

FROM EQUITY RESEARCH
Automotive: GIIAS 2017: More low-end MPV cars launched

We visited the 2017 Gaikindo International Motor Show (IIMS). Held at the ICE Convention Centre in Bumi Serpong Damai, visitor numbers were good even during weekdays. Among the new cars launched, the low-end MPV segment attracted plenty of attention, with notable new launches including the new Mitsubishi Expander and Wuling Conferro. Nonetheless, we still retain our Neutral stance on the automotive sector, concerned that moderate economic performance will continue to restrict further growth in the sector.

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

FLASH NOTES

INTP: Key takeaways from conference call (INTP IJ. IDR19,000. REC. TP IDR13,000)

MARKET NEWS
Sector

- Infrastructure: Loans requirement for the Jakarta-Bandung HSR to be completed this week

Corporate

- Mandom Indonesia: TCID targets 10% revenues growth this year
- Malaysia's CPO shipments fell 14.6% MoM in the first 15 days of August
- Smaller banks suffer from stiff competition

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,835	0.6	10.2	313
Thailand	1,567	0.4	1.6	1,112
Philippines	8,009	0.6	17.1	93
Malaysia	1,772	0.1	8.0	395
Singapore	3,295	(0.4)	14.4	807
Regional				
China	3,251	0.4	4.8	39,392
Hong Kong	27,175	(0.3)	23.5	12,094
Japan	19,753	1.1	3.3	11,202
Korea	2,355	0.9	16.2	5,573
Taiwan	10,311	0.8	11.4	3,109
India	31,449	0.8	18.1	488
NASDAQ	6,333	(0.1)	17.6	71,158
Dow Jones	21,999	0.0	11.3	6,700

CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,365	(0.1)	(0.5)	0.9
SBI rate %	5.90	-	-	(1.3)
10y Gov Indo bond	6.91	0.0	(0.1)	(1.1)

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	95	(0.5)	13.1	7.4
Gold	US\$/toz	1,272	0.1	3.6	10.4
Nickel	US\$/mt.ton	10,299	(1.0)	8.1	3.4
Tin	US\$/mt.ton	20,250	(1.0)	1.8	(4.5)

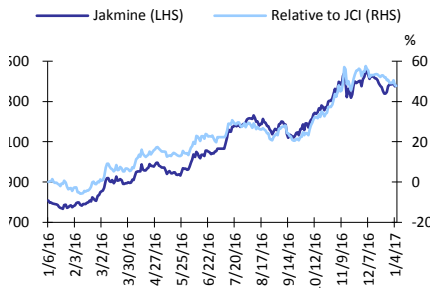
SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,009	0.5	7.1	(6.5)
Corn	US\$/mt.ton	126	(2.4)	(4.5)	(2.4)
Oil (WTI)	US\$/barrel	48	0.3	2.5	(11.2)
Oil (Brent)	US\$/barrel	51	0.4	4.3	(10.3)
Palm oil	MYR/mt.ton	2,642	0.7	1.2	(17.4)
Rubber	US\$/kg	153	1.5	1.7	(21.0)
Pulp	US\$/tonne	891	N/A	0.0	10.1
Coffee	US\$/60kgbag	126	(0.6)	(0.3)	(16.4)
Sugar	US\$/MT	363	(2.0)	(13.1)	(30.7)
Wheat	US\$/ton	124	(0.1)	(14.8)	(2.0)

Wednesday, 16 August 2017

Automotive Sector

ASII relative to JCI Index



GIAS 2017: More low-end MPV cars launched

We visited the 2017 Gaikindo International Motor Show (IIMS). Held at the ICE Convention Centre in Bumi Serpong Damai, visitor numbers were good even during weekdays. Among the new cars launched, the low-end MPV segment attracted plenty of attention, with notable new launches including the new Mitsubishi Expander and Wuling Confero. Nonetheless, we still retain our Neutral stance on the automotive sector, concerned that moderate economic performance will continue to restrict further growth in the sector.

