

MORNING HIGHLIGHT

FROM EQUITY RESEARCH

UNTR: Better Komatsu sales volume in October 2016

(UNTR IJ. Rp23,500. HOLD. TP Rp21,900)

United Tractors (UNTR) reported higher monthly Komatsu sales volume growth of 7.4% mom to 218 units in October 2016 compared to 203 units in the previous month. This was mainly supported from higher sales volume from construction sector (+31.9% mom) and agri-sector, while sales volume from mining sector posted a slight decline by 6.5% mom. Nonetheless, the impact of weak sales volume in the beginning of the year owing to unfavourable commodity prices reflected a decline in Komatsu sales volume by 3.4% yoy to 1,806 units in 10M16. Komatsu sales volume was slightly above our expectation as it has accounted 86% of our forecast of 2,100 units for 2016.

MARKET NEWS

*Analysts' comment inside

- WIKA optimistic 2016 new contracts to achieved (Kontan)*
- JPFA provides minimum rate bonds 9.25% (Kontan)
- Bank Mandiri prepare Rp 1 tn for subsidiaries (Kontan)
- SMRA expects to obtain Rp1.1tn (Bisnis Indonesia)
- PPRO prepared five new projects (Bisnis Indonesia)

Previous Reports:

- Coal Sector: Better earnings visibility amid coal price consolidation- [Snapshot20161122](#)**
- Mandom Indonesia: Remaining Competitive- [Snapshot20161121](#)**
- AUTO: Flat car sales in October 2016- [Snapshot20161118](#)**
- RALS: In-line 10M16 revenues, LPPF: Confirms plans to increase its stake in MatahariMall.com- [Snapshot20161116](#)**
- Strategy: Unmapped Roads (NEUTRAL)- [Snapshot20161115](#)**
- ITMG 3Q16 earnings: Better ASP to boost quarterly profit- [Snapshot20161111](#)**
- Cement: Weak October Performance-[Snapshot20161110](#)**

IDX ANNOUNCEMENT

Cash Announcement

Code	Ex-Date	Date Payable	Amount (Rp)
LAMI	EGM	30-Nov-16	--
SKBM	EGM	30-Nov-16	--

Source: KSEI

Key Index

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,212	0.1	13.5	440
Thailand	1,496	0.7	16.2	1,429
Philippines	6,837	0.5	(1.7)	134
Malaysia	1,630	0.1	(3.7)	407
Singapore	2,840	0.6	(1.5)	848
Regional				
China	3,241	(0.2)	(8.4)	54,347
Hong Kong	22,677	(0.0)	3.5	7,887
Japan	18,341	1.0	(3.6)	1,782
Korea	1,983	(0.2)	1.1	3,963
Taiwan	9,178	0.5	10.1	2,334
India	26,052	0.4	(0.3)	365
NASDAQ	5,381	(0.1)	7.5	63,783
Dow Jones	19,083	0.3	9.5	6,740

Currency and Interest Rate

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,490	(1.1)	(3.7)	2.2
SBI rate %	5.90	-	(0.3)	(1.3)
10y Gov Indo bond	8.09	0.3	1.0	(0.7)

Hard Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	103	(2.8)	11.3	104.2
Gold	US\$/toz	1,188	(0.1)	(6.1)	11.9
Nickel	US\$/mt.ton	11,554	2.0	16.5	31.6
Tin	US\$/mt.ton	21,480	0.9	6.9	47.2

Soft Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,473	0.4	(7.7)	(24.3)
Corn	US\$/mt.ton	130	(0.2)	2.2	(2.9)
Crude Oil	US\$/barrel	48	0.1	(4.9)	29.7
Palm oil	MYR/mt.ton	49	(0.3)	(5.5)	31.3
Rubber	USD/kg	2,968	0.6	8.4	34.9
Pulp	US\$/tonne	180	3.3	22.5	52.6
Coffee	US\$/60kgbag	809	N/A	(0.0)	0.6
Sugar	US\$/MT	140	(5.5)	(7.6)	28.6
Wheat	US\$/ton	522	(0.8)	(12.0)	23.7

