

FROM EQUITY RESEARCH
United Tractors: The mining sector supported Komatsu sales

(UNTR IJ. IDR 24,100. BUY. TP Rp 30,000)

Against a backdrop of firm coal prices, Komatsu sales rose to 339 units in April 2017 (+8.3% mom, +78.4% yoy). Hence, on a cumulative basis, Komatsu sales jumped 72.1% yoy to 1,186 units in 4M17 with a significant surge in sales to the mining sector. The 4M17 sales figure is 43.9% of our full year forecast – better than expected. We forecast strong earnings growth this year as coal prices continue to consolidate. Maintain BUY with a Target Price of Rp30,000 (based on DCF valuation).

To see the full version of this report, please [click here](#)

MARKET NEWS
Sector

- Banking: Bankers protest bank restructuring premium plans
- Consumer: 4M17 FMCG sales increased by 3.9% yoy
- Industrial estates: government to set the ceiling price for land rentals in industrial estates

Corporate

- Ciputra recorded marketing sales of IDR280bn from Citra Maja Raya II
- Semen Baturaja to conduct a feasibility study on a new cement plant in Jambi
- Mitra Adiperkasa: MBA (MAP Boga Adiperkasa)
- Semen Padang to focus on export markets
- Waskita Karya: Obtains IDR3.2tr of bank loans to develop the Pematang – Batang toll road
- Waskita Karya: government plans to prolong the repayment tenor of the Palembang LRT up to 2020

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,703	(0.5)	7.7	368
Thailand	1,569	0.2	1.7	995
Philippines	7,872	0.4	15.1	125
Malaysia	1,774	0.2	8.1	677
Singapore	3,234	0.1	12.3	829
Regional				
China	3,108	1.4	0.1	28,067
Hong Kong	25,631	0.8	16.5	10,614
Japan	19,777	(0.2)	3.5	1,224
Korea	2,349	0.3	15.9	5,589
Taiwan	10,108	0.6	9.2	3,158
India	30,750	1.5	15.5	526
NASDAQ	6,205	0.7	15.3	80,837
Dow Jones	21,083	0.3	6.7	6,540

CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,282	0.6	0.0	1.4
SBI rate %	5.90	-	-	(1.3)
10y Gov Indo bond	6.95	(0.1)	(0.1)	(1.0)

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	74	-	(11.2)	(15.8)
Gold	US\$/toz	1,255	(0.1)	(1.2)	8.9
Nickel	US\$/mt.ton	9,001	(0.6)	(2.9)	(9.7)
Tin	US\$/mt.ton	20,530	0.0	4.3	(3.2)

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	1,924	(5.6)	4.3	(10.4)
Corn	US\$/mt.ton	135	(0.6)	(1.2)	4.3
Oil (WTI)	US\$/barrel	49	(0.1)	(1.5)	(9.0)
Oil (Brent)	US\$/barrel	51	(0.1)	(0.8)	(9.5)
Palm oil	MYR/mt.ton	2,873	(1.1)	7.5	(10.2)
Rubber	US\$/kg	154	1.0	(1.8)	(20.4)
Pulp	US\$/tonne	860	N/A	2.4	6.3
Coffee	US\$/60kgbag	124	1.2	6.9	(15.3)
Sugar	US\$/MT	451	(0.1)	(3.9)	(14.0)
Wheat	US\$/ton	117	0.1	1.1	(0.7)

Source: Bloomberg

Monday, 06 Mar 2017

BUY
Maintained

Last price (IDR) 24,100
Target Price (IDR) 30,000
Upside/Downside +18.4%
Previous Target Price (IDR) 23,500

Stock Statistics

Sector Heavy Equipment
Bloomberg Ticker UNTR IJ
No of Shrs (mn) 3,730
Mkt. Cap (IDR bn/USDmn) 92,974/6,967
Avg. daily T/O (IDR bn/USDmn) 90.5/6.8

Major shareholders

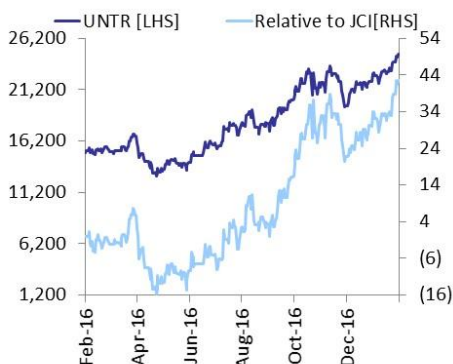
Astra International 59.5%

Estimated free float (%) 40.5

EPS Consensus (IDR)

