

FLASH NOTES

Bank Central Asia: Cautious outlook but still comfortable
 (BBCA IJ. IDR17,325. BUY. TP IDR18,300)

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KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,595	(0.2)	5.6	457
Thailand	1,566	(0.1)	1.5	1,191
Philippines	7,563	0.5	10.6	118
Malaysia	1,742	0.2	6.1	497
Singapore	3,138	0.4	8.9	804
Regional				
China	3,172	0.0	2.2	39,001
Hong Kong	24,057	1.0	9.3	8,728
Japan	18,571	0.8	(2.8)	840
Korea	2,167	0.8	6.9	4,508
Taiwan	9,633	(0.1)	4.1	2,559
India	29,422	0.3	10.5	624
NASDAQ	5,917	0.9	9.9	71,938
Dow Jones	20,579	0.9	4.1	8,060

CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	13,323	(0.5)	(0.1)	1.1
SBI rate	%	5.90	-	-	(1.3)
10y Gov	Indo bond	7.10	0.1	(0.0)	(0.9)

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	84	0.1	4.0	(4.8)
Gold	US\$/toz	1,281	(0.1)	2.9	11.2
Nickel	US\$/mt.ton	9,435	1.6	(6.6)	(5.3)
Tin	US\$/mt.ton	19,894	0.5	(2.9)	(6.2)

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	1,901	(2.7)	(6.8)	(11.5)
Corn	US\$/mt.ton	132	(0.7)	(0.4)	2.4
Oil (WTI)	US\$/barrel	51	0.2	7.3	(5.4)
Oil (Brent)	US\$/barrel	53	0.2	4.2	(6.6)
Palm oil	MYR/mt.ton	2,613	(1.1)	(12.5)	(18.3)
Rubber	US\$/kg	156	2.8	(22.9)	(19.4)
Pulp	US\$/tonne	840	N/A	1.7	3.8
Coffee	US\$/60kgbag	127	(0.5)	(10.2)	(16.8)
Sugar	US\$/MT	468	(0.3)	(5.6)	(10.7)
Wheat	US\$/ton	115	(0.2)	(4.8)	(3.1)

Source: Bloomberg

FLASH NOTES
Bank Central Asia: Cautious outlook but still comfortable (BBCA IJ. IDR17,325. BUY. TP IDR18,300)

- Bank Central Asia (BBCA) reported IDR4,990bn of net profits in 1Q17 (-8.9% qoq; +10.7% yoy). This figure is 22.0% of our FY17F estimate, inline. Although the results are within expectations, there are some surprises such as a sharp decline in assets yield, a higher cost efficiency ratio and an increase in NPLs. The decline in operational performance was offset by lower provisioning. Overall, the message from the management is that the bank will remain cautious.
- Key highlights from the 1Q17 results:
 - The decline in the assets yield was mainly driven by the corporate segment (-100bps yoy to 9.2% from 10.2% in 1Q16). However, the management also said that all corporate loans had been repriced at lower rates. Loans in other segments had also been repriced. For mortgages, the management foresees that further declines are highly likely due to the stiff competition in the market.
 - Operating expenses rose by 19.5% qoq mainly due to accrued bonuses that were paid in April 2017. Hence, the bank's cost efficiency ratio rose to 52.8% in March 2017 from 49.6% in 1Q16 (43.9% in FY17).
 - Loans declined 1.8% ytd as corporate loans and commercial & SME loans slid by 1.5% ytd and 4.7% ytd, respectively.
 - NPLs increased to 1.5% driven by increases in the corporate segment (+40bps) and the commercial & SME segment (+60 bps). The management said that the increase in NPLs in the corporate segment was caused by the deterioration of a transportation company loan that had been restructured last year. The management said that NPLs risk is still high.
- Despite higher NPLs and the decline in NIM, we are comfortable with the bank's outlook, noting its good assets quality and strong franchise in the deposits and consumer segments. The decline in NIM, in our view, reflects the stiff competition in the sector as the NIM of other banks - especially in the corporate segment – had also declined.
- Going forward, we believe that NPLs will decline due to the improvement in the macro economy. Despite this, however, NIM may be squeezed further on intensifying competition. We expect loans growth to accelerate in 3Q17 (after Lebaran) in all segments as government spending may also accelerate in this period.
- We maintain our BUY recommendation on the stock with a TP of IDR18,300, implying 3.5x FY17 PB, (ROE:18.8%; Ke: 12%; and g=9.3%). The bank deserves its premium valuation.

