

Weekly Brief (8 April – April 12)

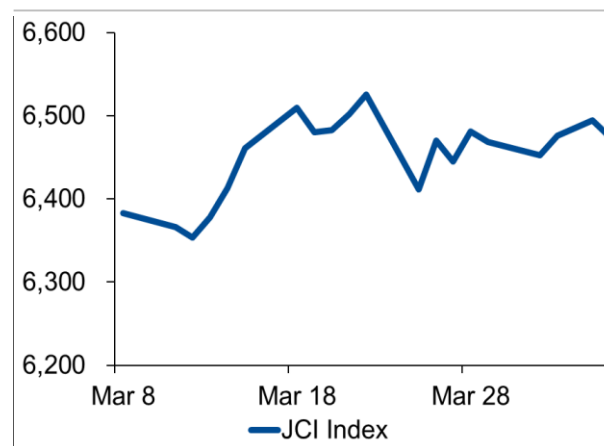
Summary:

Last week, varied sentiments colored Indonesia's equity markets. The most awaited sentiment is the final trade deal of between the U.S. and China. China, in last week's early days, decided to postpone the hike of 25% in import tariffs imposed on the U.S. automotive products, whose tariffs supposedly took into effect on April 2nd, 2019. Then, in the mid week, creeping higher global crude prices flooded equity markets. Crude prices rallied as the US PMI figure inched higher to 55.3 (vs. February's of 54.2), while Chinese PMI surged to 50.8 to its last 8-month highest figure.

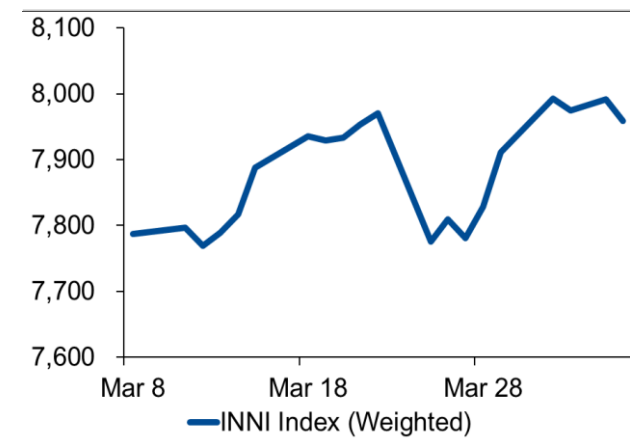
Last week, INNI Index inched higher at 0.6% as CPO stocks such as LSIP and ALLI was rebounding at 18.3% and 10.5%, respectively. In harmonious with CPO stocks, property stocks such as CTRA, PWON, and PTPP were buoyant at 10.0%, 5.8%, and 5.8%, respectively. The automotive stock, i.e, also edged up 3.8%.

Last week, CPO stocks were rebounding at 3.8%. A number of positive sentiments fundamental to the rally in CPO stocks are 1) Malaysian stockpiles of CPO, estimated to deplete in May: logical takeaway for CPO appreciation; 2) Rising demand for palm oil one or two months prior to Ramadhan; 3) The trend of upbeat soybean oil due to intense competition between palm oil and soybean oil because both are substituting; 4) Dutch authorities stating its disappointment of European Union Ban on Indonesian CPO on the ground for environmental detriment. Dutch authorities stated to continue trade cooperation with Indonesia by revoking the ban on Indonesian CPO.

JCI - one month



INNI Index – one month



Last Week's JCI Movement

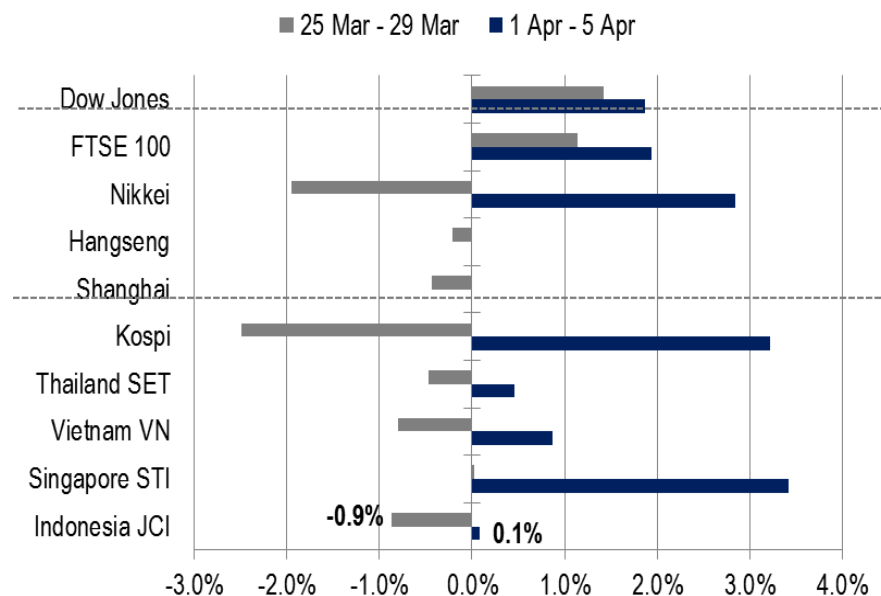
•JCI Index	: 6.474,01 (+0,1%)
Foreign Flow	: Net buy of Rp1,3 trillion (vs. net buy last week of Rp1,4 trillion)
USD/IDR	: 14.133 (-0,77%)
Yields of sovereign bonds with 10-year tenor	: 7,571% (-6,2 bps)

