Indonesia Morning Cuppa

Top Story

Adhi Karya (ADHI IJ, TRADING BUY, TP: IDR540)
New Train Project Champion; Now a TRADING BUY
Company Update
Switch to TRADING BUY from Buy, new IDR540 TP from IDR990, 14% upside. As of August, Adhi Karya has secured IDR24.5trn (+50% YoY) worth of new contracts – the highest among its peers – at 79% of its FY23 target. We believe ADHI is now the sole train project champion, as Wijaya Karya (WIKA IJ, NEUTRAL, TP: IDR456) is facing project financing issues. ADHI also has a healthy balance sheet with a net gearing of 0.9x. However, risks from higher project costs and the 2024 presidential election may impact the progress of its projects.
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Today's Report: Adhi Karya : New Train Project Champion; Now a TRADING BUY (20 Sep 2022)
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Bulletins

STOCK/SECTOR	NEWS	COMMENTS	RATING
Bank Negara Indonesia (BBNI IJ) Bank Mandiri (BMRI IJ)	Bank Negara Indonesia's (BBNI) EGM approved a stock split implementation plan, with an estimated effective date of the second week of Oct 2023. BBNI's stock will be split with a ratio of 1:2. There is no change in the composition of the board of directors. Agus Martowardojo has been dismissed as President Commissioner, with Pradjoto appointed as the replacement. Pahala Nugraha Mansury was appointed as Vice President Commissioner. *(Company)*	While the stock split will not alter BBNI's fundamental prospects, we are hopeful that the exercise could help spark investor interest and improve sentiment towards the stock. Since the announcement in August, we note that the stock price has done well relative to its big cap peers. Trading at 1x FY24 P/BV vs FY24E ROE of 14.7%, valuations are undemanding and remains a preferred sector pick. Meanwhile, BBNI also announced the appointment of Pradjoto as President Commissioner. Pradjoto has been BBNI's Vice President Commissioner since Feb 2020, and had previously served in a similar capacity from 2015-2018. Aside from that, he had previous stints with Bank Mandiri (BMRI) and Bank Internasional Indonesia (BII). We believe his extensive experience in the banking sector and familiarity with BBNI should bode well for the bank, and do not expect any major changes in strategy or direction under his leadership. We retain our recommendations for BBNI and BMRI.	BBNI: BUY, TP: IDR11,700 BMRI: BUY, TP: IDR6,600
Dharma Polimetal (DRMA IJ)	Dharma Polimetal (DRMA) reported revenue and earnings growth of IDR2.7trn (+72% YoY) and IDR346trn (+141% YoY) in 1H23, driven by robust sales volume in both two-wheeler (2W) and four-wheeler (4W) spare parts. This is in line with the national sales increase of 2W and 4W vehicles. DRMA is gaining market share, particularly in imported 4W spare parts, such as suspension. This year, DRMA began manufacturing new components, including suspension for Toyota Yaris Cross Hybrid. In Indonesia, Toyota Yaris Cross Hybrid was launched in May 2023, and DRMA anticipates that sales will continue to rise and reach a high level in October. The company sees a huge opportunity to gain market share, particularly in 4W hybrid suspension for other brands – especially a new model to be launched soon. Given DRMA is able to gain market share in Toyota suspensions, we believe it has a high opportunity to take some market shares in Daihatsu suspension. *(Company)*	DRMA also has a solid track record in wiring harness manufacturing, which it currently supplies to Hyundai. The company is also planning to build charging stations for 4W and 2W vehicles. As a result, it should be one of the beneficiaries from Indonesia's development in 4W EV manufacturing. DRMA believes 2W EVs have enormous potential in Indonesia. It is worth noting that Astra Honda Motor (AHM) anticipates 1.8m 2W EV sales in Indonesia in 2030. AHM expects to sell c.1m 2W EVs by 2030. DRMA has already created a battery pack for 2W EV. The company sees an opportunity to supply 2W EV spare parts. We do not cover DRMA at this time.	NOT RATED

Top BUYs

	TP (IDR)	Upside (%)	Catalysts
Bank Rakyat Indonesia (BBRI IJ)	6,450	21.1	• With the election year approaching, BBRI expects time deposit rates to fall – alleviating cost of funds (CoF) as liquidity improves cyclically • 1Q23 earnings exceeded expectations, increasing 26.9% YoY (+28.1% QoQ) on higher NIM, lower operational expenses, and lower CoC • Despite slightly lower 1Q23 loan growth of 9.7% YoY, BBRI remains optimistic on meeting its FY23 loan growth target of 10-12% YoY • Despite a higher CoF, 1Q23 NIM rose slightly to 7.82% (1Q22: 7.72%)
Bank Central Asia (BBCA IJ)	10,700	18.9	• BBCA is poised for healthy business growth – underpinned by its superior transaction franchise and solid balance sheet. Its robust capital and provision buffers also support the above-trend P/BV • 1Q23 results were within expectations, with robust NII growth and lower provisions being key earnings drivers. • Net profit of IDR11.53trn (-2% QoQ, +43% YoY) accounted for 25% of our and Street's FY23F earnings • At the bank level, ROE rose to 22.3% (FY22: 21.7%) while the capital adequacy ratio was a solid 28.9% (4Q22: 25.8%)
Indofood CBP (ICBP IJ)	14,300	31.8	• We believe earnings will be supported by solid domestic growth, limited impacts from *Ramadan* and *Lebaran* (revenue usually dips only c.1-2% during the *Lebaran* quarter), and IDR appreciation • Margins should also expand, mainly from the noodle division, which makes up 80-90% of EBIT • Noodle products' margins should expand, with its affiliate company Bogasari Flour Mills adjusting flour prices down 4-5% YTD and stable CPO prices • Challenges may come from its dairy products segment (15-20% of revenue) due to decreasing volumes and rising sugar prices • Valuation remains undemanding as the counter is still trading at c.15x 2023F P/E, or around +1SD from its 5-year mean
AKR Corporindo (AKRA IJ)	1,940	31.5	• AKRA will likely benefit from its chemical distribution business, in our view, due to the rapid development of new smelters – leading to higher demand for certain chemicals • The company's recurring revenue from the industrial business should also see growth from emerging green industries
Astra Otoparts (AUTO IJ)	3,510	10.4	• AUTO's 1Q23 earnings jumped to IDR433bn (-12.5% QoQ, +92.1% YoY), driven by a wider GPM and higher share of income from its associate & JV businesses – exceeding expectations • Despite last year's higher numbers, AUTO still managed to record an increase in GPM, likely due to: i) Higher production capacity utilisation that lowered fixed costs per unit (a stronger IDR also partly boosted 1Q23 GPM to 16.1% (4Q22: 15.2%, 1Q22: 12.5%) and ii) a significant increase in associate and JV income to IDR241bn (+35.9% QoQ, +41% YoY). The QoQ decline in profit was due to cyclical factors

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Take Profit:	Target price has been attained. Look to accumulate at lower levels
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Not Rated:	Stock is not within regular research coverage

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