

## FROM EQUITY RESEARCH

### Automotive: Solid car sales in 11M18 ( Neutral )

Gaikindo reported domestic car sales of 100,739 units in November 2018 (-5.0% mom, but +4.7% yoy). Thanks to the launch of new models and solid commodity prices, domestic car sales jumped 7.2% yoy to 1.06mn units in 11M18. With car sales seasonally weak in December, we expect 2018 car sales to reach 1.15mn units (+6.4% yoy), or slightly higher than our estimate of 1.12mn units. Given interest rate hikes and consolidation in coal prices, however, we expect a slowdown in domestic car sales growth in 2019 (+3% yoy). Maintain Neutral.

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## MARKET NEWS

### Sector

- India to trim import tariff by 4% for Malaysian CPO products

### Corporate

- BRI targets 14% loans growth in 2019
- Surya Semesta Internusa (SSIA) to develop 300 Ha of industrial land

## PREVIOUS REPORT

- BPD Jatim: A sound dividend play [Click here](#)
- Sido Muncul: Healthy growth play [Click here](#)
- Indo Tambangraya: A dividend play [Click here](#)

## KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
<b>Asean - 5</b>				
Indonesia	6.170	(0,1)	(2,9)	466
Thailand	1.609	(0,3)	(8,2)	1.371
Philippines	7.524	0,0	(12,1)	120
Malaysia	1.662	(0,8)	(7,5)	394
Singapore	3.077	(1,1)	(9,6)	607
<b>Regional</b>				
China	2.594	(1,5)	(21,6)	25.160
Hong Kong	26.095	(1,6)	(12,8)	8.573
Japan	21.375	(2,0)	(6,1)	18.542
Korea	2.069	(1,2)	(16,1)	7.024
Taiwan	9.774	(0,9)	(8,2)	3.105
India	35.963	0,1	5,6	334
NASDAQ	6.911	(2,3)	0,1	117.266
Dow Jones	24.101	(2,0)	(2,5)	14.100

## CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	14.581	(0,7)	1,4	(7,6)
SBI rate %	6,00	0,3	0,3	1,8
10y Gov Indo bond	8,12	0,1	0,0	1,8

## HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	102	0,1	(1,0)	1,5
Gold	US\$/toz	1.238	(0,1)	1,3	(5,0)
Nickel	US\$/mt.ton	11.010	2,1	(2,0)	(13,3)
Tin	US\$/mt.ton	19.369	(0,3)	0,2	(3,6)

## SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2.200	3,2	0,5	15,9
Corn	US\$/mt.ton	134	-	0,6	7,2
Oil (WTI)	US\$/barrel	51	0,3	(9,0)	(15,0)
Oil (Brent)	US\$/barrel	60	0,2	(9,5)	(9,6)
Palm oil	MYR/mt.ton	1.788	1,8	(2,9)	(25,2)
Rubber	US\$/kg	124	(0,5)	0,6	(15,3)
Pulp	US\$/tonne	1.205	N/A	2,8	20,5
Coffee	US\$/60kgbag	75	(1,8)	(9,8)	(15,5)
Sugar	US\$/MT	343	(0,6)	(0,7)	(13,1)
Wheat	US\$/ton	144	(1,1)	3,5	7,5
Soy Oil	US\$/lb	28	(1,2)	3,3	(13,9)
Soy Bean	US\$/by	901	(0,7)	3,4	(5,4)

Monday, 17 December 2018

**NEUTRAL**  
**Maintain**

## Automotive

### Solid car sales in 11M18

ASII relative to JCI Index



Source : Bloomberg

Gaikindo reported domestic car sales of 100,739 units in November 2018 (-5.0% mom, but +4.7% yoy). Thanks to the launch of new models and solid commodity prices, domestic car sales jumped 7.2% yoy to 1.06mn units in 11M18. With car sales seasonally weak in December, we expect 2018 car sales to reach 1.15mn units (+6.4% yoy), or slightly higher than our estimate of 1.12mn units. Given interest rate hikes and consolidation in coal prices, however, we expect a slowdown in domestic car sales growth in 2019 (+3% yoy). **Maintain Neutral.**

**Solid car sales in 11M18.** While domestic car sales declined by 5.0% mom to 100,739 units in November 2018, cumulatively, they posted growth of 7.2% yoy to 1.06mn units in 11M18 mainly due to: a) the launch of new models in the Low-MPV and Low-SUV segments and b) sturdy commodity prices which boosted sales of commercial cars (+18.7% yoy). Mitsubishi posted the strongest sales volume growth (+67.4% yoy) thanks to the launch of Expander. Suzuki and Daihatsu reported higher sales growth of 7.9% yoy and 7.6% yoy respectively, while the sales volume for both Toyota and Honda declined by 6.3% yoy and 13.1% yoy respectively.

**Astra maintained market share above 50% in 11M18.** Astra International (ASII IJ/BUY/TP: IDR9,500) maintained its market share at 52.1% in Nov 2018. As the company managed to maintain its market share above 50% in 2H18 supported by the higher sales volume of Rush – Terios, its market share reached 50.5% in 11M18. Going into 2019, we expect ASII to maintain its market share above 50% given that the company is largely expected to give a facelift to its popular models, Avanza and Xenia, at the beginning of 2019.

**Moderate domestic car sales growth.** Economic growth is highly correlated to domestic car sales volume growth. With the expectation of economic growth of around 5.1% yoy in 2019, we expect domestic car sales volume growth of only 3% yoy to 1.16mn units in 2019. We believe that higher interest rates may rein in domestic sales volume growth.

