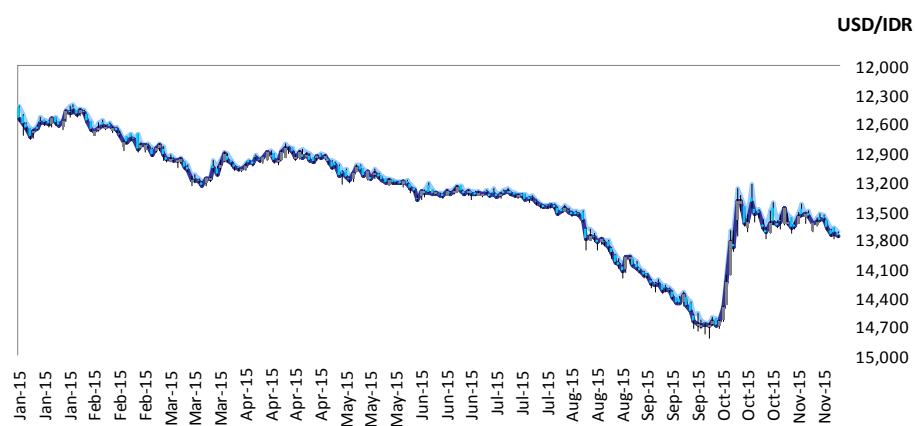
Source: Company

Low volatility in USD/IDR exchange rate should help to bolster profitability

IDR depreciated to its lowest level in September 2015 making the average US/IDR exchange rate weakened quite significantly by 5.6% in 3Q15. This poses threat for KLBF profitability level in 4Q15. Thus, we expect KLBF to record lower gross margin in 4Q15. We have anticipated lower gross margin of 48.4% in FY15F.

While IDR has fluctuated heavily in the past, there has been a positive development regarding USD/IDR which has been steady at Rp13,400-Rp13,700 level per USD in the past one month. Less volatile IDR is favorable for business activity especially for pharmaceutical company with high USD cost exposure. For FY16, we assume a less volatile USD/IDR as we believe that the Fed decision to hike interest rate will only have temporary negative impact on IDR. For FY16, we expect KLBF gross margin to be stabilize and improve accordingly to 48.8% in FY16F.

Exhibit 5. Rupiah weakening continue to put pressure on margin



Source: Bloomberg

Expanding to biopharmaceutical products

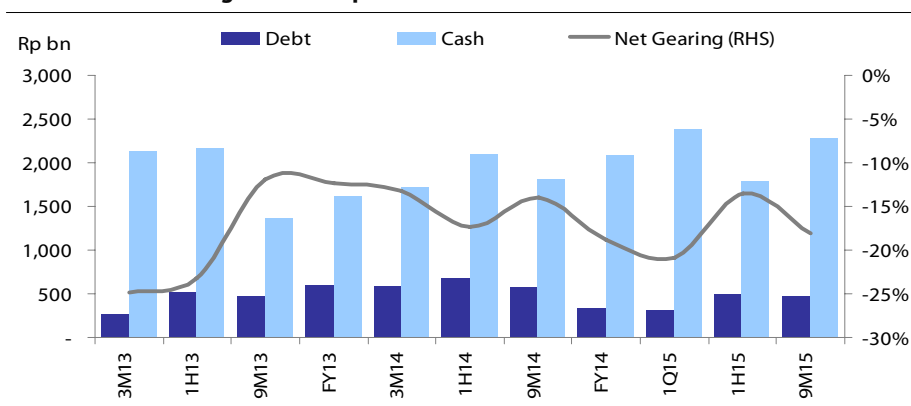
KLBF recently agreed to establish a joint venture with Genexine Biologics, a South Korean biotechnology company, to produce biomedical products locally. Genexine will provide the technology, while KLBF will conduct the clinical trials as well as preparing to market the products. The research will take four to five years and is expected to start producing in 2019. KLBF will need c.USD30mn to finance the projects.

Next year KLBF also will construct a factory that produces biosimilars, or copy versions of biologic drugs, at Cikarang, West Java. This is part of the plan to broaden its pharmaceutical portfolio products which we view positively to support long term performance.

Maintaining a healthy balance sheet

Given the tough macroeconomic conditions and slowing domestic consumption, we believe that a healthy balance sheet is preferable without having the burden of financing costs on profitability. KLBF has maintained a healthy balance sheet with a net cash position as of 9M15. Total debt declined by 6% from its level in June 2015. We do not see any urgency for the company to increase leverage over the near term since Kalbe currently has around UDR2.1tn of cash which, we believe, should be enough to finance its working capital needs this year.