JCI Nudged Up 0.1%

Last week, varied sentiments colored Indonesia's equity markets. The most awaited sentiment is the final trade deal of between the U.S. and China. China, in last week's early days, decided to postpone the hike of 25% in import tariffs imposed on the U.S. automotive products, whose tariffs supposedly took into effect on April 2nd, 2019. Then, in the mid week, creeping higher global crude prices flooded equity markets. Crude prices rallied as the US PMI figure inched higher to 55.3 (vs. February's of 54.2), while Chinese PMI surged to 50.8 to its last 8-month highest figure. The rally in global crude prices drove agriculture stocks higher and positioned them as last week's top gainers (+3.8%). Property and construction stocks were another last week's top gainers (+3.5%) due to property earnings, higher-than-consensus. The miscellaneous industry posited at the third top gainer (+2.8%), driving by positive sentiments of the postponed increase in import tariffs on the U.S. automotive products. On the weekends, the Asian Development Bank (ADB) estimate of Indonesia's stagnant economic growth at 5.2% in 2019 halted JCI to rally. Thus, JCI only nudged up 0.1% last week.

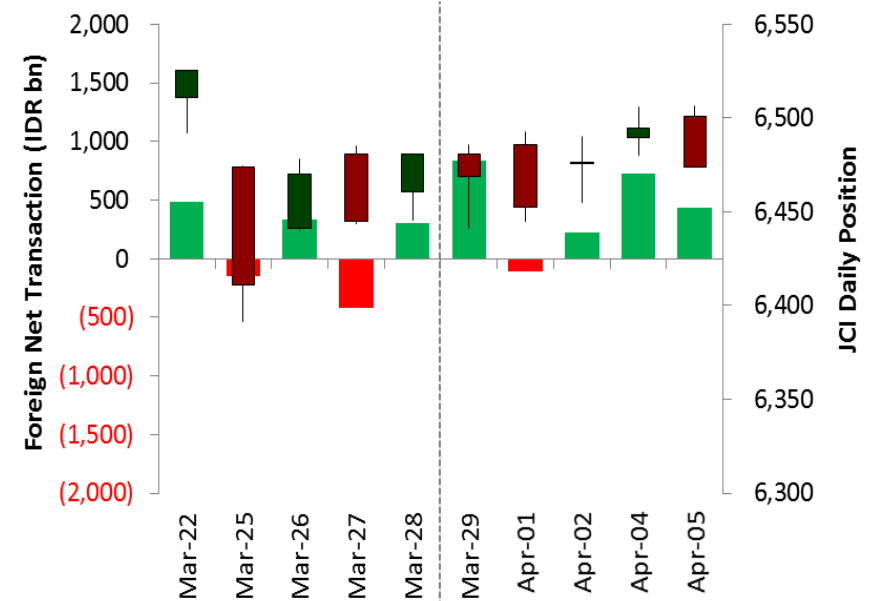
Last-week's foreign inflows were at IDR1.29 trillion, slightly lower than prior week's inflows of IDR1.39 trillion. Foreign investors pursued telecommunication and banking stocks.

Global Market Movement



Source: Bloomberg, NH Korindo Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NH Korindo Research

Last Week's INNI Movement

•INNI Index	: 7.958,35 (+0,6%)
INNI Theme 1 (Value)	: 7.661,51 (+0,1%)
INNI Theme 2 (Trend)	: 8.465,48 (+1,4%)

INNI Index Nudged Up

Last week, INNI Index inched higher at 0.6% as CPO stocks such as LSIP and ALLI was rebounding at 18.3% and 10.5%, respectively. In harmonious with CPO stocks, property stocks such as CTRA, PWON, and PTPP were buoyant at 10.0%, 5.8%, and 5.8%, respectively. The automotive stock, i.e., also edged up 3.8%.

