

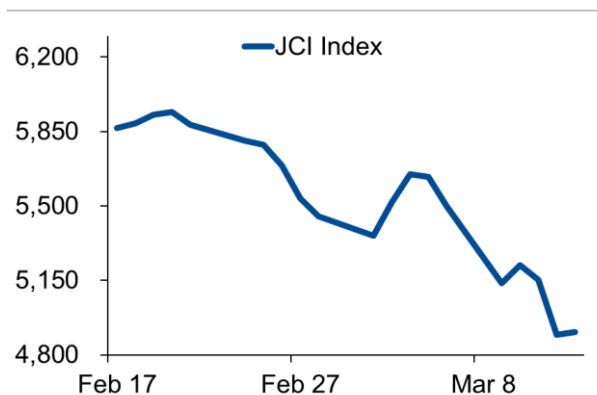
Weekly Brief (March 16th – 20th)

Summary:

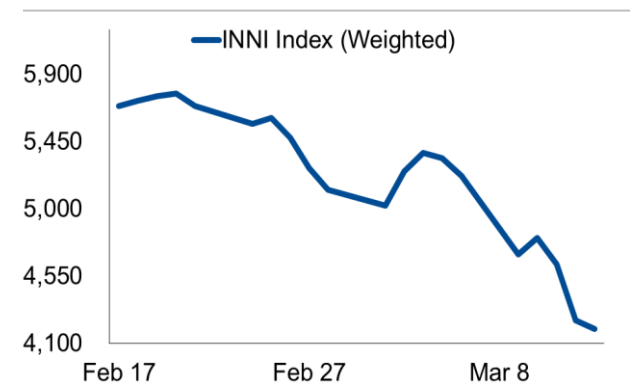
Last week review: Murkier global and domestic state left JCI bleaker. COVID-19 lethal infection, downside prices of crude oil, failure of Trump's fiscal policies sank JCI into lower corrections. The Indonesian government unflinching attempts to spur economic growth manifest in economic development incentives.

This week's outlook: After trimming its rates by 50 bps, the Fed holds FOMC within this week. We pencil in that shall the pandemic spook still, the chance is the Fed to patiently trim its rates further. the Fed's dovish stance and the Indonesian government's attempt to finalize Omnibus Law attract foreign inflows into Indonesian markets. The outlook of Indonesia's construction industry is still stellar, underpinned by looser lending rates for the construction companies, including WIKA. WIKA's low DER level affirms its credibility for obtaining banking loans, fundamental to its business expansion. NHKSI recommends WIKA as this week's top-pick stock with the price target of IDR2,740 on grounds of a 6.6x P/E trailing band.

JCI - one month



INNI Index – one month



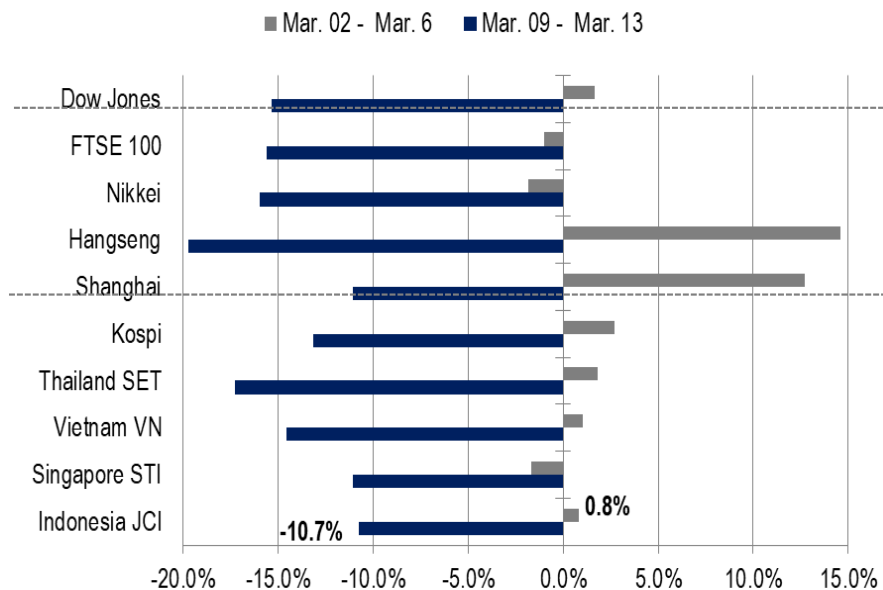
Last Week's JCI Movement

- JCI Index : 4,907.57 (-10.7%)
- Foreign Flow : *Net sell* of IDR1.3 trillion (vs. *net sell* last week of IDR1.7 trillion)
- USD/IDR : 14,778 (-3.76%)
- Yields of sovereign bond with 10-years tenor : 7.338% (+57.10 bps)

