

Economic Data

	Latest	2011F
BI Rate (%), eop	6.50	7.00
Inflation (YoY %)	6.96	6.60
US\$ 1 = Rp, period avg	9,063	8,819

Stock Market Data (21 January 2011)

JCI Index	3,379.5	-2.16%
Trading T/O (Rp bn)	6,251.0	
Market Cap (Rp tn)	2,975.5	

Market Data Summary*

	2010F	2011F
EBITDA growth (%)	19.2	23.9
EPS growth (%)	24.2	26.8
EV/EBITDA (x)	7.1	6.2
Core P/E (x)	13.6	11.6
P/BV (x)	2.9	2.5
Div. Yield (%)	2.8	3.3
Earnings Yield (%)	7.6	8.7
Net Gearing (%)	11.1	1.9
ROE (%)	23.2	23.1

* Aggregate of 55 companies in MS research universe, representing 70% of JCI's market capitalization

HIGHLIGHT

- *Wijaya Karya: Bali 55MW diesel power plant (WIKA, Rp610, Buy, TP: Rp810)*
- *United Tractors: Sales volume growth continues (UNTR, Rp20,450 , Buy, TP: Rp28,100)*
- *Bank Danamon: a talk over its acquisition (BDMN, Rp6,000. neutral, Rp6,300)*

CORPORATE

Wijaya Karya: Bali 55MW diesel power plant (WIKA, Rp610, Buy, TP: Rp810)

- The 3x18 MW diesel power plants project came from PT Indonesia Power (IP), while act as contractor is a consortium of WIKA (70%) and Mirlindo (30%).
- The project is to meet the shortage electricity in Bali. Estimated amount of electricity shortages in Bali reached 330MW.
- Such project is valuing US\$56mn. Meanwhile, around US\$32mn for the equipment cost (US\$27mn from credit export and US\$5mn debt from Bank Syariah Mandiri).
- The PPA (power purchase agreement) based on Build Operation & Transfer (BOT) after 8 years, there is no fuel component in the price formula as the fuel will provided by IP to the consortium without charge.
- With capacity factor = 85%, and electricity selling price to IP = Rp446.72/Kwh, the total revenue generated is expected to reach Rp164bn/year (Rp446.72x 50,000kWh x 24hour x 360day x 85%), and will contribute around Rp20.0bn to WIKA's net profit. The power plant is expected to start operation by midst Feb 2011.
- In FY11F WIKA is targeting order booked to reach 25.7tn (+23.3% yoy), revenue Rp9.4tn (+7.6% yoy) and net income Rp351bn (+38.4% yoy). Their net income estimate is within our FY11F estimate.
- We have a buy recommendation on WIKA, is traded at PER11F of 10.1x.

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United Tractors: Sales volume growth continues (UNTR, Rp20,450 , Buy, TP: Rp28,100)

- United tractors (UNTR) booked strong volume growth in FY10. Dec'10 sales volumes showed yoy growth from Dec'09. Meanwhile, UNTR booked negative mom growth in Komatsu sales volume due to seasonality (Historically, UNTR always booked negative mom growth in Komatsu sales volume in December).

- All FY10 sales volumes are inline with our assumptions. Komatsu sales volume of 5,404 unit represented 99.7% of our FY10 assumption of 5,419 unit. OB removal of 650.9 mn BCM represented 99.4% of our FY10 assumption of 655.0 mn BCM. Coal production of 77.8mn ton represented 101.0% of our FY10 assumption of 77.0 mn ton.
- We have a Buy recommendation on UNTR due to we think that UNTR, being a distributor of heavy equipments with strong position in mining and agro sectors, should be the beneficiary of booming commodity sector. UNTR is trading at PER FY11-12F of 12.6x-11.2x.