In contrast to the aforementioned stocks, mining stocks dragged INNI index to modest pace as such stocks muted due to global coal price dip lower than USD80/ton. Prices of coal stocks are sensitive to declines in global coal prices; that dragged ADRO and PTBA lower at 6.3% and 4.8%, respectively. Meanwhile, stocks marked their 2018's performance, lower than consensus such as GGRM, KRAS, and ICBP were sluggish at 4.2%, 4.8%, and 4.3%, respectively.

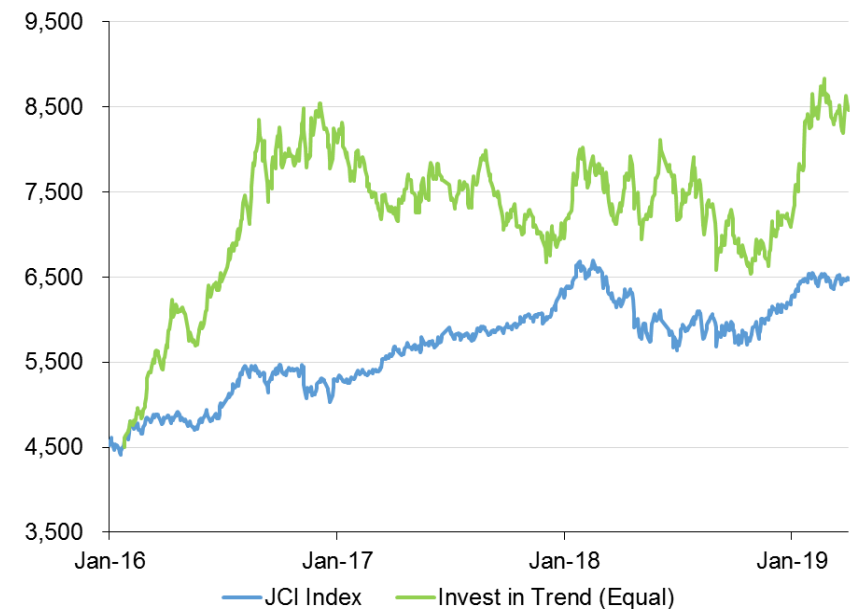
Foreign-investors' targeted stocks such as BBRI, BMRI, and TLKM respectively strengthened by 3.4%, 1.3%, and 2.5%.