JCI Retreated

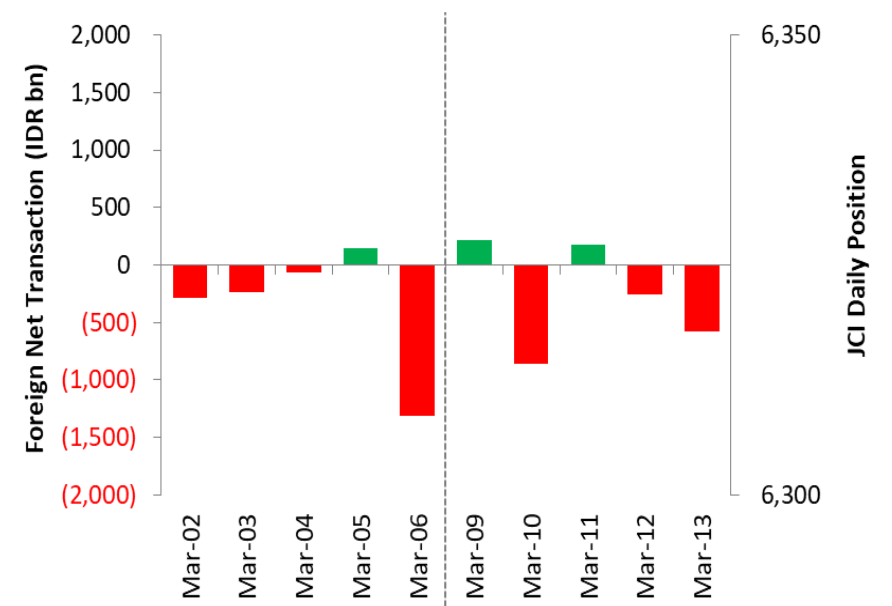
Although JCI like other Asia bourses tanked in the early last week, it remained attractive for foreign investors and secured foreign funds still. We analysed that JCI's was far from immune to infectious COVID-19 pandemic and wobbly global crude oil prices. Saudi Arabia-Russia dispute left prices of global crude oil tumbling. JCI was still unmoved from the red after the World Health Organization declared that the spread of COVID-19 is lethal pandemic to the global state. Trump's dead-in-the-water proposal of a 0% payroll tax rate was another stumbling block to JCI's lethargic paces to the green, and even the economic incentive of a six-month income tax (PPH 21) exemption to better spur 2020's economic growth was not powerful enough to get rid of that stumbling block and rescued JCI from the red trap. On Friday's trading session of March 13, JCI made a little rebound after the Financial Service Authority (OJK) and IDX rolled out stimuli