12M10 Sales Volume

		Dec-09	Dec-10	%chg	Nov-10	Dec-10	%MoM	12M09	12M10	%YoY
Construction machinery										
Komatsu sales	unit	278	313	12.6	420	313	(25.5)	3,111	5,404	73.7
Mining contracting										
Overburden removal	m bcm	51.9	55.6	7.1	54.6	55.6	1.8	597.9	650.9	8.9
Coal production	m ton	6.2	7.1	14.5	6.6	7.1	7.6	68.0	77.8	14.4
Coal mining										
Coal sales	'000 ton	201	265	31.8	249	265	6.4	2,398	2,584	7.8

Source: Company

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Bank Danamon: a talk over its acquisition (BDMN, Rp6,000. neutral, Rp6,300)

- There are rumors in the market about the possibility of BDMN being acquired by DBS. There has yet confirmation from the BDMN's management regarding the issue. Our latest discussion with the management only highlighted the possibility of the issue coming from Singapore as the management of DBS ever mentioned to analyst its plan to grow in Indonesia aggressively going forward.
- At current price, the stock is trading at 2011F P/BV of 2.5x and PER of 14.5x. We maintain our neutral recommendation on the stock.

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FROM THE PRESS**Investment realization breaks record**

Investment realization in 2010 was the highest ever in Indonesian history. Foreign direct investment (FDI) and domestic investment were Rp148tn and Rp60.5tn, with total amount of Rp208.5tn which is 30.23% higher than the initial target of Rp160.1tn. FDI was dominated by sectors in transportation, warehouse, and telecommunication (31.1%), mining (13.8%), and electricity, gas, and water (8.8%). Domestic investment was dominated by food industry (27.1%), transportation, warehouse, and telecommunication (22.7%), and food crops and plantation (14.4%). For 2011, the Investment Coordination Agency (BKPM) targets 15% investment growth, with total investment amounting Rp240tn (Bisnis Indonesia)

Inflation target will be revised

The government will revise 2011 inflation target which is currently set at 5.3%, following 2011 state budget revision in the end of the first semester. Until then, according to Finance Minister Agus Martowardojo, the government will refer to the current assumption of 5.3%, despite the fact of increasing inflation trend (Bisnis Indonesia)

Banking : BI is calling for more efficiency

BI Governor, Darmin N, quoted by Jakarta Post said Indonesian banks still lagged behind their peers in ASEAN member countries. Indonesian banks average operating cost to operating income ratio and net interest margin (NIM) are 82% and 6%, respectively, higher than Singapore, Malaysia and the Philippines which were between 33% and 73% and 2-5%, respectively.

BI plans to encourage efficiency through a combination of prime lending rate ruling and other measures to reduce NIM. (Jakarta Post)

XL modernize its network in Sumatra

Dealing with the fact that data volume traffic in Sumatra region increase significantly, XL Axiata (EXCL) develop new technology, such as radio base station (RBS) and base station controller (BSC) to support network quality. Up to YE10, XL subscribers in Sumatra reached around 9mn. Currently, XL's network in Sumatra is supported by 4,836 BTS (2G/3G). (Investor Daily)

Adhi Karya will not conduct an rights issue on this year

ADHI has decided not to conduct a rights issue in this year; hence the company must look for other finance source. The company's planning to conduct a rights issue had been submitted since the last 2 years, but the government as the majority shareholder have not signed it. In FY11F ADHI is targeting revenue may reach Rp9.2tn (+51.2% yoy) and net income Rp203bn (+9.7% yoy). ADHI allocates capex 2011 totaling Rp78bn, which around Rp50bn for investment in Adhi Concrete Pavement System. (Kontan)