Source: Bloomberg

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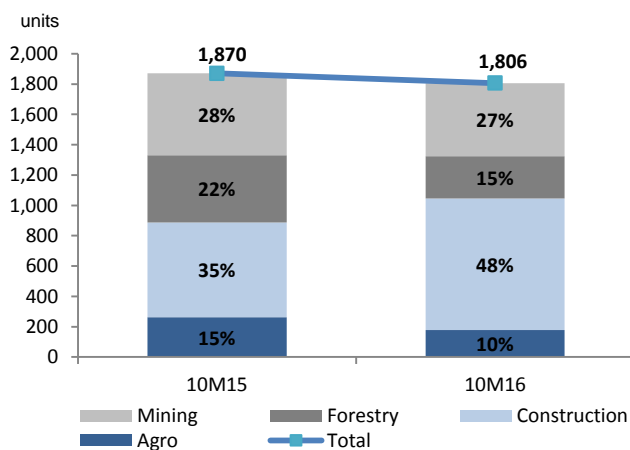
FLASH NOTES

United Tractors: Better Komatsu sales volume in October 2016

(UNTR IJ. Rp23,500. HOLD. TP Rp21,900)

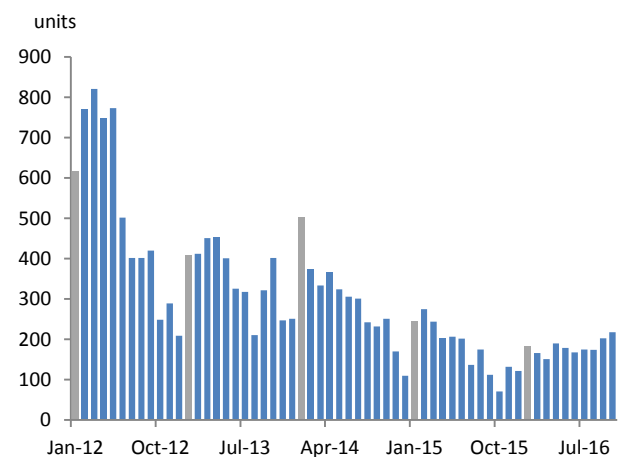
- Better Komatsu sales volume in October 2016.** United Tractors (UNTR) reported higher monthly Komatsu sales volume growth of 7.4% mom to 218 units in October 2016 compared to 203 units in the previous month. This was mainly supported from higher sales volume from construction sector (+31.9% mom) and agri-sector, while sales volume from mining sector posted a slight decline by 6.5% mom. Nonetheless, the impact of weak sales volume in the beginning of the year owing to unfavourable commodity prices reflected a decline in Komatsu sales volume by 3.4% yoy to 1,806 units in 10M16. Komatsu sales volume was slightly above our expectation as it has accounted 86% of our forecast of 2,100 units for 2016.
- Construction sector to cushion the decline in total Komatsu sales volume.** Komatsu sales volume from commodity related sector posted a decline with its sales volume from mining sector went down by 10.6% yoy, agri sector weakened by 31.7% yoy and forestry sector lowered by 37.4% yoy. The better progress on the government infrastructure projects helped to boost the Komatsu sales volume from construction sector by 38.7% yoy. We noted that Komatsu's market share decline to 33% in 10M16 from 36% in 10M15, but it was still the biggest player in the domestic heavy equipment market.
- Flat growth in the coal production.** Coal production under subsidiary Pamapersada Nusantara (PAMA) posted a slight decline by 1.8% yoy to 88.4mn tons, while the overburden removal went down by 11.8% yoy. Hence, the stripping ratio declined to 6.6x in 10M16 from 7.3x in 10M15. With the recovery in the coal prices and coal price assumption of US\$65 – 70/ton for 2017, the management expects coal production recovery by around 5% yoy and overburden removal to increase by 10% yoy in 2017.
- Maintain HOLD.** We maintain our HOLD recommendation with a target price of Rp23,500 (based on DCF valuation with a WACC of 13.3% and long-term growth of 3%). Upside risk will be greater earnings contribution from business diversification in a) construction business, b) gold business, and c) power plant.