Theme 1. Invest in Value (19 Stocks) – Market Cap Base



Source: Bloomberg, NH Korindo Research

Theme 2. Invest in Trend (11 Stocks) – Policy Base



Source: Bloomberg, NH Korindo Research

Last Week's Sector Movement

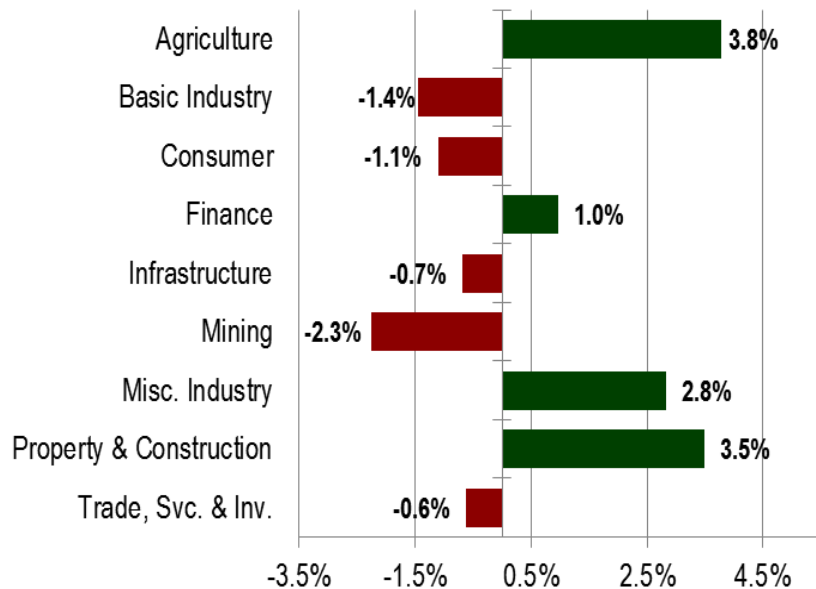
Sectors Balancing INNI Index Last Week

- A Flood of Positive Sentiments into CPO**

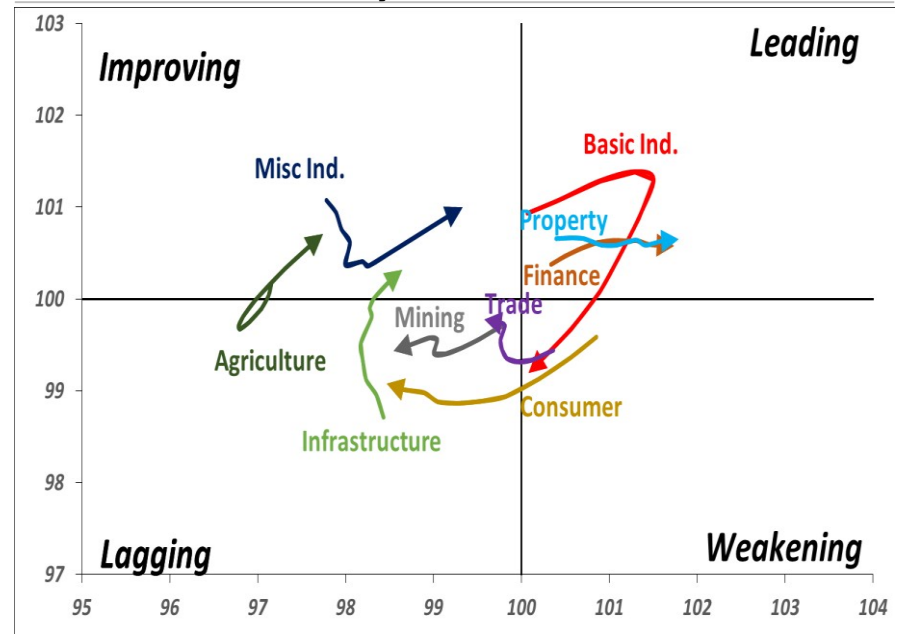
Last week, CPO stocks were rebounding at 3.8%. A number of positive sentiments fundamental to the rally in CPO stocks are 1) Malaysian stockpiles of CPO, estimated to deplete in May: logical takeaway for CPO appreciation; 2) Rising demand for palm oil one or two months prior to Ramadhan; 3) The trend of upbeat soybean oil due to intense competition between palm oil and soybean oil because both are substituting; 4) Dutch authorities stating its disappointment of European Union Ban on Indonesian CPO on the ground for environmental detriment. Dutch authorities stated to continue trade cooperation with Indonesia by revoking the ban on Indonesian CPO.

Nevertheless, we oversee that a negative catalyst, i.e. downgrade revision of Chinese 2019 economic growth at 6.0%-6.5% still looms prices of global CPO. The downgraded figure is much lower than 2018's figure of 6.6% and the lowest within the last 28 years. Thus, China as CPO imported loses its power to purchase palm oil.

Last Week JCI Sector Movement



Sector Rotation – Last 10 Days



This Week's Outlook

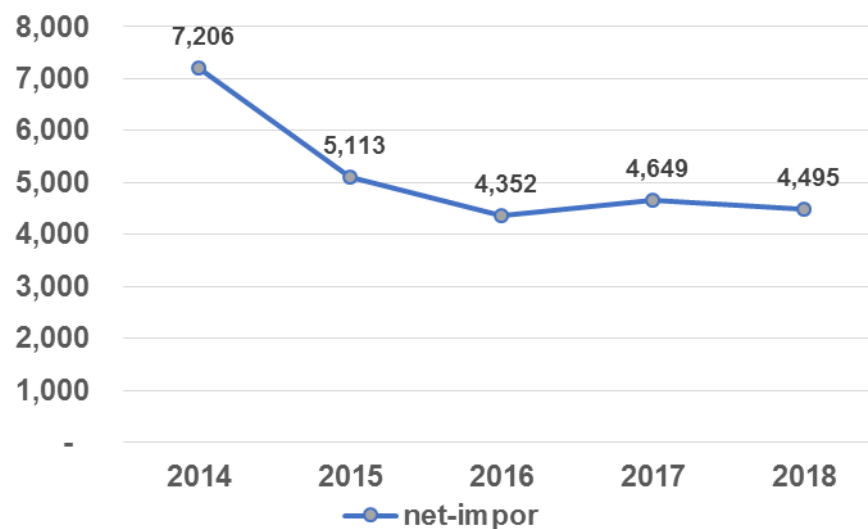
- **Intense Import Competition**

Indonesian steel industry, in recent years, suffered from losses due to a flood of steel imports, Chinese steel in particular. That a catalyst for iron-and-steel trade deficits of USD25.8 billion within the last 5 years as prices of imported steel are 20-30% lower than market prices. The yawning-gap in prices persists due to loopholes in the Trade Minister's Regulation No.22/2018, stipulating requirements for Iron and Steel Imports, subsuming 1) Lenient inspection: changes in imports inspection, whose processes were then performed in Industrial Logistic Centers by the Director General of Customs and Excises, now in the border post inspection by the related ministries/agencies; 2) Changes in harmonized system (HS) number from carbon steel into alloy steel in order to 15% tax cut.