	2017F	2018F	2019F
Danareksa	1,734.1	1,941.5	2,206.5
Consensus	1,564.5	1,681.7	2,447.6
Danareksa/Cons	10.8	15.4	(9.8)

UNTR relative to JCI Index



Source : Bloomberg

Stefanus Darmagiri

(62-21) 29 555 831

stefanus.darmagiri@danareksa.com

United Tractors (UNTR IJ)

The mining sector supported Komatsu sales

Against a backdrop of firm coal prices, Komatsu sales rose to 339 units in April 2017 (+8.3% mom, +78.4% yoy). Hence, on a cumulative basis, Komatsu sales jumped 72.1% yoy to 1,186 units in 4M17 with a significant surge in sales to the mining sector. The 4M17 sales figure is 43.9% of our full year forecast – better than expected. We forecast strong earnings growth this year as coal prices continue to consolidate. Maintain BUY with a Target Price of Rp30,000 (based on DCF valuation).

Solid Komatsu sales to the mining sector. The solid Komatsu sales in 4M17 of 1,186 units (+72.1% yoy) owed largely to the firm coal prices. This was reflected in the 283.0% yoy jump in Komatsu sales to the mining sector. Similarly, sales to the forestry and agri sectors also posted large increases: up 93.2% yoy and 63.9% yoy, respectively. By contrast, Komatsu sales to the construction sector were depressed: down 19.1% yoy - partly due to the high base in 2015.

Higher earnings from the construction machinery division. While the recent consolidation in coal prices may affect Komatsu sales in 2H17, we nonetheless expect the performance of the construction machinery (CM) division to remain strong given: a) higher Komatsu sales volume (+23.8% yoy), b) a greater share of larger machinery in the product mix which will further increase ASP in 2017 (we conservatively expect Komatsu ASP to increase by 4.6% yoy in 2017), and c) better earnings from Scania and UD Trucks as well as from parts and services.

Sustained earnings from the mining contracting division. Coal production under Pamapersada Nusantara (PAMA) rose 4.6% yoy to 34.0mn tonnes in 4M17 with a flattish stripping ratio of 6.8x in 4M17. This year, we expect earnings from the mining contracting (MC) division to be sustained given: a) 5% yoy higher coal production and a higher stripping ratio and b) further negotiations on mining fees which will lead to better profitability.

Maintain BUY with a Target Price of Rp30,000 based on DCF valuation (WACC of 12.4% and terminal growth of 3%) supported by stable coal prices which will help to boost the company's performance. The downside risks are: a) a sharp decline in coal prices, b) tighter competition in the heavy equipment business and c) a strong IDR/USD. Our Target Price implies 17.3x 2017F PE.

Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue, (IDRbn)	49,347	45,539	54,146	60,576	65,391
EBITDA, (IDRbn)	12,403	9,150	12,423	14,169	15,446
EBITDA Growth, (%)	5.0	(26.2)	35.8	14.0	9.0
Net profit (IDRbn)	3,853	5,002	6,468	7,242	8,231
EPS (IDR)	1,033.1	1,341.0	1,734.1	1,941.5	2,206.5
EPS growth (%)	(28.1)	29.8	29.3	12.0	13.7
BVPS, (IDR)	10,165.8	10,954.0	12,077.6	13,328.4	14,718.4
DPS, (IDR)	527.1	449.6	582.5	717.9	807.8
PER (x)	23.3	18.0	13.9	12.4	10.9
PBV (x)	2.5	2.3	2.1	1.9	1.7
Dividend yield (%)	1.7	2.2	2.9	3.2	3.7
EV/EBITDA (x)	7.0	9.5	7.0	6.1	5.6

Source : UNTR, Danareksa Estimates

MARKET NEWS

SECTOR

Banking: Bankers protest bank restructuring premium plans

The plans of the Deposits Insurance Corporation (LPS) to charge banks restructuring premiums of around 2-3% of GDP as LPS is considering to build system worth IDR248-372tn have met with disapproval from bankers since the move would increase their overhead costs. Moreover, bankers said that implementation was not urgent yet since banks still have sufficient capital (as indicated by CAR above 20% and the fact that the defense mechanisms of banks against crises are still strong). (Kontan)

Consumer: 4M17 FMCG sales increased by 3.9% yoy

Nielsen Indonesia has reported a 3.4% yoy decline in the sales volume of instant noodles in 4M17. Other FMCG products including powdered milk, mineral water, facial care products, soap, shampoo, detergent and cologne also reported negative sales volume growth, ranging from -0.7% yoy to -2.7% yoy, in the same period. However, the sales volume of 55 other FMCG products surveyed by Nielsen still increased by 3.9% yoy in 4M17, or similar to the growth seen in 1Q17. Nonetheless, this growth is less than in previous years (at least 11% yoy). It is also worth noting that 10 FMCG products reported positive growth of above 7% yoy in 4M17: food seasonings, cooking oil, chili sauce, biscuits and cereal. The Association of Indonesian Retailers believes that political uncertainties have discouraged customers from spending more. (Bisnis Indonesia)