Mitsubishi Expander will provide stiff competition for Toyota Avanza and Daihatsu Xenia. At the motor show, Mitsubishi launched its low-end MPV, Mitsubishi Expander. The car will be produced at the new Mitsubishi Karawang plant and it will be delivered in October 2017. With models priced at between IDR189 – 246mn and having an engine capacity of 1.5liters, Mitsubishi Expander will compete against Toyota Avanza (IDR188 – 237mn) and Daihatsu Xenia (IDR180 – 215mn) in the low-end MPV segment. Another player, Wuling Confero is expected compete in the low-end MPV market.

ASII's sales may see some volatility. With the launch of Mitsubishi Expander and Wuling Confero, ASII's market share - which stood at 56% in 1H17 - might see some volatility. Sales of Avanza and Xenia accounted for 27.3% of ASII's total sales volume in 1H17 and 64.1% of the total low-end MPV segment. However, backed by ASII's extensive dealer network and solid after sales services, we are confident that ASII will be able to sustain its market share at around 56% in 2017 and 2018.

Reduced vehicle lead-time with smaller discounts on popular models. At the previous automotive show (IIMS 2017), we saw that the lead-time for popular car models, such as Toyota Innova and Toyota Fortuner was around 2 months. However, we now note that there is ready stock for some popular models such as Toyota Innova. Discounts have also declined on Toyota Innova (up to Rp15mn/unit or up to 5.0%) and on Toyota Fortuner (up to Rp10mn/unit or up to 1.9%). Toyota Avanza, however, has been discounted up to a maximum of Rp25mn/unit given the imminent launch of Mitsubishi Expander. No discounts have been given on the newly-launched Toyota Voxy which will compete in the upper MPV segment.

Monthly car sales should improve in 3Q17. We expect better monthly car sales in 3Q17 given: a) normalization in the number of working days in July 2017 which will lead to more car deliveries in the month and b) the positive impact of the motor shows. Earlier in June, car sales sank by 29.5% mom due to the impact of the Lebaran holidays which resulted in fewer working days. Cumulatively, sales were flat with only 0.3% yoy growth in 1H17.

We remain Neutral on the automotive sector even though rising commodity prices are helping to improve demand for commercial cars. As such, we maintain our conservative domestic car sales volume growth target of only 5.0% yoy for 2017, noting that moderate economic growth of an estimated 5.1% yoy will limit consumer purchasing power. In turn, this will restrict the growth of domestic car sales.

Stefanus Darmagiri
(62-21) 29 555 831
stefanus.darmagiri@danareksa.com

Company	Ticker	Rec	Price, Rp	Target Price, Rp	Market Cap, Rpbn	EPS Growth, %		P/E, x		P/B, x		EV/EBITDA, x		ROE, %
						2017F	2018F	2017F	2018F	2017F	2018F	2017F	2018F	
Astra International	ASII	HOLD	8,950	9,000	339,050	25.2	16.0	17.9	15.4	2.2	2.0	12.9	10.9	12.2

FLASH NOTES**INTP: Key takeaways from conference call**

(INTP IJ. IDR19,000. REC. TP IDR13,000)

Yesterday, INTP conducted conference call to give outlook for the 2H17. Below are the key takeaways:

- **Stable price in August 2017**
INTP mentioned that the price it managed to maintain price to relatively stable in July and August 2017. Nevertheless, it has taken out the end user promotion program starting in August 2017. Despite of these, it still managed to record positive sales volume growth on yoy basis, supported by growth in both bulk and bag cement.
- **Expects positive sales volume growth momentum to continue in 2H17**
Going into 2H17, it expects the positive sales volume growth momentum to continue. With expectation of 7%-8% sales volume growth in 2H17, it estimates to record 4-5% sales volume growth this year. This expectation is supported by (i) low base in 2H16, (ii) construction of multiple infrastructure projects, (iii) improvement in the purchasing power supported by increased commodity prices. Share the same view, we maintain our sales volume growth target for INTP to 3.9%yoy in 2017.
- **Still difficult to increase the price**
INTP stated that in current condition, it still face difficulties to increase the prices. Should it increase the price, it only expects several players will follow its moves while the other players may not. On the other hand, INTP focus to maintain its market share and price differential with other players.
With the current 40mn tons oversupply to remain, we believe cement price increase will remain difficult. Going into 2018, we only expect 1-2%qoq price increase, considering the low base ASP in 4Q17. Nevertheless, on average basis, this price increment only result on flattish ASP growth considering the trending down price since 1Q17.
- **Fight Conch with Rajawali product**
The company also noted that Conch with new plant commencement in the Banten still offer aggressive pricing to obtain the market share. To overcome these aggressive moves from Conch, INTP will use Rajawali products. Based on our channel check, Conch is offered at IDR36,000/40kg sack, about 22.4% discount to Tigaroda (in term of price/kg). Should INTP would like to use Rajawali to fight the Conch, INTP will need to further reduce the price Rajawali as currently, Rajawali is offered at IDR52,000/50kg sack, about 13.3% discount to Tigaroda. This will also result on downward pressure on INTP's blended ASP.
- **Focus on cost efficiency**
With the pressure on the pricing to remain, INTP aligns its focus to conduct cost efficiency, including fully utilize the P14, shut down the less efficient plant (P1, P2, P3, and P6) with total capacity equivalent to P14, utilize alternative fuels, use lower CV coal, and fully utilize electricity discount offered by PLN.
- **We maintain our SELL call on INTP with unchanged target price of IDR13,000. Currently, INTP is trading at hefty valuation of 27.8x 2017F P/E, above its +2SD historical P/E.**

Antonia Febe Hartono, CFAAntonia.hartono@danareksa.com
(62-21) 29555 888 ext.3504**Stefanus Darmagiri**Stefanus.darmagiri@danareksa.com
(62-21) 29555 888 ext. 3530

MARKET NEWS

SECTOR

Infrastructure: Loans requirement for the Jakarta-Bandung HSR to be completed this week

The Ministry of SOE targets all requirements needed for the drawdown of loans to finance the construction of the Jakarta – Bandung high speed railway (HSR) to be completed this week. Funding will be provided by the China Development Bank (CDB). Meanwhile, the Minister of Public Housing said it was finalizing its technical analysis of the railway. KCIC as the project owner expects the USD5.9bn railway project to be completed by the end of 2019. WIKA's stage 2 of capital injection of Rp1.2tn as equity in the project was conducted in June 17 – out of WIKA's total capital of IDR4.0tn. (Investor Daily)

CORPORATE

Mandom Indonesia: TCID targets 10% revenues growth this year

The management of Mandom Indonesia will retain its focus on its existing products this year. As a result, there will not be many new products launched this year. For 2017, Mandom provides guidance of 10% yoy growth in revenues. In 1H17, Mandom's revenues increased by 9.6% yoy. The domestic market was the major contributor to Mandom's 1H17 revenues (76% of the total) while the remainder came from exports (24%) to the United Arab Emirates, Japan, Malaysia, Thailand, the Philippines etc. (Kontan)

Malaysia's CPO shipments fell 14.6% MoM in the first 15 days of August

According to Intertek Testing Services, Malaysia's CPO shipments fell 14.6% MoM to 599.4k tons in the first 15 days of August. (Bloomberg)

***Comment:** We believe this is most likely due to the immediate impact of India's import duty hike on edible oils (crude & refined palm oil and soybean oil) effective 11-Aug-17. (Yudha)*