- **Authorities Intervention**

Facing an alarming flood of steel-and-iron imports, Indonesian authorities restrict regulations by revising regulations of imported steel and irons, their derivatives as well, by stipulating the Trade Minister's Regulation No.110/2018. The regulation sets forth custom authorities to be in charge of inspecting imports process. Indeed, Indonesia authorities take into effect the prolonged Antidumping Import Duty (BMAD) on iron and steel. Indonesian Antidumping committee finds that as dumping on imported steel persists still, profits dissipate. To overcome the problem, Indonesian authorities re-promulgate the regulation of PMK No. 24/2019 imposed on Chinese H-Section and I-Section products and PMK No.25/2019 imposed on floor roll made of iron and steel. The BMAD tariffs hover at 0-20%.

Iron and Steel Export-Import (US\$ million)



Source: BPS, Kemendag, NH Korindo Research

Antidumping Regulation for Iron and Steel

Regulations	Imposed Products	Exporters	Tarrif
PMK No.24-2019	H-section & I-Section Steel	China	11.93%
		China	0-20%
PMK No.25-2019	Floor Roll Made of Iron and Steel	India	12.95-20%
		Russia dan Belarusan	8.96-20%
		Kazakhstan	20%
		Taiwan	0-20%
		Thailand	7.52-20%

Source: Kementerian Keuangan, NH Korindo Research

Top-Pick Stocks, Based on This Week's Outlook

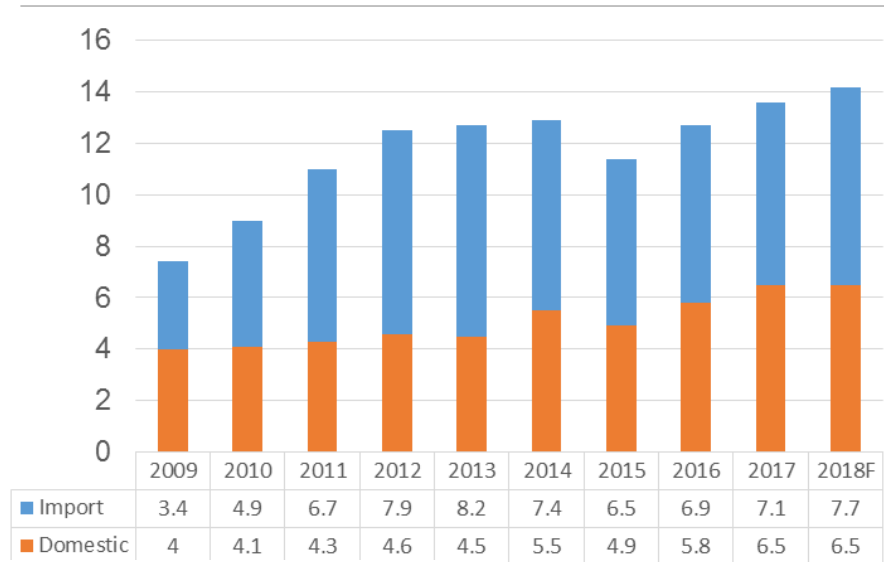
- Persistent Rise in Domestic Demand**

Demand for steel in the domestic market marks a consistent growth; the compound annual growth rate (CAGR) of Indonesian steel reached 8% from 2009 to 2017 is portrayal the consistent growth. In 2018, the steel consumption is predicted at 14 million ton, yet imports compose last-ten-year consumption by more than 50%. The iron and steel association noted that installed capacities for domestic production amounting to 30 million tons, consisting of 15.5 million tons of rolling mill; 9.5 million tons of steel making; and 4.5 million tons of iron making. Indonesian authorities' concerted commitment to accelerated growth of the steel industry is capable of suppressing steel-trade deficits. Authorities also urge state-owned enterprises (SOE) to cooperate with domestic steelmakers to supply steel products, needed for infrastructure projects. The demand for steel is forecasted to climb higher as whoever the president-elect is committed to keeping infrastructure development in check. That proves a boon for domestic steelmakers to boosts their sales.