	1Q16	1Q17	YoY (%)	4Q16	1Q17	QoQ (%)	1Q17	FY17F	A/F
in IDR bn									
Net Interest Income	9,768	10,072	3.1	10,262	10,072	(1.9)	10,072	43,285	23.3
Non-Interest Income	2,226	2,379	6.9	2,524	2,379	(5.7)	2,379	14,781	16.1
Total Operating Income	12,827	13,504	5.3	14,110	13,504	(4.3)	13,504	58,067	23.3
Operating Expenses	(6,183)	(6,988)	13.0	(5,848)	(6,988)	19.5	(6,988)	(25,492)	27.4
Pre-Provision Operating Profit	6,644	6,516	(1.9)	8,262	6,516	(21.1)	6,516	32,574	20.0
Provisions and allowances	(989)	(248)	(74.9)	(1,423)	(248)	(82.6)	(248)	(4,277)	5.8
Operating Profit	5,655	6,268	10.8	6,839	6,268	(8.3)	6,268	28,298	22.2
Pre-Tax Profit (EBIT)	5,656	6,268	10.8	6,840	6,268	(8.4)	6,268	28,449	22.0
Reported Net Profit	4,508	4,990	10.7	5,479	4,990	(8.9)	4,990	22,682	22.0
Loan	373,732	408,693	9.4	415,896	408,693	(1.7)	408,693	472,092	86.57
Third Party Funds	470,391	535,145	13.8	530,134	535,145	0.9	535,145	578,058	92.58
In %									
NIM	7.6	6.3		7.1	6.3		6.3	7.2	
NPL-Gross	1.1	1.5		1.3	1.5		1.5	1.2	
NPL Coverage	235.1	203.3		229.4	203.3		203.3	275.0	
LDR	79.5	76.4		78.5	76.4		76.4	81.7	
ROE	19.3	17.10		20.5	17.1		17.1	18.8	

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MARKET NEWS**SECTOR****Property: Savills Indonesia expects stronger demand for apartments**

According to the property consultant, demand for apartments in 1Q17 reached 3,000 units, up by 87.5%yoy. Should apartment demand be maintained at 3,000 units per quarter, then apartment demand in 2017 will reach 12,000 units, or about the same as during the property boom in 2013-2014. In addition, the property consultant also mentioned that apartment supply would reach 35,000 units this year. The supply will increase to 79,000 units in 2020. Nevertheless, in terms of pricing, the average price increase only reached 3.8%yoy in 1Q17. (Bisnis Indonesia)

CORPORATE**Bank Jatim: booked IDR340bn of net profits in 1Q17**

Bank Jatim booked IDR340bn of net profits in 1Q17 or up 8.68% yoy. BJTM's loans and third party funds growth as of March 2017 reached 3.62% and 0.06% yoy, respectively. Although the bank's NPLs reached 4.84%, the management hopes to reduce this figure to 3.51% by the end of the year. The NIM improved from 6.83% to 7.18%. (Investor Daily)

Bukit Asam: To conduct a feasibility study for underground mining

Bukit Asam (PTBA) plans to conduct a feasibility study for underground coal mining as part of mining assets optimization. Currently, the company is conducting a study at its mining area in Ombilin, West Sumatera. The management did not disclose when the underground mining project would commence operation. Meanwhile, PTBA plans to increase its current reserves through the acquisition of coal mining assets in Indonesia. (Bisnis Indonesia)

Indofarma: Allocates IDR68 bn for capex in 2017

Indofarma (INAF) has earmarked IDR68 bn for capex in 2017, with most of the money used to improve its production facilities. The capex will be funded from IDR58bn of bank loans. INAF is targeting IDR 1.9-2tn of sales (vs IDR1.67 tn in FY16) with net profits of IDR 15bn (vs losses of IDR 17.3bn in FY16). Rusdi Rosman from KAEF has been appointed as the new CEO of INA. (Bisnis Indonesia)