Exhibit 6. Maintaining its net cash position



Source: Company, Danareksa Sekuritas

Lowering our Target Price to Rp1,355; downgrade to HOLD

This year subpar performance is worse than our previous conservative view. However, we believe that the worst will soon come to an end as KLBF's sales performance next year will be better supported by normalization of production in prescription pharmaceutical, aggressive new product launch in consumer health, and new operational of its liquid milk facilities.

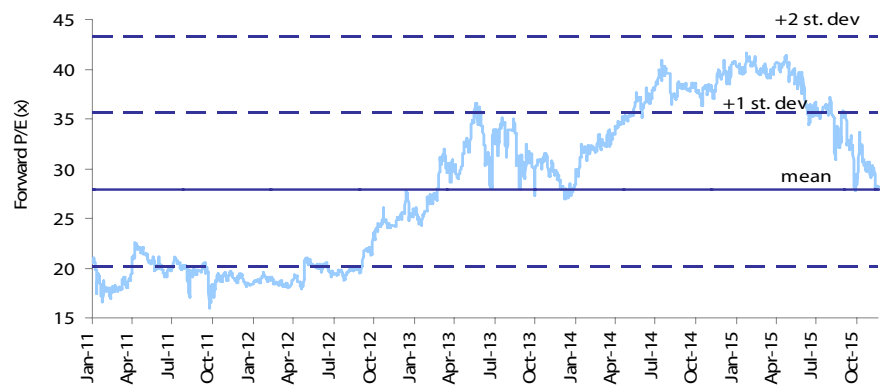
Taking into account the 9M15 financial performance, we reduce our topline forecast by 1.7%/1.7% in FY15F/16F respectively and our earnings forecast by 8.1%/4.2% in FY15F/16F respectively. This leads to a lower Target Price of Rp1,355 based on FY16F target P/E of 28x, KLBF's 5 years average forward P/E multiple as we expect a de-rating on the stock's valuation. Despite the deep -29% correction from its peak in April 2015, the stock has only limited upside from its current level. Potential upside risk could come from higher-than-expected prescription pharmaceuticals sales growth, strong pick-up of its distribution business, and higher than expected margin boost. Downgrade to HOLD.

Exhibit 7. Change in our forecast

	2014	Current			Previous			Changes, %		
		2015F	2016F	2017F	2015F	2016F	2017F	2015F	2016F	2017F
Sales, Rp bn	17,369	17,867	19,742	22,119	18,167	20,089	22,739	(1.7)	(1.7)	(2.7)
Gross profit, Rp bn	8,476	8,648	9,640	10,789	8,945	9,921	11,259	(3.3)	(2.8)	(4.2)
Op. profit, Rp bn	2,761	2,685	3,061	3,390	2,932	3,239	3,682	(8.4)	(5.5)	(7.9)
Pre-tax profit, Rp bn	2,764	2,733	3,047	3,394	2,968	3,180	3,691	(7.9)	(4.2)	(8.1)
Net profit, Rp bn	2,065	2,040	2,274	2,533	2,219	2,375	2,759	(8.1)	(4.2)	(8.2)
Gross margin, %	48.8	48.4	48.8	48.8	49.2	49.4	49.5	(0.8)	(0.6)	(0.7)
Operating margin, %	15.9	15.0	15.5	15.3	16.1	16.1	16.2	(1.1)	(0.6)	(0.9)
Net margin, %	11.9	11.4	11.5	11.5	12.2	11.8	12.1	(0.8)	(0.3)	(0.7)

Source: Danareksa Sekuritas

Exhibit 8. Kalbe Farma P/E bands



Source: Bloomberg, Danareksa Sekuritas

Exhibit 9. Profit and loss, Rp bn

	2013	2014	2015F	2016F	2017F
Revenues	16,002	17,369	17,867	19,742	22,119
Gross profit	7,679	8,476	8,648	9,640	10,789
Operating Profit	2,549	2,761	2,685	3,061	3,390
EBITDA	2,804	3,069	3,040	3,474	3,865
Net interest	22	11	8	10	18
Forex gain (loss)	1	14	70	7	17
Net other	1	(22)	(30)	(30)	(30)
Pretax income	2,573	2,764	2,733	3,047	3,394
Income tax	(602)	(643)	(636)	(708)	(789)
Others	0	0	0	0	0
Minority Interest	(51)	(56)	(58)	(64)	(72)
Net profit	1,920	2,065	2,040	2,274	2,533
Core profit	1,918	2,071	2,009	2,293	2,543

