

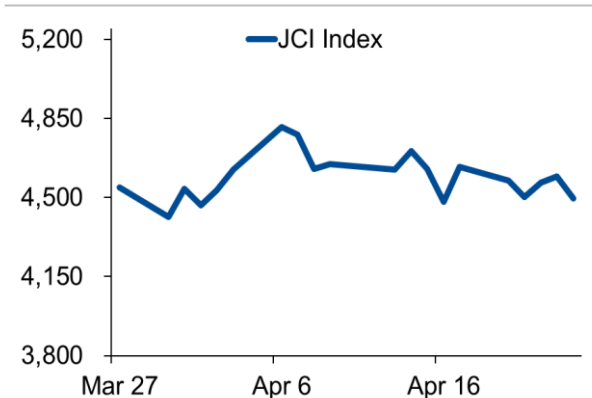
## Weekly Brief (April 27th – 30th)

### Summary:

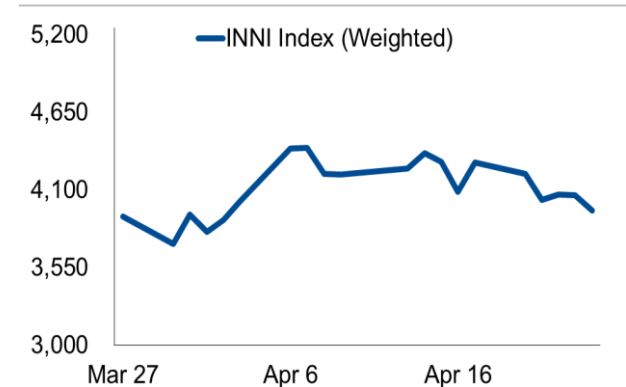
**Last week review:** global sentiments mapped JCI's trend due to the lack of domestic sentiments. Prices of global crude oil to stand in the negative zone navigated JCI's moves. Indeed, JCI was still vulnerable to foreign outflows as foreign investors sold their ownership of large-cap. banking stocks.

**This week's outlook:** POJK Number 12/03/2020 on Commercial Banks Consolidation to require banks to have the core capital of IDR3 trillion at minimum has banks aggressively expand their businesses and maintain efficiency and profitability. Those aggressive business expansion causes higher risks. However, the implementation of POJK Number-r 12/POJK.03/2020 has no significant impacts on Bank Central Asia Tbk (BBCA IJ) as one of BUKU IV banks with the core capital higher than IDR30 trillion. Indeed, BBCA IJ is proven to be pretty capable of maintaining CoF efficiency and NIM profitability. **NHKS**I recommends BBCA as this week's top-stock pick, projected to reach the price target of IDR32,000 with the P/BV target of 4.2x.

JCI - one month



INNI Index – one month



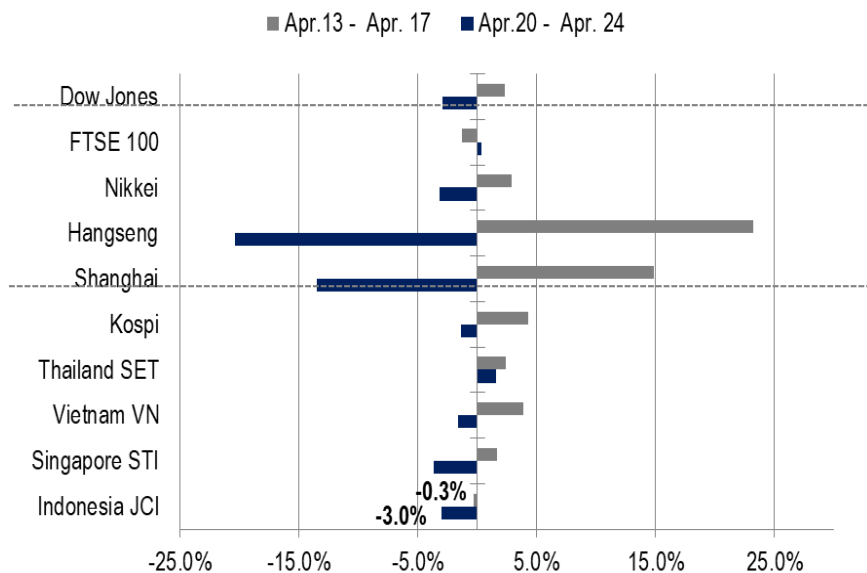
# Last Week's JCI Movement

- JCI Index : 4,496.06 (-2.99%)
- Foreign Flow : Net sell of IDR2.6 trillion (vs. last week's net sell of IDR1.3 trillion )
- USD/IDR : 15,400 (+0.42%)
- Yields of sovereign bond with 10-years tenor : 7.923% (-1.30 bps)