Exhibit 1. Komatsu sales still supported by the construction sector



Source: United Tractors

Exhibit 2. Higher Komatsu sales volume from the mining sector



Source: United Tractors

Exhibit 3. Coal production under PAMA

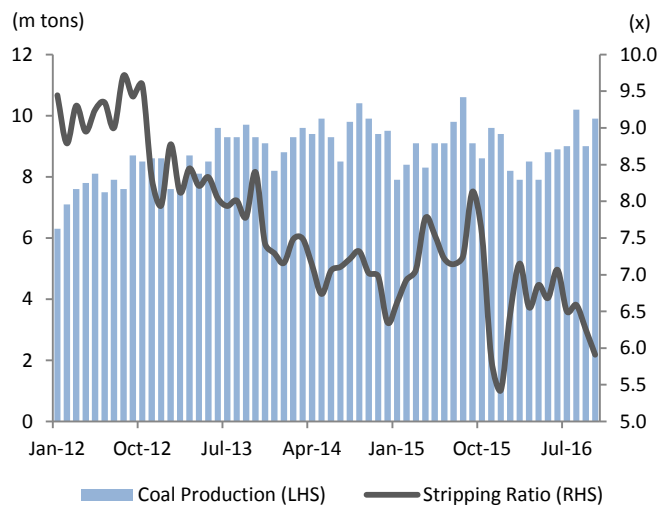
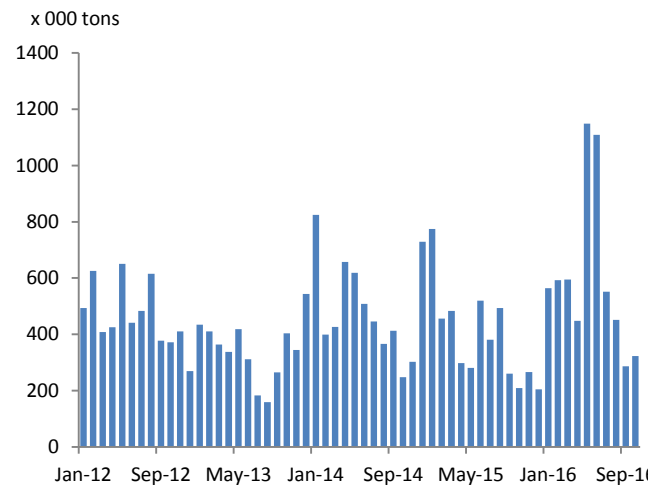


Exhibit 4. Coal sales volume



Source: United Tractors

Source: United Tractors

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MARKET NEWS

WIKA optimistic new 2016 contracts target can be met

Wijaya Karya (WIKA) is optimistic that it can meet its new 2016 contracts target of Rp52.2tr. As of 21 November, the company had secured Rp43.3tr of new contracts or 82.9% of the target. WIKA expects to book 2016 net income of Rp782bn, or higher than the initially targeted Rp750bn, supported by interest income from the rights issue proceeds. For 2017, WIKA targets revenues growth of 20%yoy to Rp31.2tr and net income of Rp1.2tr or up by 60%yoy from this year's target of Rp750bn. However, WIKA has a lower new contracts target for 2017 of Rp40.0tr (-23.3%yoy), given that the high speed railway project is targeted to be booked in 2016. (Kontan)

Comment: WIKA is awaiting the signing of the high speed railway (HSR) project contract worth around Rp16.7tr, which may then be booked this month.