Source: Company and Danareksa Sekuritas

Exhibit 10. Balance Sheet, Rp bn

	2013	2014	2015F	2016F	2017F
Current assets	7,497	8,121	8,774	9,724	10,975
Cash & ST investment	1,614	2,094	2,373	2,676	3,078
Account Receivable	2,145	2,347	2,414	2,668	2,989
Inventories	3,053	3,091	3,204	3,511	3,938
Others	684	589	783	869	970
LT Investment	42	41	41	41	41
Fixed Asset - net	2,926	3,404	3,892	4,408	4,854
Goodwill	385	422	422	422	422
Others	465	437	465	502	543
Total assets	11,315	12,425	13,594	15,097	16,835
Current liabilities	2,641	2,386	2,489	2,674	2,944
Accounts payable	1,152	1,101	1,125	1,233	1,383
ST borrowings	608	287	344	333	336
Others	881	998	1,020	1,108	1,226
Long-term liabilities	175	222	222	222	222
Long-term debts	-	44	44	44	44
Others	175	177	177	177	177
Total liabilities	2,815	2,608	2,711	2,896	3,166
Minority interest	392	435	493	558	629
Share capital	469	469	469	469	469
Excess paid in	(34)	(34)	(34)	(34)	(34)
Retained earnings and others	7,674	8,947	9,955	11,209	12,605
Total equity	8,108	9,382	10,389	11,644	13,039
Total liabilities and equity	11,315	12,425	13,594	15,097	16,835

Source: Company and Danareksa Sekuritas

Exhibit 11. Cashflow Statement, Rp bn

	2013	2014	2015F	2016F	2017F
Operating cash flow	913	2,281	2,041	2,201	2,387
Net Profit	1,920	2,065	2,040	2,274	2,533
Depreciation & amortisation	258	310	357	414	477
Change in working capital	(1,114)	(89)	(328)	(451)	(581)
Others	(151)	(5)	(28)	(37)	(41)
Investment cash flow					
Net capex	(929)	(788)	(845)	(931)	(923)
Cash flow after invt.	(16)	1,493	1,196	1,270	1,465
Financing cash flow	(417)	(1,024)	(917)	(967)	(1,063)
Change in share capital	672	6	-	-	-
Net change in debt	374	(277)	57	(11)	3
Dividend payment	(891)	(797)	(1,032)	(1,020)	(1,137)
Change in other LT liab.	(572)	44	58	64	72
Net cash flow	(433)	468	279	303	402
Beginning balance	1,860	1,426	1,895	2,174	2,477
Ending balance	1,426	1,895	2,174	2,477	2,879

Source: Company and Danareksa Sekuritas

Exhibit 12. Selected ratios

	2013	2014	2015F	2016F	2017F
Growth (% YoY)					
Sales	17.3	8.5	2.9	10.5	12.0
Operating profit	14.9	8.3	(2.8)	14.0	10.7
EBITDA	15.1	9.4	(0.9)	14.3	11.3
Net profit	10.7	7.6	(1.2)	11.5	11.4
Core profit	12.3	8.0	(3.0)	14.1	10.9
Profitability (%)					
Gross margin	48.0	48.8	48.4	48.8	48.8
Operating margin	15.9	15.9	15.0	15.5	15.3
EBITDA margin	17.5	17.7	17.0	17.6	17.5
Net profit margin	12.0	11.9	11.4	11.5	11.5
ROE	23.7	22.0	19.6	19.5	19.4
ROA	17.0	16.6	15.0	15.1	15.0
Leverage					
Net debt/equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
EBITDA/gross interest (x)	97.9	59.0	86.9	87.1	96.9
Per share data (Rp)					
EPS	41	44	44	49	54
CFPS	19	49	44	47	51
BVPS	173	200	222	248	278
DPS	19	17	22	22	24

Source: Company, Danareksa Sekuritas

MARKET NEWS

Atmindo IPO price of USD 120-140 / shares (ID)

Mecanique Ateliers D'Indonesie (Atmindo), boiler producer that focus on the palm oil sector, will offer IPO of shares of Rp120-140/shares, implying PE of 8-9.3x. Company aim IPO proceed amounting to Rp28.8-33.6bn. Atmindo will issue a maximum of 240 million shares to the public. Proceeds of IPO will be used to reduce the loan from HSBC (68%) and develop boilers and auxiliary products (32%).

BIRD's fleet acquisition to reach Rp 1.5tn (BI)

Blue Bird (BIRD) to prepares capital expenditure worth Rp 1.5-1.6tn in 2016 to increase and rejuvenate up to 1,500 taxis. As of 2015, from the total purchasement of 1,500 cars, the delivery's of new fleet in the form of sedan and MPV reach 600-700 units with the MPV type fleet is expected to reach 400 units from the current 250 units which have been operating in Jakarta and Bandung. For 2016 capex, not only to increase their fleets, BIRD will also use the allocated capex to purchase land for car pool construction.

IPO of WIKA Gedung on the top of the list (ID)

Wijaya Karya Bangunan Gedung (WIKI Gedung) is expected to held IPO in 2H16. WIKI Gedung will issue 30% of the shares with a target fund of Rp1tn. Before the IPO, Wijaya Karya(WIKA) as the parent company plans to merge the building department that currently exist under the WIKI to WIKI Gedung. At the current moment, WIKI will give IPO priority to WIKI Gedung than WIKI Realty.