- Revocation of Antidumping Duty on Indonesian Steel**

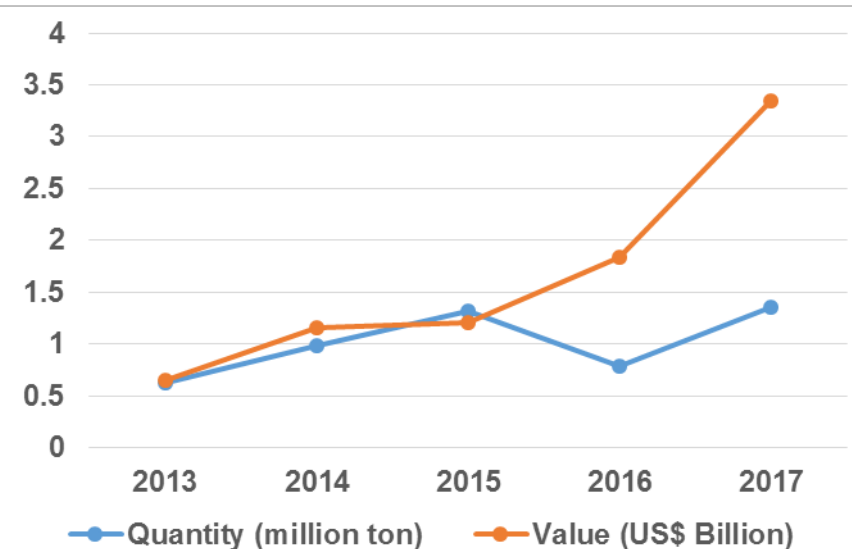
Like Indonesian authorities, Malaysian authorities impose antidumping duty (BMAD) on hot rolled coils (HRC)-typed steels from 2015-2020. BMAD figure hovers at 11.2%-25.4%. But the authorities shut HRC-typed steel production down in 2016; thus, BMAD imposed on Indonesian HRC-typed steel was revoked in February 2019. Another to Malaysian, Australian authorities were reluctant to review further BMAD on Hot Rolled Plate-typed steel, ended in December 2018. Domestic steelmakers can reap benefits of BMAD revocation by those two economies as Indonesian steel is possible to deeply penetrate export markets.

Indonesia Steel Consumption (Million ton)



Source: South East Asia Iron & Steel Institute, Krakatau Steel Presentation, NH Korindo Research

Indonesia Steel Export | 2013 - 2017



Source: Bisnis Indonesia, Krakatau Steel Presentation, NH Korindo Research

Krakatau Steel (KRAS – Steel)

Dec 2019 Target Price	500
Consensus Price	N/A
Last Price (IDR) as of Mar 15, 2019	440
TP vs. Last Price	+13.6%
Revenue Breakdown:	
Steel sales	97.3%
Non Steel Revenue	2.7%

- **NHKS**, this week, reviews KRAS, estimated to reach the target price of 500 with EV/EBITDA, underpinned by Indonesian authorities' concerted commitment and national steelmakers.

- **Not-Yet Alluring**

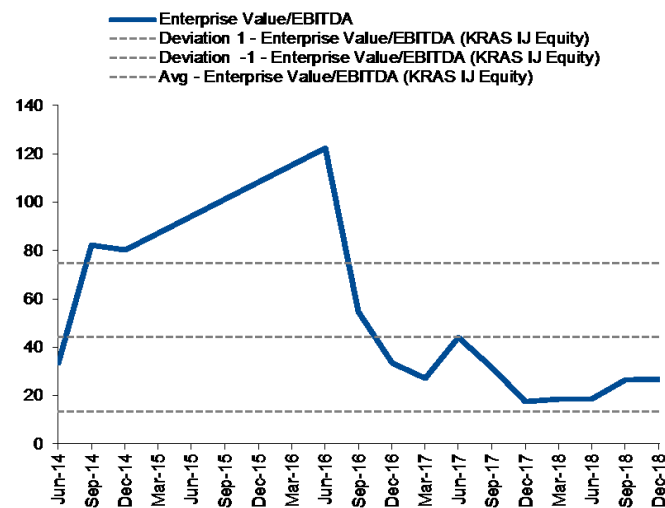
We oversee that KRAS currently is yet to be alluring because of external and internal factors. The external factor is a flood of low prices of imported steel, narrowing KRAS's market shares, yet the increment in production capacities to balance the flood requires substantial capex. Furthermore, KRAS also faces internal setbacks, i.e. 1) Losses due to high production costs; 2) Minus net cash used in operational activities: a signal of KRAS's sales failing to finance operational activities, 3) Ongoing debt restructuring.

