

## FROM EQUITY RESEARCH

### Banking: Strong enough to weather the headwinds (Overweight)

Our monthly tracker shows that there is sufficient liquidity within the banking system (IDR207.7tn average-8 weeks as of August 2018) despite the 125bps of policy rate hikes in total ytd. The sufficient liquidity is mostly a reflection of the central bank's dual intervention and more flexible primary reserve requirement policy, in our view. Note that BI is currently implementing a lower daily reserve requirement ratio of 4.5% with higher average-2weeks reserve ratio of 2% from previously 1.5%. Going forward, we expect the impact from higher policy rates to be fully absorbed next year, particularly in the medium and small banks. We maintain our OVERWEIGHT stance on the sector with BBRI and BBTN as our top picks given their resilient business models at the grassroots level and decent projected ROAEs.

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### Surya Semesta Internusa: So Close Yet So Far (SSIA IJ. IDR 478. HOLD. TP IDR 500)

We expect SSIA to book flat revenues of Rp3.3tn in FY18 (+0.6% YoY), mostly driven by 2.5% growth in construction revenues to Rp2.2tn. The FY18 new contracts are expected to be flat at Rp2.8tn and the company may potentially obtain a new contract from the tender of the Patimban toll road in 4Q18. We expect a minimal contribution from existing industrial land sales due to weak demand and limited land specifications while the Subang landbank is not ready for sale. Maintain HOLD but with a lower TP of Rp500, based on a 76% discount to NAV.

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## MARKET NEWS

### Macroeconomy

- Bank Indonesia: expecting deflation in September 2018

### Sector

- Consumer/Retail: Duck King to issue a maximum 40% new shares through IPO
- Malaysia posted 77.2% MoM rise in palm oil export during the first 15 days of Sep

### Corporate

- GGRM: To develop Kediri Airport, financed by internal cash flow
- Semen Indonesia: Sales volume in 8M18 up 4%yoy

## KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
<b>Asean - 5</b>				
Indonesia	5,931	1.2	(6.7)	321
Thailand	1,722	0.2	(1.8)	1,803
Philippines	7,413	(1.4)	(13.4)	105
Malaysia	1,804	0.6	0.4	622
Singapore	3,161	0.9	(7.1)	667
<b>Regional</b>				
China	2,682	(0.2)	(18.9)	21,677
Hong Kong	27,286	1.0	(8.8)	11,141
Japan	23,095	1.2	1.4	19,230
Korea	2,312	(0.3)	(6.3)	5,879
Taiwan	10,868	1.3	2.1	4,120
India	38,091	1.0	11.8	387
NASDAQ	8,010	(0.0)	16.0	108,280
Dow Jones	26,155	0.0	5.8	8,630

## CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	14,807	0.1	(1.5)	(9.2)
BI7DRRR %	5.50	0.3	0.3	1.3
10y Gov Indo bond	8.41	(0.0)	0.4	2.1

## HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	115	0.1	(2.5)	14.5
Gold	US\$/toz	1,193	(0.0)	0.7	(8.4)
Nickel	US\$/mt.ton	12,574	0.4	(5.7)	(1.0)
Tin	US\$/mt.ton	19,046	0.0	0.1	(5.2)

## SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,249	(0.4)	7.8	18.5
Corn	US\$/mt.ton	116	(0.3)	(8.1)	(7.2)
Oil (WTI)	US\$/barrel	69	(0.3)	4.4	13.9
Oil (Brent)	US\$/barrel	78	(0.1)	8.6	16.6
Palm oil	MYR/mt.ton	2,210	0.0	0.8	(7.5)
Rubber	US\$/kg	133	(0.7)	(1.3)	(9.7)
Pulp	US\$/tonne	1,205	N/A	2.8	20.5
Coffee	US\$/60kgbag	75	(0.3)	(0.3)	(9.8)
Sugar	US\$/MT	340	(3.1)	9.2	(13.9)
Wheat	US\$/ton	141	1.0	(10.9)	7.2
Soy Oil	US\$/lb	28	0.1	(2.5)	(16.8)
Soy Bean	US\$/by	829	(0.2)	(6.0)	(12.9)