PTBA preparing to withdraw loan from Cexim amounted to US\$ 1.2bn (ID)

Tambang Batubara Bukit Asam (PTBA) will begin to withdraw loans amounted to US \$ 1.2bn from the Export Import Bank of China (Cexim) in 1Q16. The proceed will be used to fund coal fired power plant (PLTU) with a capacity of 2x620MW in Bangko Tengah worth US \$ 1.59bn. Currently, construction of the power plant Middle Bangko still waiting for 2 letter of intent transmission from PLN. Should, this goes according to initial plant, this power plant will commence its operational activities in 2019. PTBA has a 45% ownership in Bangko TENGAH power plant, while 55% is owned by China Huadian Hong Kong Company. In addition, PTBA also explores Peranap power plant in Riau with 800-1,200MW capacity worth US \$2.4bn. This power plant will be built together with PLN, and Tenaga Nasional Bhd. Currently, PTBA is awaiting licensing from the Malaysian government.

SMCB divests its Holcim Malaysia shares (BI)

Holcim Indonesia (SMCB) sell all of its Holcim Malaysia Sdn. Bhd. (HMSB)'s shares to Lavarge Malaysia Berhad. worth RM 300mn (Rp 1.03tn) or as many as 10.45mn of HMSB's shares. This is an affiliate transactions and will be paid in US Dollar.

Township Expansion, SMRA aim Rp800bn sales (ID)

Summarecon Agung (SMRA) plans to build a township project in Makassar, South Sulawesi with a sales potential of about Rp800bn next year. The project, which is a JV with Mutiara Property Group, will be built on an area of 170ha. Furthermore, SMRA will launch Summarecon Bandung will this November. This year, SMRA aiming for sales marketing sales amounted Rp800bn from Summarecon Bandung, down from the initial target of Rp1.2tn.

SGRO's production to potentially declining (ID)

Sampoerna Agro (SGRO) estimates that overall 2016's CPO production is likely to increase or decrease by about 5% as a result of the long drought happened in 2015 which especially has a significant impact for SGRO's plantation area in Sumatera. Estimated, production may slowed down for the next two years, but SGRO still believes that it can maintain its production levels, especially from the nucleus areas. Currently, the number of unyielded and young plants to reach 54,000 ha, or 41% from the total planted area.

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		18-Nov-2015	17-Nov-2015					
Perusahaan Gas Negara	PGAS	2,910	2,610	11.5	9.8	(3.6)	(51.5)	BUY
Ramayana	RALS	725	690	5.1	6.6	(1.4)	(8.2)	SELL
Semen Indonesia	SMGR	11,500	11,100	3.6	9.5	8.2	(29.0)	BUY
Adaro Energy	ADRO	575	555	3.6	(10.2)	(10.9)	(44.7)	BUY
Bukit Asam	PTBA	6,125	5,925	3.4	(11.6)	(7.5)	(51.0)	BUY
Indo Tambangraya Megah	ITMG	7,425	7,200	3.1	(3.6)	(24.6)	(51.7)	HOLD
Indofood	INDF	5,400	5,275	2.4	2.9	(15.6)	(20.0)	BUY
Mitra Keluarga	MIKA	2,485	2,445	1.6	(5.7)	(15.6)	46.2	BUY
Blue Bird	BIRD	6,250	6,150	1.6	(0.8)	11.1	(33.7)	BUY
Indocement	INTP	20,900	20,575	1.6	8.0	10.6	(16.4)	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		18-Nov-2015	17-Nov-2015					
MNC Sky Vision	MSKY	1,125	1,225	(8.2)	(12.8)	(24.7)	(29.7)	HOLD
XL Axiata	EXCL	3,505	3,700	(5.3)	11.3	7.5	(28.0)	BUY
Alam Sutera	ASRI	325	335	(3.0)	(7.1)	(15.6)	(42.0)	BUY
Vale Indonesia	INCO	1,805	1,860	(3.0)	(13.4)	(20.8)	(50.2)	BUY
United Tractors	UNTR	17,050	17,550	(2.8)	(3.9)	(13.1)	(1.7)	HOLD
Ace Hardware	ACES	730	750	(2.7)	0.7	4.3	(7.0)	HOLD
Timah	TINS	530	540	(1.9)	(7.0)	(22.6)	(56.9)	BUY
Summarecon	SMRA	1,415	1,440	(1.7)	1.8	1.1	(6.9)	BUY
Surya Semesta Internusa	SSIA	580	590	(1.7)	(8.7)	(18.3)	(45.8)	HOLD
Astra Agro Lestari	AALI	18,125	18,350	(1.2)	0.7	(4.1)	(25.3)	BUY

Sources: Bloomberg

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