- **KRAS's Long-Term Opportunities**

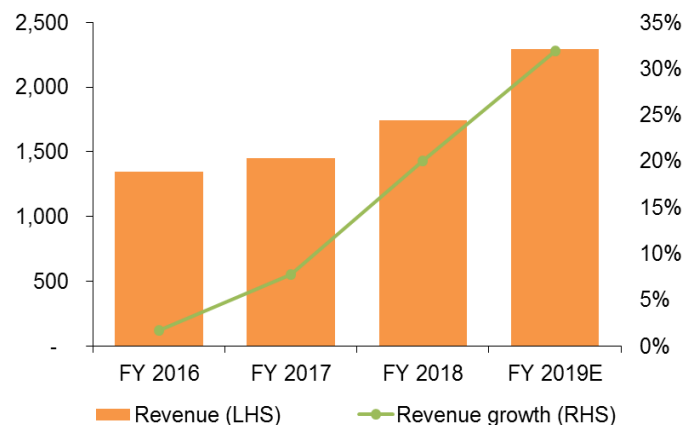
We predict KRAS to have ample long-term opportunities due to rising steel consumption in the domestic market and the prevailing antidumping regulation: providing KRAS with deeper market penetration. KRAS is striving for boosting its production capacities to 10 million tons/year, targeted to be accomplished in 2023. Its II Hot Strip Mill (HMS) with the capacities of 1.5 million ton/year takes into active operation in June 2019 so that its production capacities are capable to hit 6 million ton. Besides, the revocation of antidumping duty on Indonesian HRC products by Malaysian authorities opens export markets for Indonesian steel. KRAS, in 2019, targets the exports sales of 650,000 tons.

USD mn	FY2017	FY2018	FY2019E	FY2020E
Revenue	1,449	1,740	2,294	2,961
y-y	7.8%	20.0%	31.9%	29.1%
Net profit	(82)	(75)	(30)	1
y-y	52.4%	8.5%	60.0%	101.8%
NPM	-6%	-4%	-1%	0%
EPS	(0.0042)	(0.0039)	(0.0015)	0.00003