Equity Valuation

Mandiri Universe	JCI Code	Rating	Price (Rp)	Target	Mkt Cap Rp Bn	Net Profit		EPS Growth (%)		PER (x)		EV/EBITDA (x)		P/BV (x)		Net Debt to EBITDA		ROAE		
						2010F	2011F	2010F	2011F	2010F	2011F	2010F	2011F	2010F	2011F	2010F	2011F	2010F	2011F	2010F
Banking						1,919,807	145,351	167,560	24.7%	15.3%	13.2	11.5	7.1	6.2	2.9	2.5	0.3	0.1	23.2%	23.1%
BBCA	Neutral	5,450	7,300	39,236	32,603	39,476	25.7%	21.1%	12.2	10.1	12.2	10.1	7.1	6.2	2.9	2.5	0.3	0.1	23.2%	23.1%
BNI	Buy	3,200	4,500	9,868	11,004	11,004	27.1%	11.5%	13.6	12.2	13.6	12.2	7.4	6.3	3.1	2.8	n/a	n/a	28.6%	27.3%
BRI	Buy	4,700	6,750	11,859	10,804	13,570	25.1%	22.6%	10.4	8.5	10.4	8.5	7.4	6.3	1.6	1.5	n/a	n/a	16.5%	18.9%
BTN	Sell	1,260	1,600	10,975	9,72	11,94	16.4%	22.9%	10.7	8.5	10.7	8.5	7.4	6.3	2.8	2.3	n/a	n/a	28.7%	29.4%
Danamon	Neutral	6,000	6,300	3,469	4,209	4,35	13.5%	21.3%	14.5	12.0	14.5	12.0	7.4	6.3	2.5	2.3	n/a	n/a	16.3%	18.7%
Panin	Neutral	1,080	1,200	2,615	1,763	2,248	25.4%	27.5%	14.8	11.6	14.8	11.6	7.4	6.3	2.0	1.8	n/a	n/a	18.3%	20.0%
Infrastructure						139,780	11,523	13,207	9.8%	14.6%	12.1	10.6	7.4	6.2	2.6	2.3	0.0	-0.2	23.4%	23.1%
Holcim	Sell	1,860	1,950	15,019	1,041	1,241	11.2%	19.2%	14.4	12.1	14.4	12.1	8.5	7.4	1.9	1.7	0.9	0.7	14.1%	14.8%
Indocement	Neutral	13,500	15,800	49,697	3,991	4,548	16.0%	13.9%	12.5	10.9	12.5	10.9	7.4	6.3	2.9	2.5	-1.2	-1.4	25.8%	24.7%
Semen Gresik	Neutral	7,850	9,150	46,029	4,116	4,626	10.6%	12.4%	11.2	9.9	11.2	9.9	7.0	5.9	3.3	2.8	-0.1	-0.3	31.6%	30.0%
Adhi Karya	Neutral	810	870	1,459	191	216	9.6%	13.0%	7.6	6.8	7.6	6.8	3.2	2.2	1.4	1.2	0.8	-0.1	20.4%	19.8%
Wijaya Karya	Buy	610	810	3,566	352	379	30.3%	7.8%	10.1	9.4	10.1	9.4	2.9	2.1	1.8	1.6	-2.2	-2.4	18.8%	17.9%
Jasa Marga	Buy	3,175	4,100	21,590	1,909	1,798	13.2%	19.2%	14.3	12.0	14.3	12.0	9.8	8.0	2.4	2.2	2.3	2.1	17.9%	19.3%
Citra Marga	Neutral	1,210	1,450	325	400	47.4%	23.1%	7.5	6.1	4.5	3.6	1.1	1.0	0.4	0.4	0.4	-0.1	-0.1	15.1%	16.8%
Chemical						15,756	3,122	1,466	108.1%	-53.0%	5.0	10.7	8.8	8.3	0.6	0.6	5.7	5.4	13.1%	5.8%
Lautan Lias	Neutral	750	800	585	76	87	-5.4%	14.2%	7.7	6.7	7.5	7.0	0.7	0.6	0.6	0.6	4.3	3.8	9.0%	9.7%
AKR Corporindo	Buy	1,470	2,000	5,574	2,075	395	595.2%	-81.0%	2.7	14.1	14.5	12.0	1.5	1.3	1.0	0.7	1.0	66.8%	10.0%	
Indah Kiat	Neutral	1,610	1,600	8,008	916	914	-13.4%	0.9%	9.6	9.6	8.6	8.1	0.5	0.4	6.5	6.2	6.5	6.2	4.8%	4.7%