Kimia Farma: Searching for IDR 2.2tn of fresh funds

Kimia Farma (KAEF) requires IDR 3.5tn for its planned expansion with 35% of the total expected to be sourced from internal cash. So far, however, KAEF has not yet decided the source of external funding for the remaining IDR 2.2tn. For 2017, KAEF has earmarked IDR 1.7tn for capex. Of this amount, IDR 870bn will be used for the construction of a new production plant in Banjaran. Furthermore, KAEF has also received approval at the AGM to pledge assets to obtain additional funds. At the AGM, shareholders approved changes in the Board of Directors: Honesti Basyir (from TLKM) has been appointed as CEO, I.G.N. Suharta as Finance Director, Pujiyanto as Development Director, Verdi Budidarmo as Production and Supply Chain Director, and Arief Pramuhanto as General Affairs and Human Capital Director. (Kontan)

Semen Indonesia: domestic ASP down by 1.3% mom in March

Semen Indonesia reported domestic ASP of IDR745,074/ton in March 2017, down 1.3%mom. Besides the aggressive pricing conducted by SMGR in a bid to improve sales, we believe that the lower pricing also stemmed from a lower contribution from bagged cement sales in March (74.4% vs. 77.5% in February 2017). As such, domestic ASP in 3M17 reached IDR754,358/ton, or down by 9.8%yoy. (Company)

Comment: The ASP decline was lower than our forecast (-5.0%yoy). Nevertheless, we expect the revenue to be remain inline with our forecast considering the sales volume growth achievement in 1Q17 was higher than our forecast (6.7% vs. 3.0%). We maintain our SELL call on SMGR with target price of IDR8,200. (Antonia)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		20-Apr-17	18-Apr-17					
Kimia Farma	KAEF	2,310	2,060	12.1	39.2	26.9	(16.0)	SELL
Waskita Karya	WSKT	2,440	2,330	4.7	7.5	3.4	(4.3)	BUY
Bank Rakyat Indonesia	BBRI	12,875	12,425	3.6	(1.7)	(1.0)	10.3	BUY
Bumi Serpong Damai	BSDE	1,820	1,765	3.1	(0.3)	(1.1)	3.7	BUY
Pakuwon Jati	PWON	590	575	2.6	9.3	(1.7)	4.4	BUY
Indo Tambangraya Megah	ITMG	20,075	19,600	2.4	(0.1)	13.1	19.0	HOLD
United Tractors	UNTR	27,850	27,225	2.3	(2.6)	3.1	31.1	BUY
Summarecon Agung	SMRA	1,365	1,335	2.2	1.1	(2.5)	3.0	HOLD
Wijaya Karya	WIKA	2,390	2,340	2.1	8.1	(4.0)	1.3	BUY
Ciputra Development	CTRA	1,265	1,245	1.6	14.5	0.4	(5.2)	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		20-Apr-17	18-Apr-17					
Pembangunan Perumahan	PTPP	3,240	3,360	(3.6)	2.5	(0.6)	(15.0)	BUY
Jasa Marga	JSMR	4,510	4,670	(3.4)	(2.8)	(3.2)	4.4	BUY
Matahari Putra Prima	MPPA	930	960	(3.1)	(3.6)	(17.3)	(37.2)	SELL
Indocement	INTP	16,000	16,500	(3.0)	(3.0)	0.2	3.9	SELL
Wijaya Karya	WIKA	2,330	2,390	(2.5)	6.4	(6.0)	(1.3)	BUY
Waskita Karya	WSKT	2,380	2,440	(2.5)	5.8	(0.4)	(6.7)	BUY
Harum Energy	HRUM	2,530	2,590	(2.3)	(7.0)	5.9	18.2	SELL
Summarecon Agung	SMRA	1,335	1,365	(2.2)	(1.1)	(3.3)	0.8	HOLD
Adhi Karya	ADHI	2,240	2,290	(2.2)	3.7	(8.9)	7.7	BUY
Gudang Garam	GGRM	63,575	64,900	(2.0)	(2.9)	(3.4)	(0.5)	BUY

Sources: Bloomberg

PREVIOUS REPORTS

- Bank Rakyat Indonesia: Retaining its edge [Flash Notes20170420](#)
- Market Outlook: Jakartans have chosen their new governor, Astra International: Financial services boosted quarterly net profit, United Tractors: 1Q17: Stable coal prices boosted net profit [Snapshot20170420](#)
- Ramayana Lestari Sentosa: 1Q17 guidance slightly down but outlook still bright, Automotive Sector : March 2017: Car sales strengthen further, Bank Tabungan Negara: Boosted by strong loans growth [Snapshot20170418](#)
- SMGR: Strong sales in March [Flash Notes20170417](#)

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