Initiating Coverage

PT Astra International Tbk (ASII)

2016: The Year of Fine Tuning

NEUTRAL

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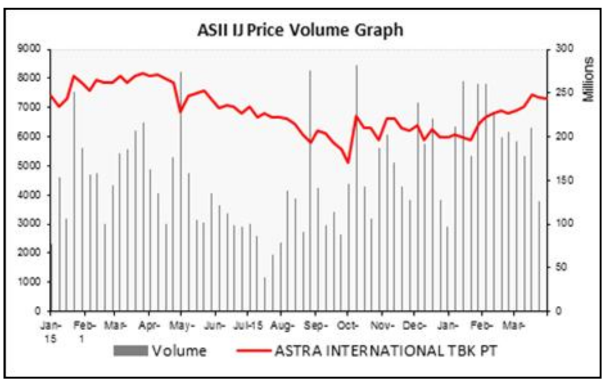
PT Astra International Tbk assembles and distributes automobiles, motorcycles, and their related spare parts. Through its subsidiaries, the Company also operates in the mining, development of plantations, financial, and information technology.

Current Price: IDR 7,225

52-Week Target Price: IDR 7,150



Share Price Performance	
Price (IDR)	7,225
52-Week High (04/14/15)	8,200
52-Week Low (09/29/15)	4,975
52-Week Beta	1.45
YTD Change/%	+1,225/+20.4%

Stock Information	
Market Cap (IDR)	292,493.7 Bn
Shares Out/Float (Mn)	40,483.6/20,181.1

We initiate coverage on PT Astra International Tbk (ASII) as NEUTRAL with 52-week target price of IDR 7,150, deriving via SoTP valuation, which implies forward P/E of 13.9x. Currently trading at 20.2x P/E (CMP of IDR 7,225 per share), we view Astra International is fully valued, thus limited upside/downside potentials. With major corrections in FY15 earnings across all sectors, this year will be a year of fine tuning for Astra International, which is forecasted at 34.7% YoY bottom line growth in our model. Our bottom line forecast for Astra International is driven by 28.3% YoY growth in Automotive, 52.2% YoY growth in Heavy Equipment and Mining (UNTR), and 213.8% YoY growth in Plantations (AALI).

Lead contributor for Astra International's FY16E top and bottom line is still no other than Automotive segment, with a contribution of 55.9% and 49.4% respectively. While many catalysts are lined up for the automotive industry, we see a temporary decline in 4W market share, especially with Honda pumping discount to reduce inventory. Nonetheless, we expect broad-based pick up on 4W demand through new INNOVAtions. Be that as it may, escalating infrastructure projects (i.e. toll roads) will lift automotive sales, though full effect will not be seen in the first few years.

As for other lines of business, UNTR and AALI contribute 12.4% and 10.9% respectively to the valuation. This year, we expect a rebound on UNTR's performance due to huge one-off impairment losses in 4Q15 that dampened full year performance. However, with commodity cycle not yet recovered and strengthening IDR against USD, the company will continue to experience turbulences. Meanwhile for AALI, besides the rights issue overhang, we foresee a turn around story due to higher CPO prices.

We rate ASII as NEUTRAL with 52-week target price of IDR 7,150, representing a slight downside potential from the current market price. While earnings should see pick-ups, we view the company is fully valued, though any major corrections can be taken as buying opportunities for short-term investment purposes.

Highlights (IDR Bn)	2014	2015	2016E	2017F	2018F
Revenue	201,701	184,196	190,938	222,007	252,816
Gross Profit	38,809	36,710	37,937	43,960	47,958
EBITDA	27,588	28,107	29,792	34,317	36,279
% growth		*2%*	*6%*	*15%*	*6%*
Pre-Tax Profit	27,058	19,630	25,740	32,113	34,704
Net Profit	22,131	15,613	21,024	26,042	28,236
% growth		*-29%*	*35%*	*24%*	*8%*
Return on Asset	9.8%	6.5%	8.3%	9.6%	9.7%
Return on Equity	19.6%	12.7%	15.7%	17.3%	16.8%

Source: Company Data, Sinarmas Investment Research

Investment Theses and Key Risks

Investment Theses:

- **Low passenger vehicles (PV) penetration—**As of 2014, the percentage of PV ownership in Jakarta was below 15%, while for other cities were below 10%. The low PV ownership signifies that Indonesian market is very attractive especially with bottoming car sales in 2015.