## JCI Is in the Red Zone

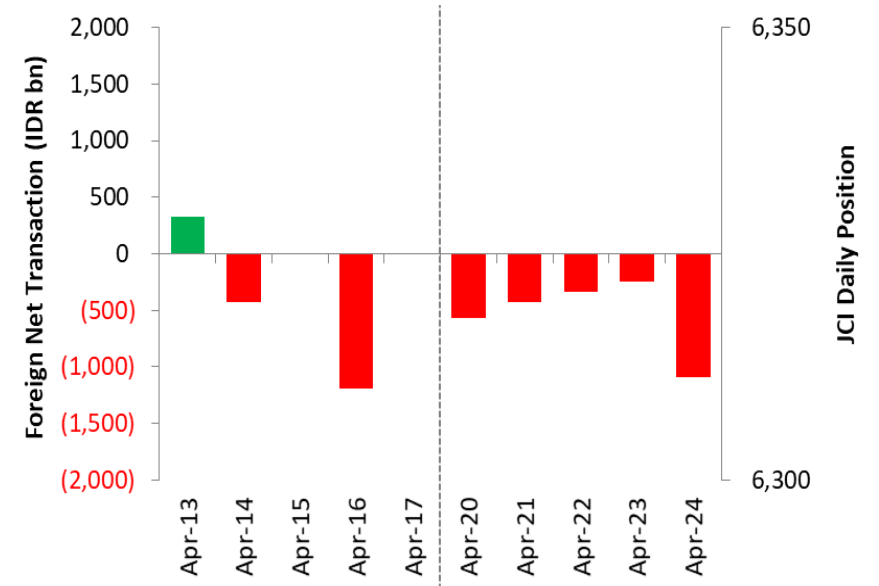
Prices of crude oil tumbling to the lowest record and falling to the negative level for the first time held JCI back in the early week. Tumbling oil prices were attributable to the U.S. stockpile of crude oil and the lockdown of economic activities to contain the virus. OPEC's output curb decided on Sunday of April 12, 2020 failed to mitigate negative impacts of a one-third decline in demands for oil. Furthermore, lack of positive sentiments in the domestic economy and massive foreign outflows from the banking sector were hiccups in JCI's moves to the green zone. JCI in the mid-week was rebound as prices of oil rebounded from the negative zone. However, the price rebound still left jitters of global oil oversupply. Although JCI was rebound in the mid-week, it was still vulnerable to foreign capital outflows. Finally, JCI ended Friday's trading session of April 24, 2020 in the red zone as its stocks of banking and consumer goods sectors made worse performance.