Global Market Movement



Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

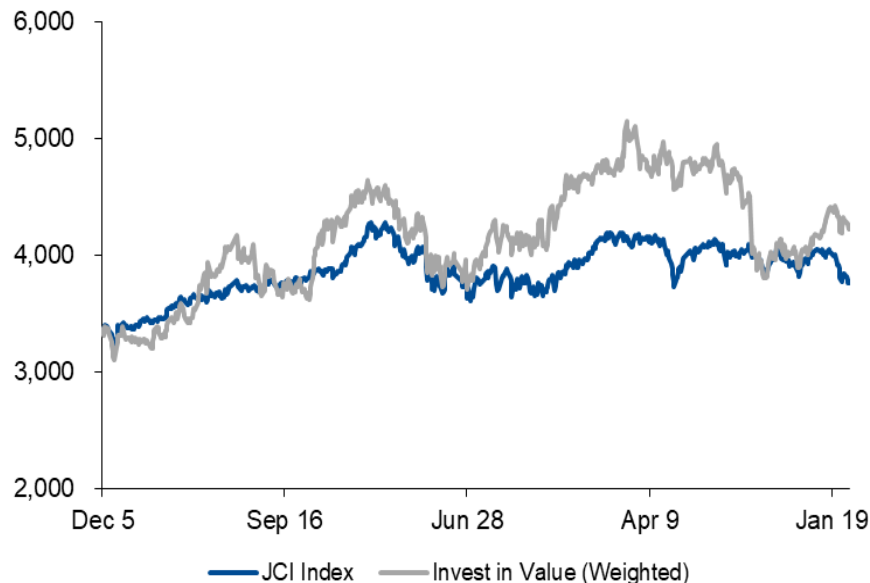
Last Week's INNI Movement

•INNI Index	: 4,198.58 (-19.5%)
INNI Theme 1 (Value)	: 3,401.46 (-12.2%)
INNI Theme 2 (Trend)	: 4,729.99 (-22.6%)

INNI Index Trapped in the Red

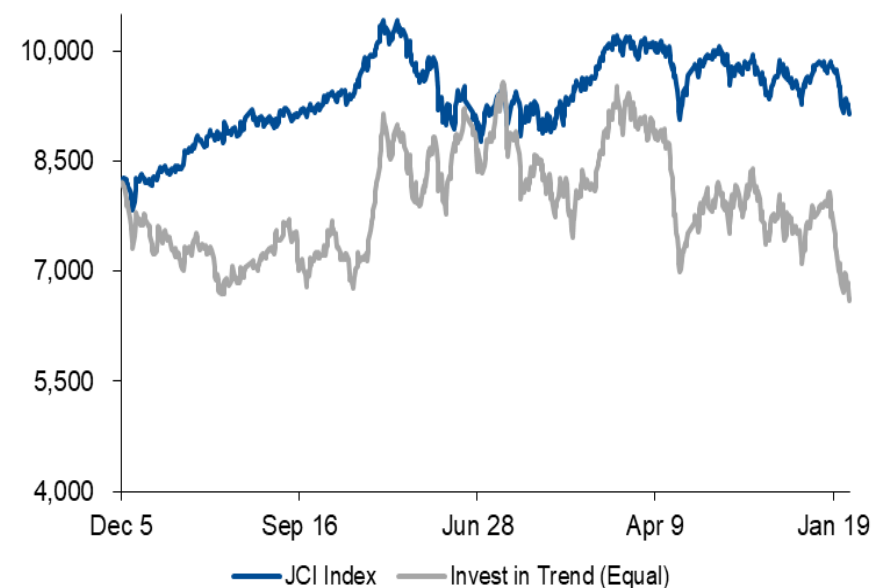
INNI index's all across stocks tanked in the early week as WIKA and WSKT ---stocks of the construction sector---were the top losers. The wobbly equity market triggered the Minister of State-Owned Enterprises to spend IDR7 trillion to IDR8 trillion on stock buyback over twelve SOEs' stocks. Those stocks are 1) five stock-owned construction stocks, namely WIKA, ADHI, PTPP, JSMR dan WSKT; four stock-owned banking stocks, namely BBRI, BMRI, BBNI, BBTN; and three state-owned miners stocks, namely ANTM, PTBA, and TINS. INNI's consumer stocks (KINO and ICBP) were rebound in the mid week, albeit INNI's virtually retreated stocks. On Friday's trading session of March 13, INNI Index was still in the red as it was suppressed by its consumer stocks (i.e., KINO and GGRM).