FMCG product sales in Jan-Apr 2017 - yoy growth (%)

Product	Volume	Value	ASP increase
Instant noodles	(3.4)	0.4	4.5
Powder milk	(0.3)	(1.5)	(13.7)
Mineral water	(0.7)	5.2	8.5
Facial care products	(2.1)	4.1	5.4
Soap	(2.4)	0.8	8.3
Shampoo	(2.7)	(2.2)	6.8
Detergent	(1.9)	(0.6)	(0.4)
Cologne	(2.1)	2.6	5.6

Industrial estates: government to set the ceiling price for land rentals in industrial estates

The Agrarian and Spatial Ministry said that the proposal to set the ceiling price for land rentals in industrial estates is under discussion. (Bisnis Indonesia)

CORPORATE

Ciputra recorded marketing sales of IDR280bn from Citra Maja Raya II

Ciputra Development (CTRA) launched one cluster and 70 retail units in March 2017 and managed to obtain IDR180bn of marketing sales. Last week, CTRA launched another cluster with 550 units available for sale and obtained additional marketing sales of IDR100bn. This is equivalent to 37.3% of the targeted marketing sales from Citra Maja Raya of IDR750bn. The company also plans to launch three clusters and commercial units by the end of this year. CTRA plans to develop a 300ha area in Citra Maja Raya II by building 1,500 landed residential units. (Bisnis Indonesia)

Semen Baturaja to conduct a feasibility study on a new cement plant in Jambi

Semen Baturaja (SMBR) plans to conduct a feasibility study on Baturaja III in Jambi. The company estimates the feasibility study will require one year. Furthermore, the company also plans to add three new distribution hubs. Two hubs will be located in South Sumatera: in Lubuklinggau and Palembang. The other hub will be located in Jambi. (Kontan)

Comment: The cement market in Jambi is currently dominated by Semen Padang (with 76.3% market share) and Lafarge Holcim (with 7.7% market share). Should SMBR establish a new cement plant in the area (which requires a construction period of an additional 2-3 years following the feasibility study), this will result in stiffer competition in the area. (Antonia)

Mitra Adiperkasa: MBA (MAP Boga Adiperkasa)

The initial public offering of MBA will be done at IDR100/share for 64,981,800 shares, translating into free float of about 2.9%. (Investor Daily)

Exhibit 1. MBA's shareholders after the IPO

	Nominal	(%)
MAPI	171,719,713,800	79.10
PCI	286,200	0.0
GAR	38,874,110,000	17.91
Free float	6,498,180,000	2.99
	217,092,290,000	100.0

Source: Company

Semen Padang to focus on export markets

Facing tighter competition in the domestic market, Semen Padang will focus on export markets. This year, Semen Padang expects to record 1mn tons of cement exports, double that of 2016. Semen Padang's current export markets include South Asia, the Middle East, and Africa. This year, Semen Padang also aims to sell 200,000 tons of cement to Australia. (Bisnis Indonesia)

Waskita Karya: Obtains IDR3.2tr of bank loans to develop the Pemalang – Batang toll road

WSKT will obtain syndicated bank loans from 16 banks of IDR3.22tr to develop the Pemalang Batang Toll Road (PBTR). The loans will carry a 10.5%pa interest rate and have a tenor of 13 years. Bank Negara Indonesia (BBNI) as the leader of the syndicate will supply IDR1.5tr or 46.6% of the loans. The loans will be used for the development of the Pemalang – Batang toll road in which Waskita Toll Road will have a 60% stake. The banking syndicate will be committed to providing more loans for the project in the future since the total investment needed for the project will reach IDR4.9tr. (Bisnis Indonesia)

Comment: The funding cost for the Pemalang – Batang toll road of 10.5%pa is higher than for the Balikpapan – Samarinda toll road of 7.8%pa. The funding cost of the Balikpapan – Samarinda toll road – which is owned by Wijaya Karya (WIK) – is based on JIBOR plus 2%. However, the Balikpapan – Samarinda toll road is funded by a consortium of eight foreign banks. We are reviewing our forecast and recommendation on WSKT. (Maria Renata)

Waskita Karya: government plans to prolong the repayment tenor of the Palembang LRT up to 2020