## Global Market Movement



Source: Bloomberg, NHKSI Research

## Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

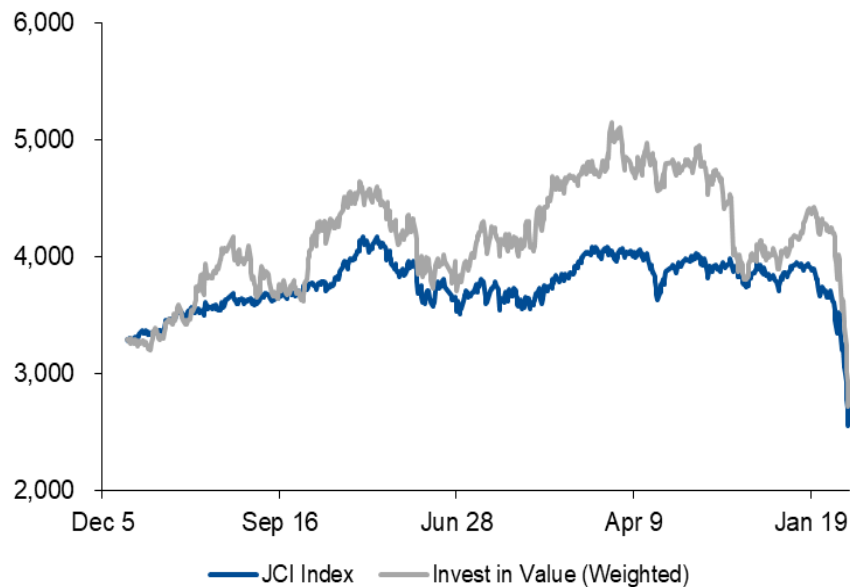
# Last Week's INNI Movement

•INNI Index	: 3,954.13 (-8.0%)
INNI Theme 1 (Value)	: 3,048.94 (-7.8%)
INNI Theme 2 (Trend)	: 4,557.59 (-8.1%)

## INNI Index Retreated

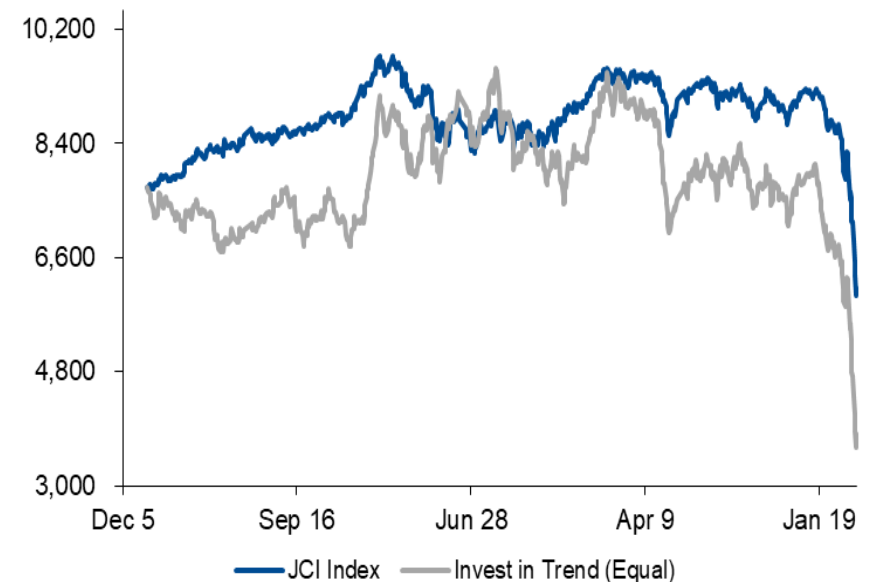
INNI Index ended the early week's trading session with getting stuck in the red zone as its worse-performing construction stocks---WIKA and WSKT-- were stumbling block to INNI Index's moves. The Association of Indonesia Contractor (AKI) projection of coronavirus containment to curtail 2020's investments in the construction sector left construction stocks bearish. However, the Governor Regulation (Pergub) Number 33 Year of 2020 on the large-scale social restrictions (PSBB) to approve of the construction sector's active operation was a relief to that sector. INNI Index in the mid-week was rebound, supported by stocks of basic industry sector: SMGR. SMGR's sales report of March to unveil cement sales of 3.09 million tons, nudging up from 2.91 million tons in February was a positive catalyst for SMGR's rally. INNI Index on Friday's trading session of April 24, 2020 retreated as BBRI and BBKA--large-cap. banking stocks--were bearish.