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

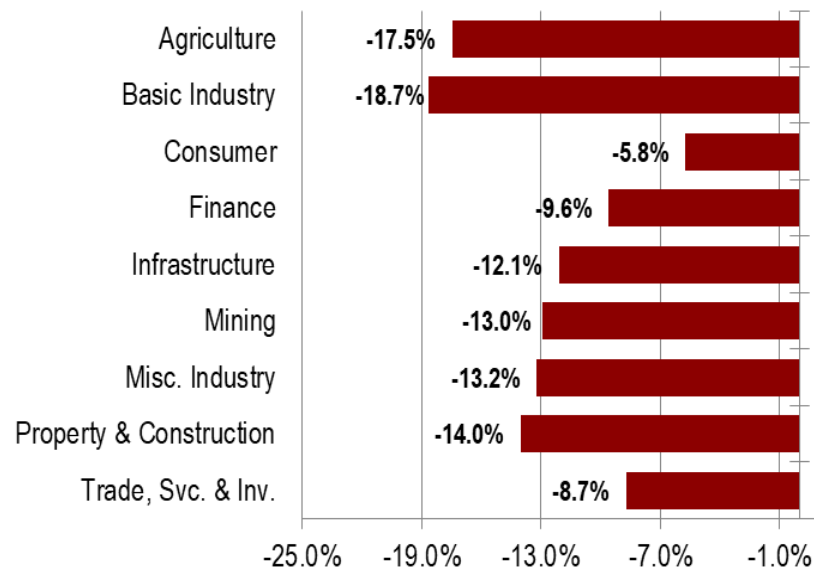
- JCI's Top Losers**

JCI's all across sectoral stocks virtually tanked: the worst plunge in the early this year, and stocks of basic industry gave up the largest gains of 18.7%. Although the trade ministry announced 19 sectors including the chemical substances & chemical content goods industry and the pulp derivatives & paper industry to obtain fiscal and non fiscal stimuli, those stimuli' effects have yet to manifest during last week.

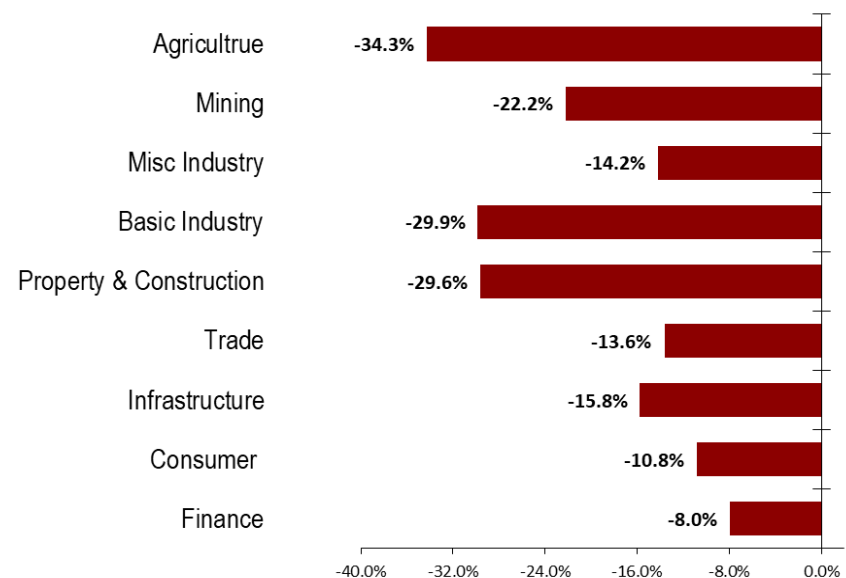
- INNI Index's Top Losers**

Stocks of agriculture stocks tanked 34.3% and were most underperformed among the rest. The worst performance was attributable to prices of CPO to weaken further as prices of crude oil also sank, and investors' fears of the pandemic mounted.

JCI's Last Week Sectoral Movements



INNI's Last Week Sectoral Movements



This Week's Outlook: Construction Sector

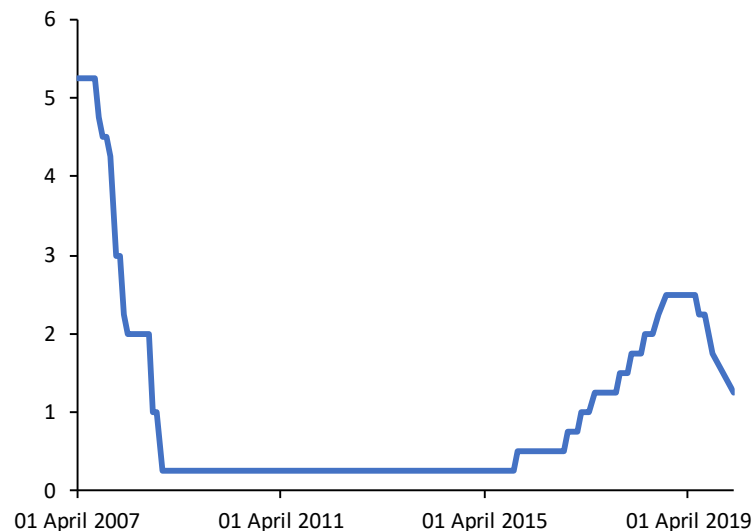
- **Global Stimuli Beat against COVID-19 Pandemic**