**Higher interest rates may restrict domestic car sales volume growth.** Bank Indonesia (BI) has increased its 7-day Reverse Repo rate (7DRRR) by 175bps to 6.00%. We think this was mainly done to address the CAD and to take into consideration the likelihood of global interest rate hikes in the near term. BI has reiterated its ahead-of-the-curve and proactive stance. We believe that higher interest rates will negatively impact domestic car sales. When interest rates previously went up by 200bps in a year and reached a peak at the end of 2014, domestic car sales volume posted negative growth of 16.1% yoy in 2015.

**Maintain Neutral** as we expect a slowdown in domestic car sales volume growth to only 3% yoy in 2019 given: a) moderate economic growth of 5.1% yoy in 2019 (2018F: 5.2 – 5.3% yoy), b) heightened competition and c) the risks associated with higher interest rates which will indirectly impact domestic car sales. Our top pick in the sector is Astra International (ASII/BUY/TP: IDR9,500).



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Company	Ticker	Rec	Target Price	Market Cap.	P/E (x)		P/BV (x)		ROE (%)
			(Rp)	(RpBn)	2018F	2019F	2018F	2019F	2019F
Astra	ASII IJ	BUY	9,500	342,086.0	15.6	14.2	2.5	2.3	16.9

## MARKET NEWS

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### SECTOR

#### **India to trim import tariffs by 4% for Malaysian CPO products**

Under the Malaysia-India Comprehensive Economic Cooperation Agreement, India has decided to revise down its import duty on CPO to a maximum of 40% (from 44%) and for CPO refined products to 50% (from 54%). The import duty revision only applies to Malaysia and will be effective starting on 01 Jan 19. (Kontan)

*Comment: The 4% reduction in India's CPO import duty will be positive for Malaysian CPO export products. However, this will result in a 4% duty differential which will make Indonesia's CPO exports to India less competitive. As of 11M18, India accounted for ~21% of Indonesia's CPO export products. (Yudha)*

### CORPORATE

#### **BBRI targets 14% loans growth in 2019**

PT Bank Rakyat Indonesia (Persero) Tbk (BBRI IJ, BUY, TP IDR4,350) is targeting 2019 loans growth of 12-14% yoy. For this year, BBRI targets 13-14% loans growth. BBRI's management also shared its target for customer deposits growth of 12-14% yoy for next year. This should translate into an LDR of 88-90% by the end of next year. (Investor Daily)

#### **Surya Semesta Internusa (SSIA) to develop 300 Ha of industrial land**

SSIA is planning to develop 300 Ha of industrial land in Subang, West Java in FY19. As of 9M18, SSIA had managed to acquire a total of 1,034 Ha of land from a total target of 2,000 Ha. Also, the company aims to add 3 more hotels in FY19 under its subsidiary Batiqa Hotel Management. (Bisnis Indonesia and Investor Daily)



**COVERAGE PERFORMANCE**
**LEADERS**

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		14-Dec-18	13-Dec-18					
Kino Indonesia	KINO	2.810	2.470	13,8	12,4	16,1	32,5	BUY
Media Nusantara Citra	MNCN	780	750	4,0	4,7	(2,5)	(39,3)	BUY
Puradelta Lestari	DMAS	168	163	3,1	14,3	30,2	(1,8)	BUY
Indofood CBP	ICBP	10.100	9.825	2,8	4,1	15,1	13,5	BUY
Indofood	INDF	7.075	6.900	2,5	5,6	18,9	(7,2)	BUY
Bekasi Fajar	BEST	212	208	1,9	6,5	52,5	(15,2)	BUY
Wijaya Karya	WIKA	1.705	1.675	1,8	7,2	39,2	10,0	BUY
Waskita Beton	WSBP	366	360	1,7	2,8	12,3	(10,3)	BUY
PP London Sumatra	LSIP	1.265	1.250	1,2	6,3	18,8	(10,9)	BUY
HM Sampoerna	HMSP	3.780	3.740	1,1	1,3	10,5	(20,1)	BUY

Sources: Bloomberg

**LAGGARDS**

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		14-Dec-18	13-Dec-18					
Malindo Feedmill	MAIN	1.275	1.350	(5,6)	(3,0)	(0,4)	72,3	HOLD
Erajaya Swasembada	ERAA	2.190	2.300	(4,8)	(0,5)	19,0	198,0	BUY
Japfa Comfeed	JPFA	2.160	2.260	(4,4)	(4,0)	4,9	66,2	BUY
Kimia Farma	KAEF	2.730	2.850	(4,2)	9,6	7,9	1,1	HOLD
Bank Tabungan Negara	BBTN	2.650	2.730	(2,9)	(3,3)	10,4	(25,8)	BUY
Summarecon Agung	SMRA	855	880	(2,8)	(0,6)	30,5	(9,5)	BUY
Vale Indonesia	INCO	3.080	3.170	(2,8)	-	(6,1)	6,6	BUY
Indo Tambangraya Megah	ITMG	20.625	21.200	(2,7)	1,0	(9,4)	(0,4)	BUY
Ciputra Development	CTRA	1.010	1.035	(2,4)	(6,9)	9,2	(14,8)	BUY
Alam Sutera	ASRI	342	350	(2,3)	(1,7)	14,0	(3,9)	HOLD

Sources: Bloomberg

## **PREVIOUS REPORTS**

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- BPD Jatim: A sound dividend play, SIDO MUNCUL: Healthy growth ahead [SnapShot20181213](#)
- Indo Tambangraya: A dividend play [SnapShot20181212](#)
- Plantation: Nov 18 Inventory: Reaching a Record High [SnapShot20181211](#)
- Pembangunan Perumahan: Imminent change in status [SnapShot20181210](#)
- Gudang Garam: More growth to come, Property: BCA Standpoint - Assessment of Property Demand [SnapShot20181207](#)
- Bank Central Asia: Fully valued [SnapShot20181206](#)

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