**Theme 1. Invest in Value (10 Stocks) – Market-Cap. Base**



Source: Bloomberg, NHKSI Research

**Theme 2. Invest in Trend (10 Stocks) – Policy Base**



Source: Bloomberg, NHKSI Research

# Last Week Sectoral Review

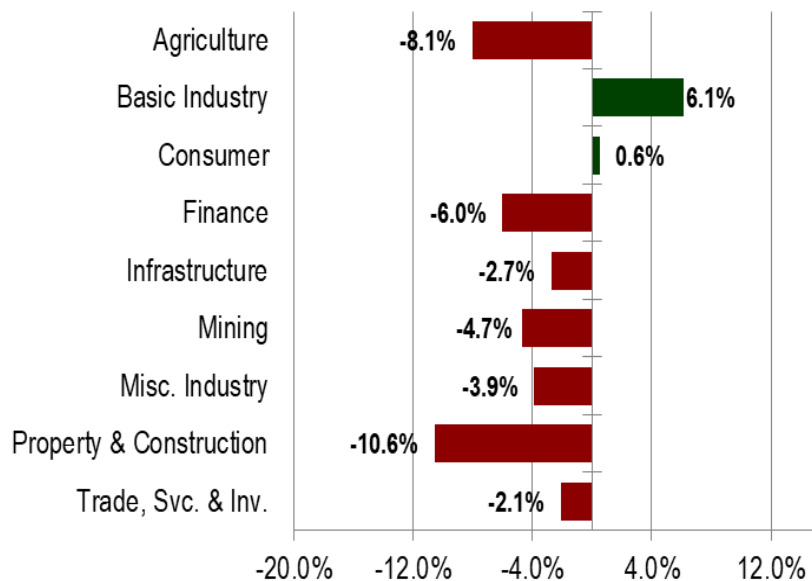
- JCI's Top Losers**

Stocks of property and construction to post a 10.6% loss was the worst-performing sector among the rest. WSKT and WIKA respectively recorded a 11.2% loss and a 19.5% loss as the lockdown backstop to end the virus's vicious spread threw the construction sector into disarray. WIKA is currently analyzing the containment impacts on 2020's new contract into three level: mild, moderate, and severe. WSKT, meanwhile, plans to curb 2020's CapEx.

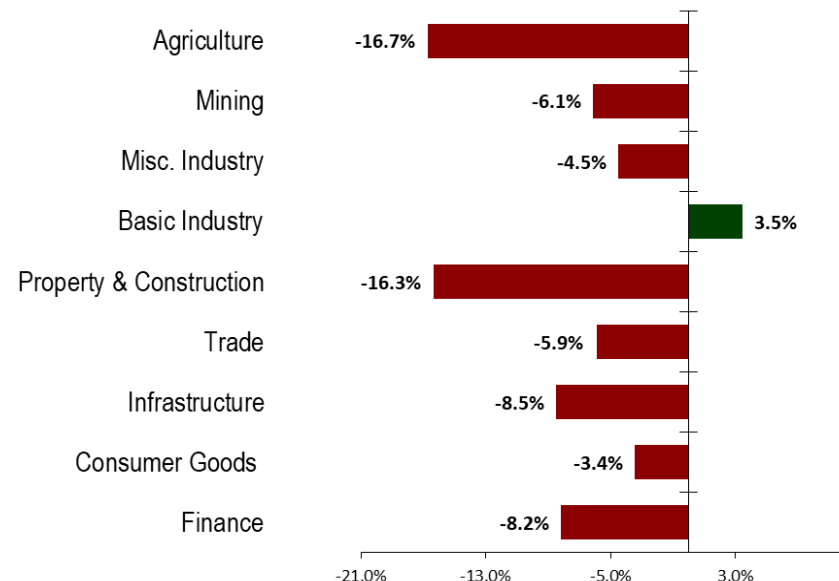
- INNI Index's Top Losers**

AALI, the stock of agricultural sector listed in INNI Index, posted the steepest decline of 16.7% compared to other sectors. Prices of CPO futures for July 2020's contract at RM2,074/ton or showing a 7.20% decrease due to investors' anxiety about the imbalance between rising output and declining demands was the culprit in bearish agriculture stocks.