The Fed on Wednesday of March 04, 2020 decided to trim its benchmark rate (Federal Funds Rate, "FFR") by 50 bps---the deepest plunge since Dec. 2008--- to stand at 1%-1.25%. The Fed held a dovish tone to better immunize the global economy wrecked by COVID-19. The Fed in the next week will hold FOMC, and we pencil in the Fed will decide to give additional rate cuts should COVID-19 pandemic persist still. As the Fed held its rates looser rates, foreign investors rushed their capital into Indonesia's equity market, and JCI's rally of 2.38% on Wednesday's trading session of March 04 manifested investors' positive responses to the Fed's monetary stance.

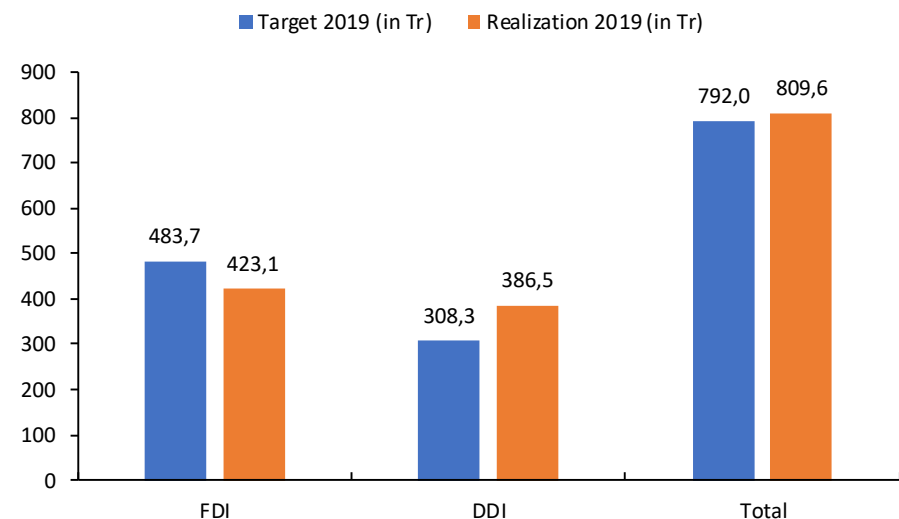
- **Omnibus Law Unlocks Capital Flows**

Indonesian government endeavors to finalize Omnibus Law to spur foreign or domestic capital inflows leading to increases in employment and a more resilient domestic economy. In 2019, Indonesia accounted for foreign direct investments (FDI) of IDR423.1 trillion of 12.53% lower than IDR483.7 trillion of the set target, while the domestic direct investment (DDI) hiked by 25.3% surpassing the targeted achievement of IDR308.3 trillion to IDR386.5 trillion. Singapore's FDI of 23.1% was the first largest investments in Indonesia, then China's FDI of 16.2% and Japan's FDI of 15.3% contributed the second and third's largest investments in Indonesia. As a matter of fact, the coronavirus pandemic has thrown those three economies into disarray; thus, Indonesia should roll out more economic incentives attracting foreign inflows into Indonesia's markets.

Fed Fund Rate (FFR)