Budi Acid Jaya	Neutral	210	230	789	55	71	55.0%	27.8%	14.2	11.1	5.8	5.2	1.0	0.9	2.2	1.9	2.2	1.9	7.1%	8.5%
Consumer						279,966	15,021	17,059	7.1%	13.6%	18.6	16.4	10.8	9.5	4.5	4.0	-0.3	-0.4	25.9%	25.8%
Indofood	Buy	4,525	5,500	39,729	2,916	3,322	0.9%	13.9%	13.6	12.0	7.1	6.2	2.8	2.4	0.0	0.0	-0.3	-0.3	22.0%	21.6%
ICBP IJ	Sell	4,425	4,000	25,802	1,432	1,613	-15.8%	12.6%	18.0	16.0	8.6	7.6	2.6	2.3	2.3	2.0	-0.9	-0.7	14.8%	15.3%
Gudang Garam	Buy	36,200	50,000	69,652	5,101	5,872	18.8%	15.1%	13.7	11.9	8.7	7.7	2.9	2.5	0.2	0.4	0.2	-0.4	22.4%	22.6%
Mayora	Neutral	10,600	8,500	8,126	401	534	-9.2%	33.3%	20.3	15.2	10.5	8.3	3.7	3.1	0.8	0.4	0.4	0.4	19.6%	22.4%
Unilever	Neutral	14,250	16,000	108,728	3,821	4,112	11.5%	7.6%	28.5	26.4	20.8	19.3	24.3	22.8	2.8	2.8	-0.3	-0.2	89.2%	88.9%
Kalbe Farma	Neutral	2,750	3,100	27,929	1,351	1,607	6.4%	19.0%	20.7	17.4	12.0	9.8	9.9	4.3	3.5	3.5	-1.1	-1.3	22.8%	22.8%
Retail						13,308	865	1,046	16.9%	21.0%	15.4	12.7	7.6	6.2	2.3	2.1	-0.7	-0.8	15.9%	17.2%
Mitra Adiperkasa	Neutral	2,200	2,940	3,652	261	341	32.0%	30.7%	14.0	10.7	5.6	4.5	2.2	1.8	1.8	1.8	0.5	0.2	16.6%	18.6%
Ramayana	Buy	760	1,100	5,369	410	470	9.5%	14.5%	13.1	11.4	7.4	6.3	1.9	1.4	1.8	1.4	-1.4	-1.4	15.0%	15.9%
ACES	Neutral	2,500	2,570	4,288	193	235	15.6%	21.9%	22.2	18.2	13.1	10.4	3.6	3.0	3.0	3.0	-2.2	-2.3	17.4%	18.0%
Conglomerates						190,880	15,109	15,888	10.4%	5.2%	12.6	12.0	9.8	10.5	3.1	2.7	0.4	0.0	26.1%	24.1%
Astra International	Neutral	47,150	58,100	190,880	15,109	15,888	10.4%	5.2%	12.6	12.0	9.8	10.5	3.1	2.7	0.4	0.0	0.0	0.0	26.1%	24.1%
Heavy Equipment						68,284	5,846	6,635	34.3%	13.5%	12.5	11.0	6.9	5.7	3.4	2.9	-0.2	-0.6	30.0%	28.2%
United Tractors	Buy	20,450	28,100	68,284	5,846	6,635	34.3%	13.5%	12.5	11.0	6.9	5.7	3.4	2.9	3.4	2.9	-0.2	-0.6	30.0%	28.2%
Hexindo Adiperkasa	Buy	6,250	9,000	5,250	449	539	41.4%	21.4%	11.7	9.7	7.6	6.2	3.6	2.9	2.9	2.9	-0.3	-0.5	35.2%	32.9%
Plantation						60,410	4,624	4,826	33.0%	4.4%	13.1	12.5	8.2	7.6	2.5	2.3	-0.1	-0.3	20.3%	18.9%
Astra Agro Lestari	Neutral	22,300	24,500	35,117	2,438	2,576	34.1%	5.6%	14.4	13.6	9.1	8.4	4.3	3.8	3.8	3.8	-0.7	-0.7	32.1%	29.5%
Bakrie Sumatera Plantations	Neutral	360	4,766	465	475	492	25.7%	4.5%	10.5	10.0	6.8	6.4	0.6	0.6	0.6	0.6	2.6	2.3	5.8%	5.8%
Sampoerna Agro	Buy	2,875	3,950	5,377	471	492	29.4%	4.6%	11.4	10.9	6.9	6.4	2.2	1.9	1.9	1.9	-0.3	-0.3	21.3%	19.1%