- **Infrastructure developments—**Infrastructure developments such as toll roads are expected to lift automotive sales, though full effect will not be seen in the first few years.

- **Lower benchmark rate environment—**As the government urges Bank Indonesia to cut benchmark rate, Astra International will be one of the main beneficiaries.

- **Young population dynamics and rising middle class would eventually benefit ASII towards higher 4W and 2W sales.** At the same time, current government focus on improving lower-to-middle income segment's purchasing power could boost 2W sales further.

- **Strong player in heavy equipment distribution and mining contractor in Indonesia—**Besides the market leader in heavy equipment with a total market share of 36% as of FY15, United Tractors is also the largest mining contractor in Indonesia in terms of net revenue, which captures 48% of the domestic market share. UNTR is a solid company that generates high revenue and is supported by healthy balance sheet with 6% of DER as of FY15.

- **Bottoming earnings in HE and mining contracting segment—** With the huge one-off impairment losses in 4Q15 that dampened full year performance, United Tractors is bound to book better earnings this year.

- **Rising CPO prices—**We turn more bullish on the plantation sector as we see a turn around story in the industry. We expect the current rally of CPO prices will be maintained at least until late 2Q16, which we believe could offset the fall in production.

Key Risks:

- **Temporary decline in 4W market share—**Astra has been losing market share due to Honda's discount giveaways. We view this will just be temporary as Honda tries to reduce the inventory.

- **Bleak HE industry still lingers this year—**The company experienced a declining trend in Komatsu sales due to weakening demand in HE from commodity-related industries. During FY11 to FY15, Komatsu sales is declining from its peak of 8,467 units in FY11 to 2,124 units in FY15. The Komatsu sales in FY15 alone reported a decrease of 40% YoY.

- **Commodity cycle and IDR appreciation—**We view that commodity cycle has not fully recovered, thus United Tractors will continue to experience turbulences in terms of demand. Meanwhile, IDR appreciation against USD may further harm the company's profitability.

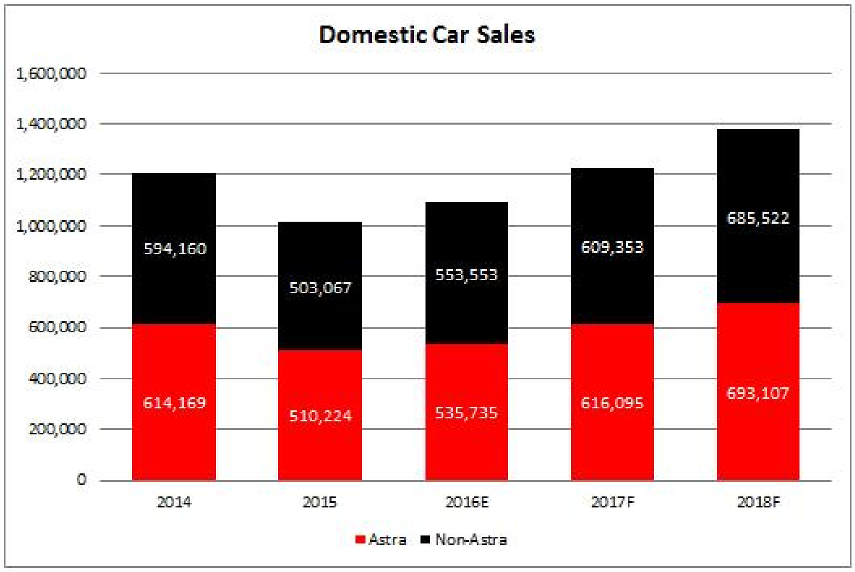
- **Relatively mature plantation age profile and slowdown in new planting—**Mostly Astra Agro Lestari's plantations are starting to enter mature age with average age profile of 14.7 years in 2015. In order to support the sustainability program, the management reveals that the company will not do any new planting this year, which we view could limit the production growth in the next few years.

- **B20 biodiesel program mandate—**We see some obstacles in the implementation of this mandate, mainly because of the shortage in CPO levy collected, and biodiesel products seem to be less attractive if the crude oil price remains low.