Foreign and Domestic Direct Investment



This Week's Outlook: Construction Sector

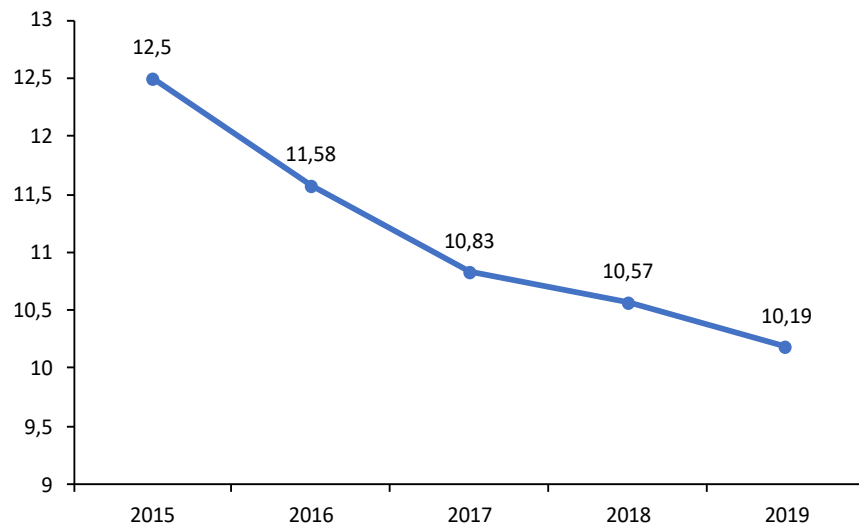
- **Lending Rates for Construction Sector Remain Looser**

Bank Indonesia as of 2019 retains an accommodative monetary stance coupled with the Indonesian government's attempt to spur economic growth by rolling out economic incentives. BI's looser rates are followed by decreasing lending rates for the construction sector. We project the construction sector outlook remains stellar, unaffected by 2019's political year. Of note, lenders held their lending rates at 10.19%---a significant decrease compared with prior-year rates--- for the construction industry.

- **Project Financing Banks on Banking Loans**

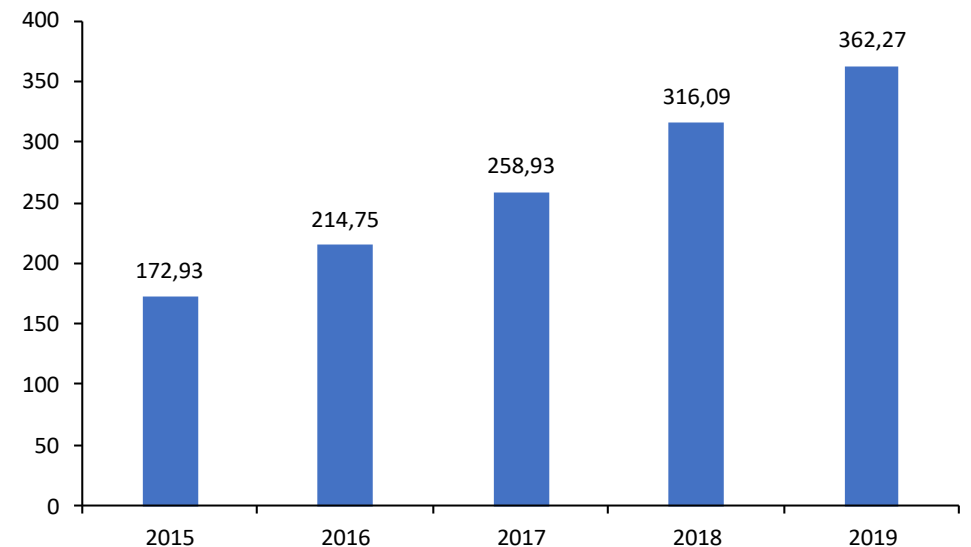
Looser lending rates for the construction sector spur construction loan. In 2019, commercial banks distributed IDR362.27 trillion worth of loans distributed to the construction sector; that amount was higher than IDR316.93 trillion in 2018. The delayed projects amid the 2019 election will be completed in 2020 as the Indonesian government's concerted endeavor toward its goal of the infrastructure benefits the construction service companies. We believe the capital injection by the external and internal parties are preconditions for the success of Indonesia's infrastructure boom.