Source: Bloomberg

Monday, 17 September 2018

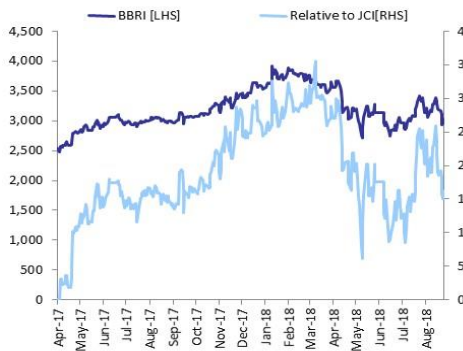
## OVERWEIGHT

Maintain

## Banking

Strong enough to weather the headwinds

BBRI relative to JCI Index



BBTN relative to JCI Index



Source : Bloomberg



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Our monthly tracker shows that there is sufficient liquidity within the banking system (IDR207.7tn average-8 weeks as of August 2018) despite the 125bps of policy rate hikes in total ytd. The sufficient liquidity is mostly a reflection of the central bank's dual intervention and more flexible primary reserve requirement policy, in our view. Note that BI is currently implementing a lower daily reserve requirement ratio of 4.5% with higher average-2weeks reserve ratio of 2% from previously 1.5%. Going forward, we expect the impact from higher policy rates to be fully absorbed next year, particularly in the medium and small banks. We maintain our OVERWEIGHT stance on the sector with BBRI and BBTN as our top picks given their resilient business models at the grassroots level and decent projected ROAEs.

**Excess liquidity within the banking system remains high.** As of end-August 2018, excess liquidity stood at IDR281.9tn. This has derived from: 1) soft loans demand, 2) a more flexible reserves requirement policy as BI has just implemented a lower daily reserve requirement ratio of 4.5%. Additionally, the commitments of three big SOE banks remained flattish as of July 2018, indicate no recent major loan commitments have been made in general. Meanwhile, the 1-month JIBOR has continued to track the policy rate.

**Slower impact on deposit rate increases.** With ample liquidity in the banking system, we do not expect a significant increase in deposit rates until November. In December, however, the situation may be different as most banks will compete in order to realize their business plans, especially in regard to loans and deposits growth (this cyclical trend can be seen every year). Based on our channel checks, the TD rates of the four big banks have not changed yet. Some medium and small banks, by comparison, may offer rates as high as 7.5% for placements above IDR2bn. The wide range of TD rates also reflects the liquidity conditions in the individual banks themselves.

**2019: a challenging year for small and medium banks.** We do not expect any major hiccups in our banking universe this year. We forecast 15% yoy net profits growth in our universe supported by 12.3% yoy loans growth. While next year, we expect to see the full impact of this year's policy rate hikes on the blended CoFs, particularly those of medium and small banks. We see that big banks are in a better position to weather the headwinds given their strong CASA deposits and greater flexibility to attract high quality borrowers. All in all, NIM is expected to fall by just 7bps in our model to 6.1% in FY19F.

**OVERWEIGHT: BBRI, BBTN are our top picks.** We maintain our overweight stance on the sector with BBRI and BBTN as our top picks due to their resilient core business models and predictable earnings growth. Looking into next year, downside risks are NIM compression, slower-than-expected GDP growth that can potentially dampen loans growth and a pick-up in the gross NPLs ratio.

Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%)
					2018F	2019F	2018F	2019F	
Bank Rakyat Indonesia	BBRI IJ	BUY	4,350	373,737.8	11.4	9.7	2.0	1.8	19.3
Bank Tabungan Negara	BBTN IJ	BUY	3,500	27,745.8	7.9	7.3	1.1	1.0	14.6
BNI	BBNI IJ	BUY	10,400	137,067.6	8.8	7.6	1.2	1.1	15.2
Mandiri	BMRI IJ	BUY	8,500	309,166.7	12.6	10.9	1.7	1.5	14.8
BTPN Syariah	BTPS IJ	BUY	2,100	12,595.5	13.9	10.7	3.2	2.7	27.3
BPD Jatim	BJTM IJ	BUY	830	9,639.6	7.6	7.1	1.1	1.1	15.5
BTPN	BTPN IJ	HOLD	3,900	22,348.4	13.0	11.1	1.3	1.2	10.9
BCA	BBCA IJ	HOLD	22,700	619,877.7	23.3	20.5	4.0	3.4	18.0

Monday, 17 September 2018

**HOLD**  
**Maintain**

Last price (IDR) 478  
Target Price (IDR) 500  
Upside/Downside +4.6%  
Previous Target Price (IDR) 580

#### Stock Statistics

Sector Industrial Estate  
Bloomberg Ticker SSIA IJ  
No of Shrs (mn) 4,705  
Mkt. Cap (IDRbn/USDmn) 2,249/152  
Avg. daily T/O (IDRbn/USDmn) 20.3/1.4

#### Major shareholders (%)

Arman Investments Utama 9.8  
Persada Capital Investama 7.9  
Estimated free float 75.9

#### EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	(19.6)	15.7	25.4
Consensus	0.7	14.0	36.8
Danareksa/Cons	(2,856.0)	11.7	(30.8)

#### SSIA relative to JCI Index



Source : Bloomberg



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## Surya Semesta Internusa (SSIA IJ)