**Last Week's JCI Sectoral Movement**



**Last Week's INNI Sectoral Movement**



# This Week Outlook: Banking Sector

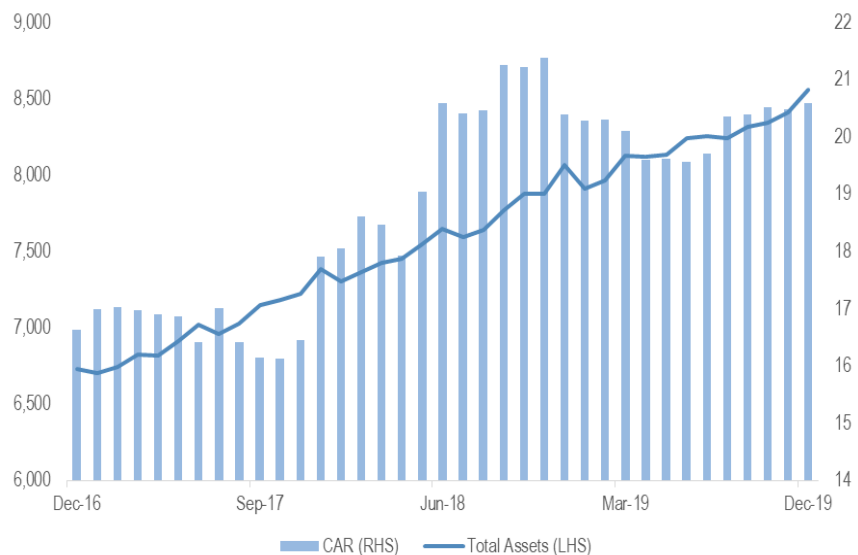
- Declining CAR Looms Indonesia's Banks**

The corona virus outbreak to sweep Indonesia in one recent month leaves commercial banks with difficulty in disbursing credit because the mandatory economic lockdown to contain the virus is setback in smooth business operation. Even a number of banks prior to the corona outbreak in Indonesia recorded capital inadequacy reflected in their Capital Adequacy Ratio (CAR). OJK's data disclosed banks' CAR of February 2020 to be at 22.42% or much higher than the minimum CAR of 8%. Of note, two commercial banks to record CAR lower than 14% since the end of 2019 are currently struggling with NPL performance and liquidity.

- Higher NPL Curtails Capital**

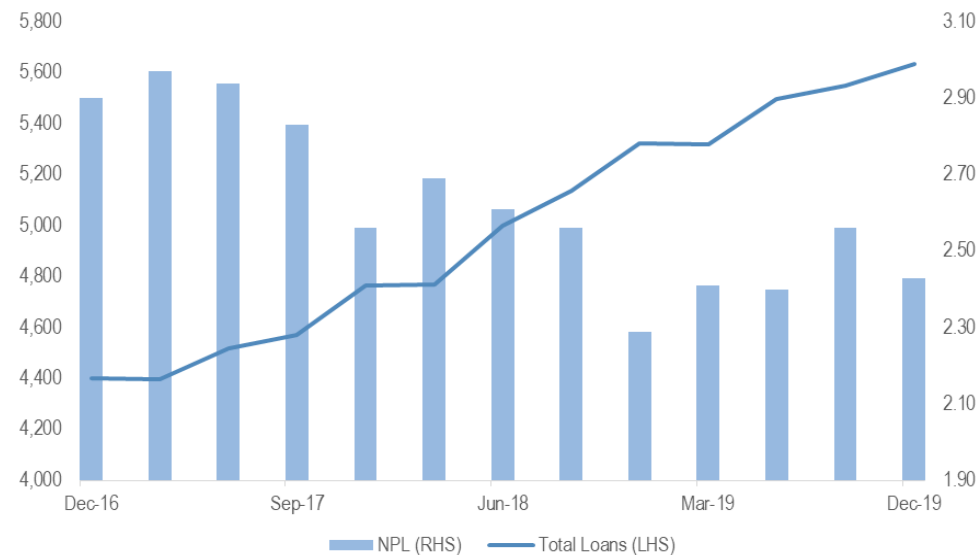
Higher NPL is one of factors curtailing banks' capital. Commercial banks are obliged to have minimum CAR of 11%-14% or higher than 8% amid challenges of liquidity and higher NPL. The Deposit Insurance Corporation (LPS) revised the banking sector's outlook from normal to alert due to domino's effect of the virus shock: soaring NPL.

**Banking Industry's CAR**



Source: Bloomberg, NHKSI Research

**Banking Industry's NPL**



Source: Bloomberg, NHKSI Research

# This Week Outlook: Banking Sector

- **OJK Regulates Core Capital of IDR3 Trillion at Minimum**

The Financial Service Authority (OJK) regardless of economic quarantine regulates commercial banks to be in compliance with core capital requirements, i.e., higher capital adequacy, pre-requisite consolidation by means of merger, acquisition, and business amalgamation. The OJK regulation (POJK) cited in POJK Number 12/POJK.03/2020/ on Commercial Bank Consolidation governs that commercial banks have the core capital of IDR3 trillion and comply with that mandatory core capital on December 31, 2022 at the latest. The POJK aims to maintain Indonesia's financial system stable and boost business expansion as well as competitiveness. Under POJK regulating the Commercial Bank Consolidation, banks categorized as BUKU I and BUKU II should hike their core capital. Of note, BUKU I banks' core capital is less than IDR1 trillion, while BUKU II banks' core capital hovers at IDR1 trillion to IDR5 trillion.