Construction's Credit Interest Rate (%)



Source: Indonesia Banking Statistic - OJK, NHKSI Research

Credit Channeling to Construction Sector (in billion)



Source: Indonesia Banking Statistic - OJK, NHKSI Research

Wijaya Karya Tbk (WIKA IJ – Construction Sector)

Dec 2020 Target Price	2,740
Consensus Price	2,600
Last Price (IDR) as of Mar 13, 2020	1,180
TP vs. Last Price	132.2%

Revenue Breakdown:

Construction	61.1%
Industrial (Concrete Products)	13.1%
Precast	11.6%
Real Estate	7.0%

IDR bn	FY2018	FY2019E	FY2020E	FY2021E
Revenue	31,158	34,336	41,439	47,632
y-y	19.0%	10.2%	20.7%	14.9%
Net Profit	1,730	2,063	2,235	2,541
y-y	43.9%	19.2%	8.4%	13.7%
EPS	193,020	231,835	248,039	287,716
P/E	5.99	6.43	5.99	5.30
P/BV	0.87	0.87	0.79	0.71

5-Year P/E Trailing Band



Source : Bloomberg, NHKSI Research

- **NHKSI** recommends WIKA as this week's top-pick stock to attain the price target of IDR2,740 based on a 6.6x P/E trailing band. The estimate is underpinned by global and domestic stimuli, WIKA's low DER to ease banking credit application, and sufficient capital for business expansion.

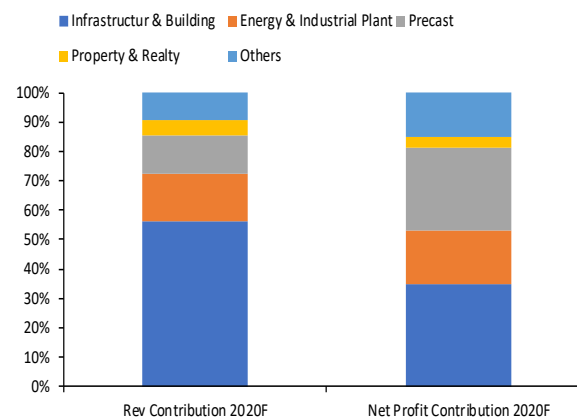
Infrastructure & Building Segment Contributes Largest to Revenues

WIKA before the House of Representative Commission VI on Monday of Feb. 17, 2020, testified 2019's net profits of IDR2.51 trillion surging by 21.25% from IDR2.07 trillion in 2018. Its revenues conversely dipped by 10.87% from IDR31.16 trillion in 2018 to IDR27.77 trillion. The infrastructure & building segment made up the largest contribution of 61.01% to the total revenues, and the energy & industrial plant, the precast, and property contributed 13.07%, 11.06%, 7.0% contributed respectively to the total revenues. In 2020, WIKA targets revenues of IDR52 trillion or a 26% surge from 2019's revenues and still banks on the infrastructure & building segment's new contracts projected to contribute 56.37% to 2020's total revenues. WIKA in 2020 works to finish key projects (i.e., Harbour Road II toll road in Tanjung Priok and Padang-Pekanbaru toll road part of Trans Sumatra toll road). Each of those key project investment values is worth of IDR7 trillion and IDR10 trillion.

WIKA Occupies Sufficient Leverage Ratio

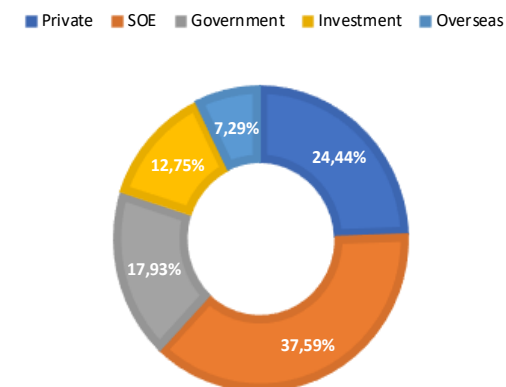
WIKA allocates 2020's CapEx of IDR11.5 trillion to strengthen its recurring income as it expands its business to clean water treatment. The 2020's CapEx derives from internal cash, banking loans, proceeds from 2020's IPO plans held by its two subsidiaries: Wika Realty and Wika Industri & Konstruksi. WIKA is even credible enough to apply for banking loans as its leverage ratio is quite sufficient. WIKA's Debt to Equity Ratio (DER) of 2.8x---lower than that of WSKT's 5.9x. ADHI's 4.0x, and PTPP's 2.94x.