JPFA's new bonds to offer a minimum rate of 9.25%

The new bonds of Japfa Comfeed Indonesia (JPFA) will offer a minimum rate of 9.25% per annum for bonds II Phase I in 2016, worth Rp1tn. The offering will be conducted on 24, 25 and 28 November 2016, with listing on the Stock Exchange on December 2, 2016. (Kontan)

Bank Mandiri prepares Rp 1 tn for its subsidiaries

For 2017, Bank Mandiri will prepare Rp 1 tn for its subsidiaries, namely: Bank Syariah Mandiri (BSM), Bank Mandiri Taspen Pos (Mantap), Mandiri Utama Finance (MUF), and Mandiri Capital Indonesia. Bank Mandiri has not mentioned the specific capital allocation. In 2016, Bank Mandiri allocated Rp 500 bn for BSM, thereby increasing BSM's CAR by 1% from 13.5% to 14.5%. As such, BSM targets 7% yoy in financing growth for 2016. According to Rohan Hafas, the corporate secretary of Bank Mandiri, Bank Mandiri is also encouraging its subsidiaries to look for other sources of funds such as through an IPO or bonds issuance. (Kontan)

SMRA expects to obtain Rp1.1tn

Summarecon Agung (SMRA) will launch a landed residential cluster in Summarecon Bandung by the end of November 2016 in a bid to reach its marketing sales target this year of Rp3.5tn. So far, SMRA has only generated Rp2.4tn of marketing sales in 10M16, or equivalent to 68.5% of the full year target. SMRA will launch 221 units in its Cynthia cluster with a marketing sales target of Rp381bn. (Bisnis Indonesia)

PPRO prepares five new projects

PP Property (PPRO) has prepared five new projects for next year, including: (i) two projects in Surabaya (Embong Sawo and Ahmad Yani), (ii) two student apartment projects in Malang, (iii) one apartment project in Bandung. For the Malang projects, the company is still exploring the opportunity to conduct a joint operation with local developers. Furthermore, the company will allocate Rp1.2tn of funds to develop two apartment towers. These towers are a joint operation with Kawasan Industri Jababeka (KIJA). The company will maintain its focus on the middle class segment. (Bisnis Indonesia)