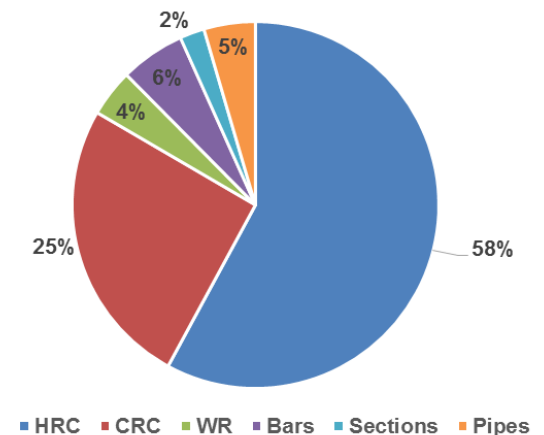
EV/EBITDA Band



Revenue and Growth | 2016 – 2019E



Sales Volume Breakdown



INNI Stock List

	Theme 1/2	Last Price	Last Week Price	2019 Target Price	Rating	Upside Potential (%)	1 Week Change (%)	Market Cap (IDR tn)	Price / EPS (TTM)	Price / BVPS	Return on Equity (%)	Dividend Yield TTM (%)	Sales Growth Yoy (%)	EPS Growth Yoy (%)
Finance														
BBCA	Theme 1	27,525	27,750	32,000	Buy	16.3	-0.8%	678.6	26.3x	4.5x	18.3	0.9	8.7	11.0
BBRI	Theme 1	4,260	4,120	4,650	Hold	9.2	3.4%	525.5	16.1x	2.8x	18.5	2.5	10.4	11.7
BMRI	Theme 1	7,550	7,450	8,000	Hold	6.0	1.3%	352.3	14.1x	1.9x	14.4	2.6	7.4	21.2
Consumer														
GGRM	Theme 1	79,725	83,200	110,000	Buy	38.0	-4.2%	153.4	19.7x	3.4x	17.8	3.3	14.9	0.5
UNVR	Theme 1	49,000	49,225	59,000	Buy	20.4	-0.5%	373.9	41.0x	49.3x	142.9	1.9	1.5	30.1
ICBP	Theme 1	9,025	9,325	11,800	Buy	30.7	-3.2%	105.2	23.0x	4.9x	22.2	2.4	7.9	20.2
INDF	Theme 1	6,475	6,375	8,700	Buy	34.4	1.6%	56.9	13.7x	1.7x	12.8	4.7	4.6	0.2
KAEF	Theme 2	3,700	3,560	4,100	Hold	10.8	3.9%	20.5	49.4x	7.9x	14.5	0.5	24.6	27.3
KLBF	Theme 2	1,520	1,520	1,870	Buy	23.0	0.0%	71.3	29.0x	4.9x	17.6	1.6	4.4	2.2
Infrastructure														
TLKM	Theme 1	4,050	3,950	4,350	Hold	7.4	2.5%	401.2	21.7x	4.4x	20.4	4.1	2.3	(20.6)
JSMR	Theme 1	6,050	5,975	6,000	Hold	(0.8)	1.3%	43.9	19.9x	2.6x	13.8	1.0	5.4	0.1
Trade														
UNTR	Theme 1	26,350	27,050	35,000	Buy	32.8	-2.6%	98.3	8.8x	1.8x	22.4	3.7	31.1	50.3
SILO	Theme 2	3,950	3,800	4,350	Hold	10.1	3.9%	6.4	397.0x	1.0x	0.3	N/A	2.0	(85.4)
MIKA	Theme 2	1,975	1,950	2,300	Buy	16.5	1.3%	28.7	47.0x	7.0x	15.8	N/A	8.7	(10.6)
LPPF	Theme 2	3,940	4,090	5,500	Buy	39.6	-3.7%	11.5	10.5x	6.2x	53.0	11.6	2.2	(42.4)
RALS	Theme 2	1,760	1,780	2,050	Buy	16.5	-1.1%	12.5	20.2x	3.1x	16.0	2.3	2.1	44.4
MAPI	Theme 2	990	970	1,300	Buy	31.3	2.1%	16.4	24.5x	3.0x	15.5	0.4	16.0	117.8
Property														
PWON	Theme 1	730	690	725	Hold	(0.7)	5.8%	35.2	13.8x	2.8x	22.2	0.8	23.2	35.8
CTRA	Theme 1	1,100	1,000	1,080	Hold	(1.8)	10.0%	20.4	17.2x	1.4x	8.5	0.9	19.1	32.8
PTPP	Theme 1	2,200	2,080	2,450	Hold	11.4	5.8%	13.6	9.1x	1.1x	12.4	2.1	16.8	3.4
WSKT	Theme 1	2,000	1,985	2,500	Buy	25.0	0.8%	27.1	6.8x	1.5x	24.8	2.9	7.9	2.7
WIKA	Theme 1	2,210	2,160	2,100	Hold	(5.0)	2.3%	19.8	11.4x	1.3x	12.6	1.2	19.0	43.9
Basic Ind.														
KRAS	Theme 2	440	462	600	Buy	36.4	-4.8%	8.5	N/A	0.4x	(2.5)	N/A	20.1	4.8
Misc Ind.														
ASII	Theme 2	7,600	7,325	9,100	Buy	19.7	3.8%	307.7	14.2x	2.2x	16.6	2.5	16.1	14.8
Mining														
ADRO	Theme 1	1,260	1,345	1,750	Buy	38.9	-6.3%	40.3	6.8x	0.8x	11.7	7.9	11.1	(13.6)
PTBA	Theme 1	4,000	4,200	5,100	Buy	27.5	-4.8%	46.1	8.4x	2.6x	33.9	8.0	8.7	12.2
INCO	Theme 2	3,450	3,390	4,400	Buy	27.5	1.8%	34.3	38.1x	1.3x	3.3	N/A	23.4	N/A
ANTM	Theme 2	905	885	1,200	Buy	32.6	2.3%	21.7	24.9x	1.1x	4.6	0.2	99.5	540.7
Agriculture														
AALI	Theme 1	12,400	11,225	16,000	Buy	29.0	10.5%	23.9	16.6x	1.3x	7.7	3.5	10.3	(26.9)
LSIP	Theme 1	1,230	1,040	1,500	Buy	22.0	18.3%	8.4	25.3x	1.0x	4.0	3.7	(15.2)	(54.6)

Source : Bloomberg, NHKS Research

PT NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

Head Office :

Wisma Korindo 7th Floor
Jl. M.T. Haryono Kav. 62
Pancoran, Jakarta 12780
Indonesia
Telp : +62 21 7976202
Fax : +62 21 7976206

Branch Office BSD:

ITC BSD Blok R No.48
Jl. Pahlawan Seribu Serpong
Tangerang Selatan 15322
Indonesia
Telp : +62 21 5316 2049
Fax : +62 21 5316 1687

Branch Office Solo :

Jl. Ronggowarsito No. 8
Kota Surakarta
Jawa Tengah 57111
Indonesia
Telp : +62 271 664763
Fax : +62 271 661623

DISCLAIMER

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein.

All rights reserved by PT NH Korindo Sekuritas Indonesia