WIKA's Revenue and Net Profit Contribution 2020F



Source : Company Data, NHKSI Research

New Contract Based on Project Owner 2020F



Source: Company Data, NHKSI Research

INNI Index's Stocks List

	Theme 1/2	Last Price	Last Week Price	2020 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	28,300	31,000	32,000	Hold	13.1	-8.7%	697.7	24.4x	4.0x	17.5	1.3	13.7	10.5
BBRI	Theme 1	3,720	4,010	4,950	Buy	33.1	-7.2%	458.8	13.2x	2.2x	17.7	4.5	11.1	6.3
Consumer														
GGRM	Theme 1	41,600	50,400	61,800	Buy	48.6	-17.5%	80.0	8.6x	1.7x	20.5	6.3	16.9	25.8
KINO	Theme 1	2,790	3,110	4,680	Buy	67.7	-10.3%	4.0	8.1x	1.6x	21.2	1.8	34.1	323.0
ICBP	Theme 1	10,975	10,950	12,875	Buy	17.3	0.2%	128.0	25.7x	5.3x	22.2	1.2	11.2	11.4
KLBF	Theme 1	1,040	1,235	1,430	Buy	37.5	-15.8%	48.8	19.0x	3.2x	17.6	2.5	7.3	6.2
Infrastructure														
TLKM	Theme 1	3,390	3,750	4,700	Buy	38.6	-9.6%	335.8	16.6x	3.4x	21.3	4.8	3.5	15.6
JSMR	Theme 1	3,700	4,740	6,000	Buy	62.2	-21.9%	26.9	13.9x	1.5x	11.3	1.2	(22.8)	(15.2)
Trade														
UNTR	Theme 2	15,600	17,300	20,000	Buy	28.2	-9.8%	58.2	5.1x	1.0x	20.2	7.9	(0.2)	1.7
MAPI	Theme 2	670	810	1,300	Buy	94.0	-17.3%	11.1	13.6x	1.9x	14.8	1.5	11.4	14.7
Property														
CTRA	Theme 2	710	885	1,390	Buy	95.8	-19.8%	13.2	13.0x	0.9x	7.2	1.4	(0.7)	(28.9)
WSKT	Theme 2	635	975	2,600	Buy	309.4	-34.9%	8.6	6.2x	0.5x	7.8	11.5	(39.2)	(69.4)
WIKA	Theme 2	1,180	1,795	2,500	Buy	111.9	-34.3%	10.6	4.8x	0.7x	15.3	3.3	(12.9)	57.3
Basic Ind.														
SMGR	Theme 1	7,575	10,800	14,300	Buy	88.8	-29.9%	44.9	19.7x	1.4x	7.5	2.7	31.1	(38.1)
Misc Ind.														
ASII	Theme 1	4,870	5,675	8,600	Buy	76.6	-14.2%	197.2	9.1x	1.3x	15.2	4.3	(0.9)	0.2
Mining														
TINS	Theme 2	468	600	800	Buy	70.9	-22.0%	3.5	24.7x	0.6x	1.6	5.3	114.6	N/A
PTBA	Theme 2	1,970	2,450	2,300	Buy	16.8	-19.6%	22.7	5.3x	1.2x	23.7	17.2	2.9	(22.2)
INCO	Theme 2	1,910	2,570	4,200	Buy	119.9	-25.7%	19.0	22.6x	0.7x	3.0	N/A	0.7	(4.9)
ANTM	Theme 2	478	610	1,100	Buy	130.1	-21.6%	11.5	14.3x	0.6x	4.1	2.7	23.0	(11.1)
Agriculture														
AALI	Theme 2	6,375	9,700	15,600	Buy	144.7	-34.3%	12.3	58.1x	0.7x	1.1	3.5	(8.5)	(85.3)

Source : Bloomberg, NHKS Research

PT NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

Head Office :

District 8 Treasury Tower 51
st Fl. Unit A, SCBD Lot.28
Jl. Jendral Sudirman Kav. 52
-53 Jakarta Selatan 12190
Telp : +62 21 50889100
Fax : +62 21 50889101

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 Medan:

Jl. Timor No. 147
Medan
Sumatera Utara 20234
Indonesia
Telp : +62 61 4156500
Fax : +62 61 4568560

Branch Office Semarang:

Jl. MH Thamrin No. 152
Semarang
Jawa Tengah 50314
Telp : +62 24 8446878
Fax : +62 24 8446879

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