Equity Valuation

Danareksa Universe	Rating	Price (Rp)	Price Target	Mkt Cap Rp Bn	Net profit, Rp bn		EPS (Rp)		Core EPS (Rp)		EPS Growth		PER (x)		EV / EBITDA (x)		PBV (x)		Net Gearing		RC
					2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	
Auto				314,760	15,508	18,375	311.9	369.5													
Astra International	HOLD	7,775	8,400	314,760	15,508	18,375	383	454	360	435	7%	18%	20.3	17.1	14.8	12.6	2.3	2.1			11.7
Banks				1,014,246	74,614	91,514	732.3	898.1													
BCA	HOLD	14,700	16,300	362,429	18,931	20,806	768	844	768	844	5%	10%	19.1	17.4	N/A	N/A	3.5	3.0	N/A	N/A	19.6
BNI	HOLD	5,125	6,100	95,574	10,494	13,698	563	735	563	735	16%	31%	9.1	7.0	N/A	N/A	1.1	0.9	N/A	N/A	12.7
BRI	BUY	11,500	14,500	283,695	26,092	31,100	1,058	1,261	1,058	1,261	3%	19%	10.9	9.1	N/A	N/A	1.9	1.7	N/A	N/A	20.1
Bank Tabungan Negara	BUY	1,720	2,300	18,215	2,200	2,572	208	243	208	243	19%	17%	8.3	7.1	N/A	N/A	1.0	0.8	N/A	N/A	13.6
Bank Mandiri	HOLD	10,900	11,250	254,333	16,898	23,339	724	1,000	724	1,000	-17%	38%	15.1	10.9	N/A	N/A	1.6	1.5	N/A	N/A	12.4
Cement				127,975	8,046	6,008	414	309													
Indocement	SELL	14,575	15,900	53,654	3,960	2,873	1,076	780	1,069	774	-9%	-27%	13.5	18.7	9.2	9.7	2.1	2.0	net cash		16.1
Semen Indonesia	SELL	8,400	8,900	49,825	3,850	3,031	649	511	643	504	-15%	-21%	12.9	16.4	7.6	8.3	1.8	1.7			3.4
Semen Baturaja	SELL	2,490	400	24,496	236	103	24	11	24	11	-33%	-56%	103.6	236.7	59.9	47.0	7.8	7.6	net cash		14.0
Cigarettes				581,234	18,145	19,608	153	166													
Gudang Garam	HOLD	64,500	70,400	124,104	6,342	6,960	3,296	3,565	3,296	3,565	-1%	8%	19.6	18.1	12.2	11.3	3.2	2.8			46.6
HM Sampoerna	HOLD	3,930	3,850	457,130	11,803	12,749	101	110	101	109	14%	8%	38.7	35.9	28.7	26.2	13.7	13.3			36.1
Construction				125,054	6,602	8,166	94	116													
Wijaya Karya	BUY	2,460	4,300	15,483	758	900	123	146	123	146	21%	19%	20.0	16.8	7.8	6.4	3.1	2.7			24.6
Pembangunan Perumahan	BUY	4,060	5,700	19,660	967	1,295	200	267	211	298	31%	34%	20.3	15.2	9.7	7.4	3.8	3.1	net cash		20.2
Adhi Karya	BUY	2,000	3,500	7,122	703	986	208	292	216	303	52%	40%	9.6	6.9	5.2	4.1	1.1	0.9	net cash		12.2
Waskita Karya	BUY	2,360	3,700	32,033	1,688	2,344	124	173	124	173	61%	39%	19.0	13.7	9.8	2.9	2.5				16.4
Waskita Beton	BUY	565	770	14,894	547	788	21	30	21	30	64%	44%	27.2	18.9	16.1	12.3	2.1	1.9	net cash		13.1
Wika Beton	BUY	830	1,300	7,234	268	362	31	42	31	42	54%	25%	27.0	20.0	14.6	10.6	2.9	2.6	net cash		11.5
Jasa Marga	BUY	4,210	5,700	26,628	1,671	1,492	246	219	249	223	14%	-11%	17.1	19.2	10.4	11.5	2.4	2.2			143.1
Consumer				415,252	10,506	12,110	507	584													
Indofood CBP	BUY	8,775	10,850	102,333	3,714	4,293	319	368	319	368	24%	16%	27.6	23.8	19.4	16.8	6.2	6.1	net cash		22.5
Unilever	HOLD	40,450	46,650	308,634	6,563	7,555	860	990	860	990	12%	15%	47.0	40.9	33.4	28.9	59.1	53.5			28.9
Kino Indonesia	BUY	3,000	4,500	4,286	229	262	160	183	160	183	-32%	14%	18.7	16.4	10.8	9.9	2.2	2.0			3.9
Healthcare				85,308	2,490	2,743	97	106													
Kalbe Farma	SELL	1,500	1,400	70,313	2,210	2,441	47	52	47	52	10%	10%	31.8	28.8	20.2	18.2	6.0	5.3	net cash		19.9
Kimia Farma	SELL	2,700	1,510	14,996	279	302	50	54	48	52	12%	8%	53.7	49.7	36.2	30.2	7.3	6.5			33.7
Heavy Equipment				81,690	4,481	5,676	1,201	1,522													
United Tractors	HOLD	21,900	23,500	81,690	4,481	5,676	1,201	1,522	1,231	1,556	16%	27%	18.2	14.4	6.5	5.1	2.1	1.9	net cash		12.0
Mining				170,521	4,311	5,355	54	67													
Adaro Energy	HOLD	1,630	800	52,137	1,781	1,980	56	62	56	62	-13%	11%	29.3	26.3	7.3	6.7	1.3	1.3			18.9
Timah	HOLD	1,250	590	9,310	180	196	24	26	24	26	78%	9%	51.7	47.4	12.4	11.4	1.7	1.7			26.0
Vale Indonesia	HOLD	3,370	2,800	33,485	222	480	22	48	22	48	-67%	116%	150.7	69.7	14.1	12.1	1.4	1.4	net cash		0.9
Aneka Tambang	HOLD	975	650	23,430	(307)	(147)	(13)	(6)	(13)	(6)	-79%	-52%	(76.4)	(159.1)	30.2	26.4	1.3	1.3			18.0
Bukit Asam	BUY	11,900	8,800	27,419	1,610	1,834	741	844	741	844	-21%	14%	16.1	14.1	11.5	9.8	2.7	2.4	net cash		16.7
Indo Tambangraya Megah	HOLD	16,200	8,400	18,305	947	1,106	838	979	838	979	14%	17%	19.3	16.5	6.1	5.4	1.6	1.6	net cash		8.4
Harum Energy	HOLD	2,380	790	6,435	(123)	(95)	(45)	(35)	(45)	(35)	-540%	-22%	(52.5)	(67.6)	55.5	68.0	1.7	1.8	net cash		(3.2)
Retail				83,393	4,347	3,794	127	111													
Mitra Adi Perkasa	HOLD	4,890	4,200	8,117	97	221	72	126	58	103	212%	75%	68.2	38.9	9.5	8.7	2.7	2.6			99.8
Ramayasa	BUY	1,220	1,350	8,657	396	468	56	66	54	64	18%	18%	21.7	18.4	16.1	14.3	2.5	2.3	net cash		11.6
Matahari Department Store	BUY	14,575	21,500	42,529	3,152	2,362	1,071	803	704	803	75%	-25%	13.6	18.2	14.2	12.5	20.7	17.5	net cash		199.6
Matahari Putra Prima	HOLD	1,705	1,700	9,169	129	185	24	34	29	40	-30%	44%	71.4	49.6	16.2	13.9	3.2	3.0	net cash		4.5
Ace Hardware	SELL	870	750	14,921	573	558	34	33	31	30	-3%	-3%	25.9	26.6	17.4	17.6	5.1	4.7	net cash		20.7