Smaller banks suffer from stiff competition

Based on data from the Financial Services Authority (OJK), the credit growth of large banks (BUKU IV) was faster than that of smaller banks. The credit of BUKU I banks declined 19.1% yoy in May 2017, while for BUKU II banks credit declined 7.75% yoy, and for BUKU III banks it was down 2.02% yoy. However, for BUKU IV banks credit grew by 23.3%. The lower borrowing rates offered by large banks encouraged customers to switch to large banks. (Bisnis Indonesia)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		15-Aug-17	14-Aug-17					
Pakuwon Jati	PWON	690	645	7.0	-	13.1	22.1	BUY
Summarecon Agung	SMRA	1,095	1,065	2.8	6.8	(9.5)	(17.4)	SELL
HM Sampoerna	HMSP	3,470	3,380	2.7	(0.9)	(8.4)	(9.4)	HOLD
Matahari Department Store	LPPF	11,250	10,975	2.5	(0.9)	(7.4)	(25.6)	SELL
Indo Tambangraya Megah	ITMG	20,425	19,950	2.4	1.4	3.9	21.0	HOLD
Alam Sutera	ASRI	358	350	2.3	1.7	11.9	1.7	HOLD
Matahari Putra Prima	MPPA	555	545	1.8	-	(15.9)	(62.5)	SELL
Bank Negara Indonesia	BBNI	7,400	7,300	1.4	2.4	4.2	33.9	HOLD
Ciputra Development	CTRA	1,180	1,165	1.3	7.3	(4.1)	(11.6)	HOLD
United Tractors	UNTR	30,175	29,900	0.9	3.3	7.8	42.0	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		15-Aug-17	14-Aug-17					
Kino Indonesia	KINO	1,735	1,790	(3.1)	(11.7)	(21.1)	(42.7)	SELL
Ramayana	RALS	930	950	(2.1)	(2.6)	(13.1)	(22.2)	HOLD
Wijaya Karya	WIKA	2,030	2,060	(1.5)	1.8	(6.5)	(14.0)	BUY
Harum Energy	HRUM	2,370	2,400	(1.3)	0.9	16.2	10.7	SELL
Bank Tabungan Negara	BBTN	2,710	2,740	(1.1)	1.5	9.7	55.7	BUY
Aneka Tambang	ANTM	680	685	(0.7)	1.5	(2.2)	(24.0)	HOLD
Semen Indonesia	SMGR	10,900	10,975	(0.7)	3.6	7.1	18.8	HOLD
Kimia Farma	KAEF	3,180	3,200	(0.6)	3.9	4.6	15.6	SELL
Bukit Asam	PTBA	13,150	13,225	(0.6)	(3.0)	5.2	5.2	BUY
Adhi Karya	ADHI	2,100	2,110	(0.5)	1.0	-	1.0	BUY

Sources: Bloomberg

PREVIOUS REPORTS

- MYOR: Better performance on the cards [Snapshot20170815](#)
- Plantations: India's import duty on edible oils raised, Indo Tambangraya Megah: Weak quarterly net profit in 2Q17 [Snapshot20170814](#)
- Cement: Sales rebound strongly, Plantations: Jul-17 Malaysia CPO Statistics [Snapshot20170811](#)
- MPPA: Competition bites [Snapshot20170810](#)
- Ace Hardware Indonesia: SSSG weakening in July 2017, MTLA: Key takeaways from Public Expose [Snapshot20170809](#)
- Retail: Best to take a cautious stance, KLBF: The good news is priced in, INTP: Key takeaways from public expose [Snapshot20170808](#)
- CTRA: Tougher times ahead [Snapshot20170807](#)
- BBRI: Stronger growth on the card, ADRO: 2Q17: Expect quarterly better earnings on coal production and lower stripping ratio [Snapshot20170804](#)

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

Maria Renata

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

Antonia Febe Hartono, CFA

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

Stefanus Darmagiri

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

Yudha Gautama

Yudha.gautama@danareksa.com
(62-21) 29555 888 ext.3509
Plantation

Lucky Bayu Purnomo

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

Natalia Sutanto

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

Adeline Solaiman

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

Sales team

Novrita E. Putrianti

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

Tuty Sutopo

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

Ehrlich Suhartono

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

Upik Yuzarni

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

Laksmi Armandani

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

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 therefrom 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.

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 mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom 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.