### So Close Yet So Far

**We expect SSIA to book flat revenues of Rp3.3tn in FY18 (+0.6% YoY), mostly driven by 2.5% growth in construction revenues to Rp2.2tn. The FY18 new contracts are expected to be flat at Rp2.8tn and the company may potentially obtain a new contract from the tender of the Patimban toll road in 4Q18. We expect a minimal contribution from existing industrial land sales due to weak demand and limited land specifications while the Subang landbank is not ready for sale. Maintain HOLD but with a lower TP of Rp500, based on a 76% discount to NAV.**

**Steady construction revenues.** We expect construction revenues to dominate SSIA's top-line at 67% of the FY18 consolidated revenues or reaching Rp2.2tn (+2.5% YoY), assuming a 35% burn rate vs. the company's expectation of Rp2.7tn. We target FY18 new contracts of Rp2.8tn (+0% YoY), in-line with the company's guidance, mostly coming from high-rise and hotel projects. In addition, we expect SSIA, through NRCA, to obtain a new contract from the tender of the Patimban toll road in 4Q18. In 1H18, SSIA obtained new contracts of Rp1.2tn (41% of the FY18 target).

**Minimal contribution from the property segment.** In 1H18, SSIA did not book any industrial land marketing sales, citing weak demand and limited land specifications. However, the company remains optimistic that it can achieve between 7-12Ha of marketing sales in 2H18. We assume marketing sales of 7Ha for FY18. Industrial land inquiries stood at 20Ha as of 1H18. Up to now, SSIA has acquired 1,000Ha of landbank in Subang (from licensed area of 2,000Ha).

**Subang landbank not ready yet.** However, Subang industrial land sales are only expected to begin in 4Q19 or early FY20 as some land clearing still needs to be done. SSIA recently secured an 8-year USD100mn standby loan from IFC with an interest rate of LIBOR + 2.75% to finance land acquisitions and the development in Subang.

**Maintain Hold.** We maintain our HOLD call on SSIA with a lower TP of Rp500 (reduced from Rp580) based on a 76% discount to NAV (up from 72%). We assign a higher discount to SSIA's NAV to account for rising borrowing costs and its poor industrial marketing sales performance as well as limitations in its land specifications. The counter currently trades at a 75.4% discount to NAV vs. the sector's 81.8%.

#### Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	3,797	3,274	3,293	3,700	4,302
EBITDA (IDRbn)	597	397	337	540	611
EBITDA Growth (%)	(16.0)	(33.4)	(15.3)	60.4	13.3
Net profit (IDRbn)	62	1,178	(92)	74	120
EPS (IDR)	13.3	250.4	(19.6)	15.7	25.4
EPS growth (%)	(79.3)	1,786.4	(107.8)	(180.2)	62.2
BVPS (IDR)	618.9	851.9	788.5	804.1	827.2
DPS (IDR)	9.6	10.9	37.5	0.0	2.4
PER (x)	35.3	1.9	n/m	29.8	18.4
PBV (x)	0.8	0.5	0.6	0.6	0.6
Dividend yield (%)	2.1	2.3	8.0	0.0	0.5
EV/EBITDA (x)	5.3	8.4	8.2	5.7	5.2

Source : SSIA, Danareksa Estimates

## MARKET NEWS

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### MACROECONOMY

#### **Bank Indonesia: expecting deflation in September 2018**

Through its price surveillance survey (SPH), Bank Indonesia expects deflation of 0.04%mom in September 2018, mainly arising from declines in the prices of food commodities - especially chilies and onions. September's inflation data will be released in the beginning of October 2018. (Investor Daily)

### SECTOR

#### **Consumer/Retail: Duck King to issue a maximum 40% new shares through an IPO**

Jaya Bersama Indo (JBI) will issue 513.3mn new shares (maximum 40%) through an IPO (price/share of IDR505). The estimated IPO proceeds of IDR259.2bn will be utilized for the expansion of outlets in Indonesia and overseas as well as for working capital. The book building period is from 17-25 September 2018. The shares are expected to be listed on 10 October 2018. (Investor Daily)

#### **Malaysia posted 77.2% MoM higher palm oil exports during the first 15 days of Sep**

According to Intertek Testing Services, Malaysia posted 77.2% MoM higher palm oil exports during the first 15 days of September. (Bloomberg)