- **Higher Core Capital Requires Banks to Better Perform Efficiency**

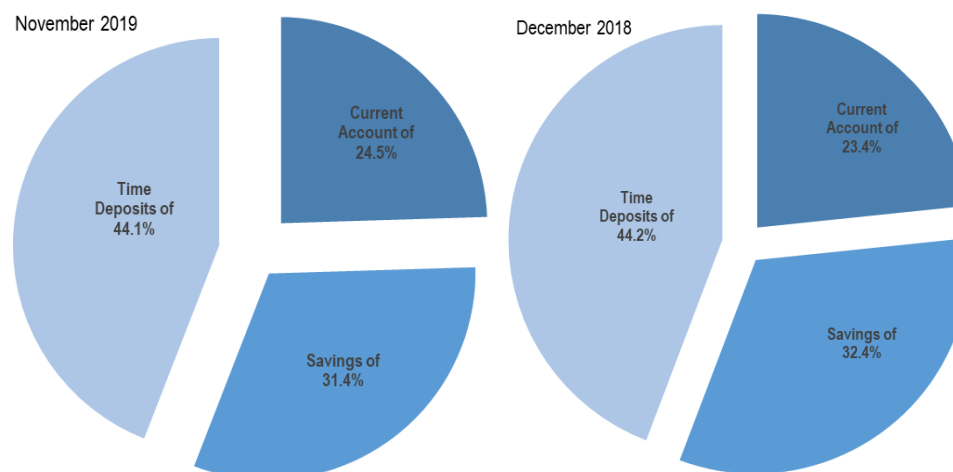
OJK should also consider banks' incapability of multiplying core capital in less than three years (POJK Number 12/03/2020). The requirement for higher core capital has banks to be more aggressive in expanding their businesses and maintain efficiency and profitability. Those aggressive business expansion causes higher risks. However, the implementation of POJK Number 12/POJK.03/2020 has no significant impacts on Bank Central Asia Tbk (BBCA IJ) as one of BUKU IV banks with the core capital higher than IDR30 trillion. Indeed, BBCA IJ is proven to be pretty capable of maintaining CoF efficiency and NIM profitability.

## Banking Industry's Financial Summary (IDR tn)

	Nov-18	Dec-18	Nov-19	ΔYTD	ΔYoY
<b>Total Assets</b>	<b>7,878</b>	<b>8,068</b>	<b>8,411</b>	<b>4.2%</b>	<b>6.8%</b>
<b>Total Loans</b>	<b>5,160</b>	<b>5,295</b>	<b>5,524</b>	<b>4.3%</b>	<b>7.1%</b>
<b>Third Party Funds</b>	<b>5,573</b>	<b>5,630</b>	<b>5,948</b>	<b>5.6%</b>	<b>6.7%</b>
<b>Net Profit</b>	<b>136.0</b>	<b>150.0</b>	<b>143.2</b>	<b>na</b>	<b>5.3%</b>
<b>NIM</b>	<b>5.1%</b>	<b>5.1%</b>	<b>4.9%</b>	<b>-20bp</b>	<b>-20bp</b>
<b>LDR</b>	<b>93.2%</b>	<b>94.8%</b>	<b>93.5%</b>	<b>-130bp</b>	<b>30bp</b>
<b>NPL</b>	<b>2.7%</b>	<b>2.4%</b>	<b>2.8%</b>	<b>40bp</b>	<b>10bp</b>
<b>CAR</b>	<b>23.3%</b>	<b>23.0%</b>	<b>23.8%</b>	<b>80bp</b>	<b>50bp</b>