London Sumatera Plantations	Buy	11,300	14,100	15,150	1,261	1,283	35.0%	1.8%	12.0	11.8	7.8	7.3	2.7	2.4	2.4	2.4	-0.8	-1.1	25.1%	21.5%
Property						33,295	1,983	2,677	59.9%	35.0%	16.8	12.4	10.7	8.4	1.3	1.2	0.4	0.4	8.2%	10.1%
Aging Podomoro Land	Buy	355	430	7,278	538	697	122.2%	29.6%	13.5	10.4	9.5	6.9	1.6	1.4	1.4	1.4	0.0	0.0	12.7%	14.4%
Bakrie Land Development	Neutral	138	163	5,509	110	328	-11.4%	198.6%	50.2	16.8	23.0	15.3	0.7	0.7	0.7	0.7	8.4	5.9	1.4%	4.0%
Bumi Serpong Damai	Buy	740	1,010	8,092	497	647	31.7%	30.1%	16.3	12.5	11.7	9.4	2.6	2.2	2.2	2.2	-0.7	-0.7	17.3%	19.3%
CIPUTRA DEVELOPMENT	Neutral	315	350	4,777	294	355	54.0%	20.6%	16.2	13.5	8.9	7.1	0.9	0.9	0.9	0.9	-3.9	-3.1	5.9%	6.7%
Kawasan Industri Jababeka	Buy	107	133	1,475	235	253	232.4%	7.9%	6.3	5.8	4.8	4.5	0.8	0.7	1.7	1.5	1.7	1.5	13.1%	12.7%
Summarecon Agung	Neutral	940	1,080	6,125	310	398	31.7%	28.4%	19.8	15.4	8.3	6.9	2.3	2.1	2.1	2.1	-0.5	-0.3	12.4%	14.3%
Energy						393,979	27,650	34,081	55.6%	22.4%	14.1	11.6	6.7	5.4	3.6	3.0	0.3	0.0	28.2%	28.3%
Medco	Buy	2,925	4,600	9,747	435	546	17.3%	25.8%	22.4	17.9	4.5	4.4	1.4	1.3	1.5	1.5	1.5	1.6	6.3%	7.6%
Energi Mega Persada	Buy	109	180	4,672	144	1,392	NM	819.9%	32.5	7.2	2.9	0.7	0.6	0.6	0.6	0.6	2.8	1.6	2.2%	18.0%
Bukit Asam	Neutral	20,550	24,300	47,363	3,882	4,275	96.9%	10.1%	12.2	11.1	7.7	6.8	5.1	4.1	4.1	4.1	-1.2	-1.5	50.0%	41.2%
Bumi	Buy	3,000	3,665	63,347	4,705	5,893	73.0%	22.7%	13.5	10.8	5.3	4.4	3.0	2.5	1.5	1.3	1.3	24.0%	25.1%	
Adaro	Neutral	2,350	2,000	75,167	4,614	5,930	98.9%	28.5%	16.3	12.7	5.6	4.3	3.3	2.8	0.1	0.1	-0.2	-0.2	22.1%	23.8%
Haum Energy	Buy	8,750	10,000	23,625	1,654	2,070	117.8%	25.1%	14.3	11.4	10.1	7.8	7.6	5.7	1.4	1.1	-1.0	-1.1	63.2%	57.0%
Indo Tambangraya Megah	Neutral	47,900	53,800	54,123	4,217	5,217	62.2%	21.2%	12.8	10.4	6.8	5.2	5.0	3.9	3.9	3.9	-1.0	-1.2	43.3%	41.5%
Indy	Buy	4,500	5,400	23,432	1,710	2,396	58.8%	40.1%	13.7	9.8	34.3	26.4	3.2	2.7	3.4	3.4	3.4	2.4	25.8%	30.0%
PGN	Buy	4,075	5,260	92,502	6,490	8,490	1.4%	-1.9%	14.3	14.5	7.8	7.3	4.5	4.1	4.1	4.1	-1.1</			

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INVESTMENT RATINGS: Indicators of expected total return (price appreciation plus dividend yield) within the 12-month period from the date of the initial rating, are: Buy (10% or higher), Neutral (-10% to 10%) and Sell (-10% or lower).

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