### CORPORATE

#### **GGRM: To develop Kediri Airport, financed by internal cash flow**

Angkasa Pura I (AP I) sees that there is the opportunity to synergize the operations of Surabaya's Juanda Airport and the planned airport in Kediri which it seeks to manage. AP I views that Kediri airport, which will have a 3,250m-long runway has a lot of potential to tap umrah and hajj pilgrims whilst also relieving pressure on the already-crowded Juanda Airport. AP I expects the signing of the agreement with GGRM to be done this month. The Ministry of Transportation targets the land acquisition process to be completed by February 2019 with construction starting in mid-2019. One of the directors of GGRM – Istata Taswin Siddharta - stated that the construction of the airport in Kediri would take more than 2 years, financed by the company's internal cash flow. According to reports, GGRM has already spent around IDR1tn on the initial stage of airport development, including land acquisition. (Bisnis Indonesia)

#### **Semen Indonesia: Sales volume increases by 4%yoy in 8M18**

Semen Indonesia (SMGR) booked sales volume growth of 4%yoy in 8M18 to 20.7mn tons (8M17: 19.9mn tons). The strong sales volume was supported by a 42.7%yoy surge in exports to 1.99mn tons, accounting for 9.6% of sales. Meanwhile, the sales of its subsidiary, Thang Long Cement Company Vietnam (TLCC), reached 1.74mn tons, up 8.9%yoy. The TLCC sales volume accounted for 8.4% of the total sales. The production utilization rate reached 85%. SMGR is eyeing export markets even though margins are smaller given the overcapacity in the domestic market. Currently, overcapacity in the domestic market has reached 40%. SMGR targets sales volume to grow at a brisker pace of 5-6% in the remainder of the year. SMGR has a 33.4% share of the domestic cement market. (Kontan)



**COVERAGE PERFORMANCE**
**LEADERS**

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		14-Sep-18	13-Sep-18					
Matahari Putra Prima	MPPA	220	184	19.6	31.7	8.9	(51.3)	SELL
Indo Tambangraya Megah	ITMG	27,100	25,900	4.6	6.6	3.5	30.9	BUY
Kalbe Farma	KLBF	1,235	1,190	3.8	1.6	2.1	(26.9)	BUY
Surya Citra Media	SCMA	1,875	1,810	3.6	(3.8)	-	(24.4)	BUY
Kimia Farma	KAEF	2,360	2,280	3.5	4.9	2.2	(12.6)	HOLD
Mitra Adi Perkasa	MAPI	805	780	3.2	3.2	1.3	29.8	BUY
Bank Tabungan Negara	BBTN	2,680	2,600	3.1	5.5	7.6	(24.9)	BUY
Summarecon Agung	SMRA	690	670	3.0	13.1	8.7	(27.0)	BUY
Indofood	INDF	6,175	6,000	2.9	3.8	1.2	(19.0)	BUY
Bank Mandiri	BMRI	6,750	6,575	2.7	3.1	0.7	(15.6)	BUY

Sources: Bloomberg

**LAGGARDS**

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		14-Sep-18	13-Sep-18					
Surya Semesta	SSIA	466	486	(4.1)	5.9	(6.8)	(9.5)	HOLD
Puradelta Lestari	DMAS	128	131	(2.3)	6.7	(4.5)	(25.1)	BUY
Pakuwon Jati	PWON	530	540	(1.9)	2.9	5.0	(22.6)	BUY
Vale Indonesia	INCO	3,390	3,450	(1.7)	4.3	(10.6)	17.3	BUY
Ramayana	RALS	1,340	1,360	(1.5)	9.8	12.6	11.7	HOLD
Bumi Serpong Damai	BSDE	1,155	1,170	(1.3)	2.2	(0.9)	(32.1)	BUY
Jasa Marga	JSMR	4,510	4,550	(0.9)	3.0	1.1	(29.5)	BUY
Semen Baturaja	SMBR	2,580	2,600	(0.8)	(2.3)	(7.9)	(32.1)	SELL
Timah	TINS	715	720	(0.7)	(0.7)	(7.1)	(7.7)	BUY
Aneka Tambang	ANTM	800	805	(0.6)	-	(3.6)	28.0	HOLD

Sources: Bloomberg

## **PREVIOUS REPORTS**

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- Prodia Widyahusada: Leveraging on increasing health awareness [SnapShot20180914](#)
- Plantation: Increase in Aug 18's inventory, Danareksa Research Institute: August Trade Outlook – Slight improvement [SnapShot20180913](#)
- Pembangunan Perumahan: Energizing PTPP [SnapShot20180910](#)
- Consumer - Retail: The good and the bad, Telco: Strong data volumes while pricing recovers, Telkom Indonesia: EBITDA margin recovery by 200-400bps in 2H18, XL Axiata: Biggest beneficiary in data price recovery, Indosat Ooredoo: Conservative as challenges may remain, 1H18 Result: Antam - Turnaround into profit [SnapShot20180907](#)
- Strategy: Policy Panacea - Import Control Measure [SnapShot20180906](#)

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