Source: KPPIP, NHKSI Research

## Banking Industry's CASA



Source: BBCA Presentation

# Bank Central Asia Tbk (BBCA IJ – Banking Sector)

<b>Dec. 2020's Price Target</b>	<b>32,000</b>
Consensus Price	30,821
Last Price (IDR) as of Apr. 24, 2020	24,600
PT vs. Last Price	+30.0%

## Liquidity:

LDR	80.6%
CASA	75.0%

IDR bn	FY2018	FY2019A	FY2021F	FY2022F
Net. Rev	63,226	71,603	77,382	85,268
y-y	11.3%	13.2%	8.1%	10.2%
Op. Rev	32,619	36,122	39,239	43,511
Net profit	25,855	28,565	30,096	33,653
EPS (IDR)	1,049	1,159	1,211	1,358
y-y	11.0%	10.4%	4.4%	12.1%
ROE	18.3%	17.6%	16.4%	16.5%
P/E	19.6x	20.6x	18.4x	16.9x
P/BV	3.6x	3.2x	2.8x	2.6x

- NHКСI** recommends BBCA as this week's top-stock pick, projected to reach the price target of IDR32,000 with the P/BV target of 4.2x. Although BBCA until Friday of April 24, 2020 posted a 26.4% YTD decline, triggered by the domestic market volatility, BBCA in 2019 was capable of posting a 10.5% increase in net profits to IDR28.5 trillion and a 13.6% increase in operational revenues to IDR71.6 trillion. The double-digit growth in net profits surpassed growth posted by other BUKU IV banks, i.e., Bank Rakyat Indonesia Tbk (BBRI IJ) and Bank Mandiri Tbk (BMRI IJ) to post hike of 6.2% and 10.0% in net profits. The growth was backed by increases in interest income, solid NIM, and higher credit growth than the average industry growth.

## NPL Declines by 10 Bps

BBCA posted growth in net profits & operational revenues and successfully suppressed NPL from 1.4% in 2018 to 1.3% in 2019. The lower NPL along with a 9.5% growth in credit was backed by the corporate credit and the commercial & SME credit segments. Of note, BBCA's credit growth outperformed the industry growth of 7.1%.

## BBCA Focuses on Middle-to-Low Segment KPR

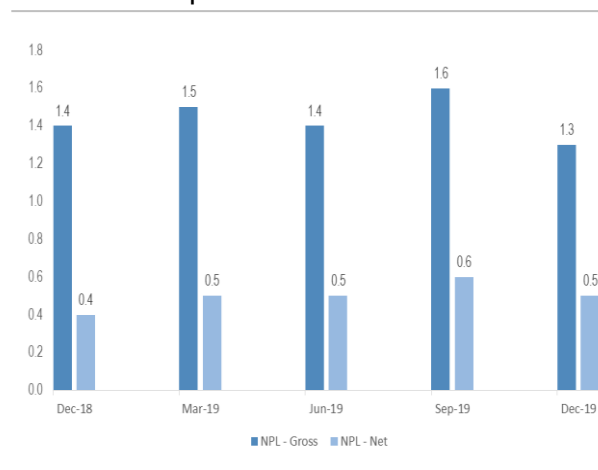
BBCA in 2019 posted a 6.5% hike in mortgage loan (KPR) as increasing population rose demands for housing. The fact underlines BBCA's focus on offering below IDR1 billion KPR targeting the middle-to-low income class. The KPR focus is an endeavor to hit higher KPR's growth of 10%-15% in 2020 and buffer 2020's higher NIM due the lockdown of economic activities to end the vicious spread of coronavirus. Of note, BBCA's KPR contributed 15% to the total credit disbursement; that contribution was smaller than were that of corporate, commercial, and SME segments.

## 5-Year P/BV Trailing Band



Source : Bloomberg, NHКСI Research

## BBCA's NPL | 2018 – 2019



Source : Company Data, NHКСI Research

## BBCA's Loans Breakdown (IDR bn)

	Dec-17	Dec-18	Dec-19	YoY
Corporate	176,998	213,274	236,875	11.1%
Commercial & SME	159,389	181,107	202,888	12.0%
Consumer	140,190	151,874	158,335	4.3%
a. Mortgage	78,466	87,901	93,656	6.5%
b. Vehicles	47,369	48,153	47,627	-1.1%
c. Credit Cards	11,528	12,893	14,106	9.4%
d. Employee	2,827	2,927	2,946	0.6%
Sharia Financing	4,191	4,900	5,645	15.2%