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on					YTD, %	Rating
		23-Nov-2016	22-Nov-2016	Chg, %	w-w, %	m-m, %		
Matahari Department Store	LPPF	14,575	13,325	9.4	(1.5)	(23.3)	(17.2)	BUY
Aneka Tambang	ANTM	975	910	7.1	10.8	16.1	210.5	HOLD
Vale Indonesia	INCO	3,370	3,210	5.0	3.7	26.2	106.1	BUY
Indo Tambangraya Megah	ITMG	16,200	15,575	4.0	0.6	23.9	183.0	HOLD
Bukit Asam	PTBA	11,900	11,550	3.0	(5.0)	(2.3)	163.0	BUY
Timah	TINS	1,250	1,215	2.9	19.0	58.2	147.5	HOLD
Kalbe Farma	KLBF	1,500	1,460	2.7	1.7	(13.3)	13.6	SELL
United Tractors	UNTR	21,900	21,425	2.2	(4.4)	7.7	29.2	HOLD
Pembangunan Perumahan	PTPP	4,060	3,980	2.0	(2.2)	(3.6)	4.8	BUY
Unilever	UNVR	40,450	39,800	1.6	(1.6)	(8.9)	9.3	HOLD

Sources: Bloomberg

LAGGARDS

	Code	Price as on					YTD, %	Rating
		23-Nov-2016	22-Nov-2016	Chg, %	w-w, %	m-m, %		
Kimia Farma	KAEF	2,700	2,890	(6.6)	15.4	15.4	210.3	SELL
Ramayana	RALS	1,220	1,250	(2.4)	-	(5.1)	89.1	BUY
Bank Negara Indonesia	BBNI	5,125	5,250	(2.4)	(1.9)	(6.0)	2.7	HOLD
Selamat Sempurna	SMSM	1,000	1,020	(2.0)	(3.4)	(11.1)	(16.0)	BUY
Gajah Tunggal	GJTL	1,085	1,105	(1.8)	-	(17.2)	104.7	BUY
Wika Beton	WTON	830	845	(1.8)	1.2	(7.3)	0.6	BUY
Wijaya Karya	WIKA	2,460	2,500	(1.6)	(0.8)	1.0	0.6	BUY
HM Sampoerna	HMSP	3,930	3,990	(1.5)	4.5	(3.7)	4.5	HOLD
Jasa Marga	JSMR	4,210	4,250	(0.9)	(2.1)	(8.7)	(19.4)	BUY
Adhi Karya	ADHI	2,000	2,010	(0.5)	(1.0)	(13.0)	(6.5)	BUY

Sources: Bloomberg

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