The government plans to prolong the repayment tenor of the Palembang LRT to Waskita Karya (WSKT) up until 2020. The government plans to pay IDR1.1tr or 10.1% of the contract works of IDR10.9tr to WSKT in June 17, while the remainder will be paid gradually over the next three years. The repayment installments will be made each year by the government up until 2020 consisting of the debt principal of around IDR3.3tr and subsidies for the interest costs. Initially, the project adopted the turnkey scheme under which WSKT would be fully paid when the project is completed in April 2018. (Bisnis Indonesia)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		24-May-17	23-May-17					
Mayora Indah	MYOR	2,170	2,070	4.8	1.4	5.9	31.9	HOLD
Jasa Marga	JSMR	5,075	4,980	1.9	5.7	13.8	17.5	BUY
Ace Hardware	ACES	1,000	985	1.5	3.6	4.7	19.8	HOLD
Bumi Serpong Damai	BSDE	1,825	1,800	1.4	7.4	-	4.0	BUY
Mitra Adi Perkasa	MAPI	5,975	5,900	1.3	(2.0)	(3.2)	10.6	HOLD
Bank Mandiri	BMRI	12,400	12,250	1.2	3.3	4.9	7.1	HOLD
Harum Energy	HRUM	2,060	2,040	1.0	2.0	(17.3)	(3.7)	SELL
Kino Indonesia	KINO	2,250	2,230	0.9	2.7	(7.4)	(25.7)	SELL
Wijaya Karya	WIKA	2,350	2,330	0.9	4.4	0.9	(0.4)	BUY
Gudang Garam	GGRM	73,600	73,100	0.7	5.0	11.6	15.2	HOLD

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		24-May-17	23-May-17					
Semen Baturaja	SMBR	3,220	3,390	(5.0)	(1.8)	(9.8)	15.4	SELL
Ramayana	RALS	1,245	1,300	(4.2)	(7.4)	(2.0)	4.2	BUY
Matahari Department Store	LPPF	15,000	15,500	(3.2)	1.4	7.1	(0.8)	SELL
Timah	TINS	860	880	(2.3)	-	(8.5)	(20.0)	BUY
Bank Rakyat Indonesia	BBRI	14,150	14,475	(2.2)	0.4	7.0	21.2	BUY
United Tractors	UNTR	24,100	24,600	(2.0)	4.3	(13.6)	13.4	HOLD
Kalbe Farma	KLBF	1,515	1,545	(1.9)	1.0	(5.6)	-	BUY
Unilever	UNVR	47,725	48,650	(1.9)	(0.1)	4.2	23.0	BUY
Ciputra Development	CTRA	1,120	1,140	(1.8)	(0.4)	(12.8)	(16.1)	BUY
Vale Indonesia	INCO	1,875	1,905	(1.6)	(1.8)	(12.8)	(33.5)	HOLD

Sources: Bloomberg

PREVIOUS REPORTS

- Indo Tambangraya: Flat coal production, Mitra Adiperkasa : Supported by resilient growth and better efficiency [Snapshot20170523](#)
- Market Outlook: Investment grade! [Snapshot20170522](#)
- Automotive Sector: April 2017: Weak monthly car sales volume [Snapshot20170518](#)
- HM Sampoerna: Tepid growth [Snapshot20170517](#)
- Semen Indonesia (Persero): Sales boost [Snapshot20170515](#)
- Property: Slow marketing sales in April 2017 (NEUTRAL) [Snapshot20170512](#)
- Retail: More optimistic in April [Flashnotes20170510](#)

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

Agus Pramono, CFA

agus.pramono@danareksa.com
(62-21) 29555 888 ext.3500
Head of Research, Strategy, Banking

Stefanus Darmagiri

stefanus.darmagiri@danareksa.com
(62-21) 2955 888 ext. 3530
Auto, Coal, Heavy Equip., Metal, Cement

Natalia Sutanto

natalia.sutanto@danareksa.com
(62-21) 29555 888 ext.3508
Consumer, Tobacco, Property

Maria Renata

maria.renata@danareksa.com
(62-21) 29555 888 ext.3513
Construction

Adeline Solaiman

adeline.solaiman@danareksa.com
(62-21) 2955 888 ext. 3503
Retail

Puti Adani

putia@danareksa.com
(62-21) 2955 888 ext. 3511
Consumer

Antonia Febe Hartono

antonia.hartono@danareksa.com
(62-21) 29555 888 ext.3504
Cement, Property

Lucky Bayu Purnomo

lucky.purnomo@danareksa.com
(62-21) 29555 888 ext.3512
Technical Analyst

Melati Laksmindra Isnandari

melati.isnandari@danareksa.com
(62-21) 2955 888 ext. 3506
Research Associate

Sales team

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

Laksmita Armandani

laksmिता@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

Disclaimer

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or misstatements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission there from which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.