Source: Company Data, NHКСI Research

# INNI Index's Stocks List

	Theme 1/2	Last Price	Last Week's Price	2020's Price Target	Rating	Upside Potential (%)	One-Week Change (%)	Market Cap. (IDR tn)	Price / EPS (TTM)	Price / BVPS	Return on Equity (%)	Dividend Yield TTM (%)	Sales Growth Yoy (%)	EPS Growth Yoy (%)
<b>Finance</b>														
BBCA	Theme 1	24,600	27,125	32,000	Buy	30.1	-9.3%	606.5	21.2x	3.5x	17.5	2.3	13.7	10.5
BBRI	Theme 1	2,630	2,830	4,950	Buy	88.2	-7.1%	324.4	9.4x	1.6x	17.7	6.4	11.1	6.3
<b>Consumer</b>														
GGRM	Theme 1	42,800	46,000	61,800	Buy	44.4	-7.0%	82.4	7.6x	1.6x	22.7	6.1	15.5	39.6
KINO	Theme 1	2,600	2,850	4,680	Buy	80.0	-8.8%	3.7	7.1x	1.4x	21.8	1.9	29.5	246.7
ICBP	Theme 1	9,900	10,200	12,875	Buy	30.1	-2.9%	115.5	22.9x	4.6x	21.5	1.4	10.1	10.2
KLBF	Theme 1	1,255	1,195	1,430	Hold	13.9	5.0%	58.8	23.5x	3.7x	16.4	2.1	7.4	2.0
<b>Infrastructure</b>														
TLKM	Theme 1	3,090	3,230	4,330	Buy	40.1	-4.3%	306.1	15.1x	3.1x	21.3	5.3	3.5	15.6
JSMR	Theme 1	2,550	2,920	6,000	Buy	135.3	-12.7%	18.5	9.6x	1.0x	11.3	1.8	(22.8)	(15.2)
<b>Trade</b>														
UNTR	Theme 2	16,225	17,325	20,000	Buy	23.3	-6.3%	60.5	5.4x	1.0x	20.2	7.6	(0.2)	1.7
MAPI	Theme 2	615	650	1,300	Buy	111.4	-5.4%	10.2	11.0x	1.6x	16.1	1.6	14.0	27.3
<b>Property</b>														
CTRA	Theme 2	482	590	1,390	Buy	188.4	-18.3%	8.9	7.7x	0.6x	7.8	2.1	(0.8)	(2.6)
WSKT	Theme 2	555	625	2,600	Buy	368.5	-11.2%	7.5	8.0x	0.4x	5.2	13.2	(35.7)	(76.3)
WIKA	Theme 2	865	1,075	1,770	Buy	104.6	-19.5%	7.8	3.4x	0.5x	14.6	4.5	(12.7)	32.0
<b>Basic Ind.</b>														
SMGR	Theme 1	6,700	6,475	14,300	Buy	113.4	3.5%	39.7	16.6x	1.2x	7.5	3.1	31.5	(22.4)
<b>Misc Ind.</b>														
ASII	Theme 1	3,630	3,800	8,600	Buy	136.9	-4.5%	147.0	6.8x	1.0x	15.2	5.8	(0.9)	0.2
<b>Mining</b>														
TINS	Theme 2	456	490	800	Buy	75.4	-6.9%	3.4	N/A	0.6x	(10.7)	5.5	75.2	N/A
PTBA	Theme 2	1,850	1,980	2,300	Buy	24.3	-6.6%	21.3	5.0x	1.1x	23.7	18.4	2.9	(22.2)
INCO	Theme 2	2,350	2,500	4,200	Buy	78.7	-6.0%	23.4	25.9x	0.8x	3.0	N/A	0.7	(4.9)
ANTM	Theme 2	494	520	1,100	Buy	122.7	-5.0%	11.9	61.3x	0.7x	1.1	2.6	29.4	(88.1)
<b>Agriculture</b>														
AALI	Theme 2	5,475	6,575	15,600	Buy	184.9	-16.7%	10.5	49.9x	0.6x	1.1	4.1	(8.5)	(85.3)

Source : Bloomberg, NHKS Research

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