Automotive

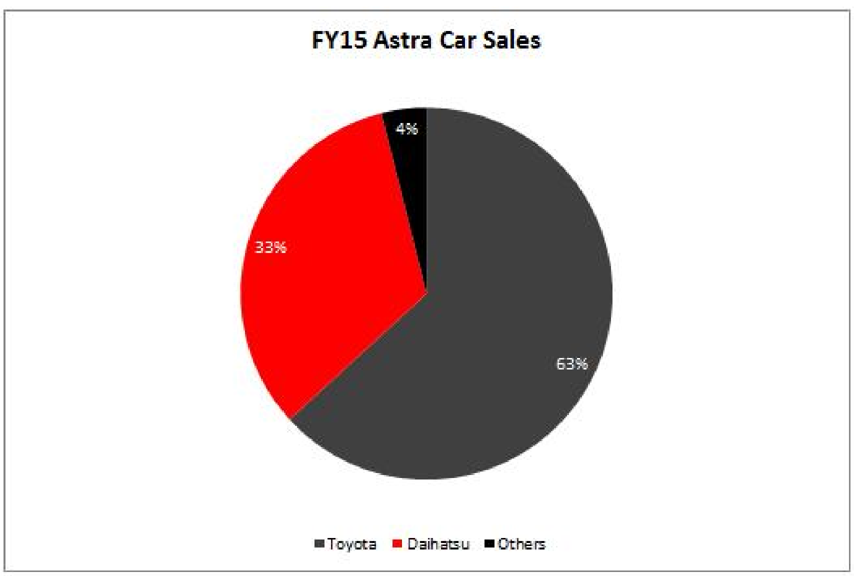
With EM economic slowdown in 2015, automotive was one of the sectors that got the biggest hit. Domestic car sales declined by 16.1% YoY, while in the mean time, Astra sales declined by 16.9%. This year, we believe, though the economy has not entirely back to normal, Indonesian automotive will be in a better shape. The first two months in 2016 have shown that automotive sales are going in an upward trajectory. In our model, we forecast Astra sales to accelerate by 5% YoY, while domestic accelerates at a faster pace. We view Honda will still put up pressures to the market share as it tries to reduce inventories by pumping discount. Nonetheless, we argue that Astra's market share will start to improve in FY17F.

Automotive sales have been bottoming in 2015 and we believe Astra will manage to book positive growth in both 4W and 2W. Meanwhile, 4W market share will remain under pressure as Honda pumping discount to reduce inventory.



Source: Gaikindo, Sinarmas Investment Research

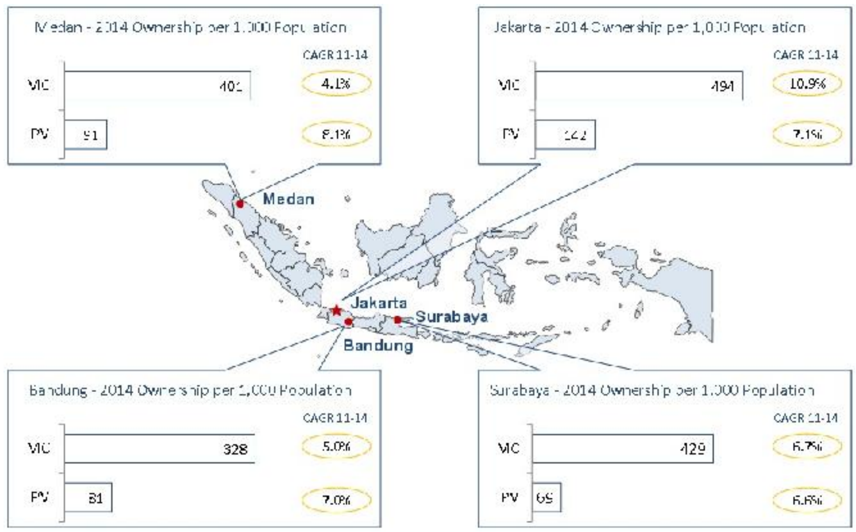
In 2015, Astra, which holds exclusive dealership rights for Toyota and Daihatsu, has sold roughly 50% of new car sales in Indonesia



Source: Company Data, Sinarmas Investment Research

As PV penetration in Indonesia still remains low, automotive industry in the country offers attractive outlook for Astra.

As PV penetration in Indonesia still remains low, automotive industry in the country offers attractive outlook for Astra. As of 2014, the percentage of PV ownership in Jakarta was below 15%, while for other cities were below 10%. We believe with bottoming car sales in 2015, the company will perform better this year.



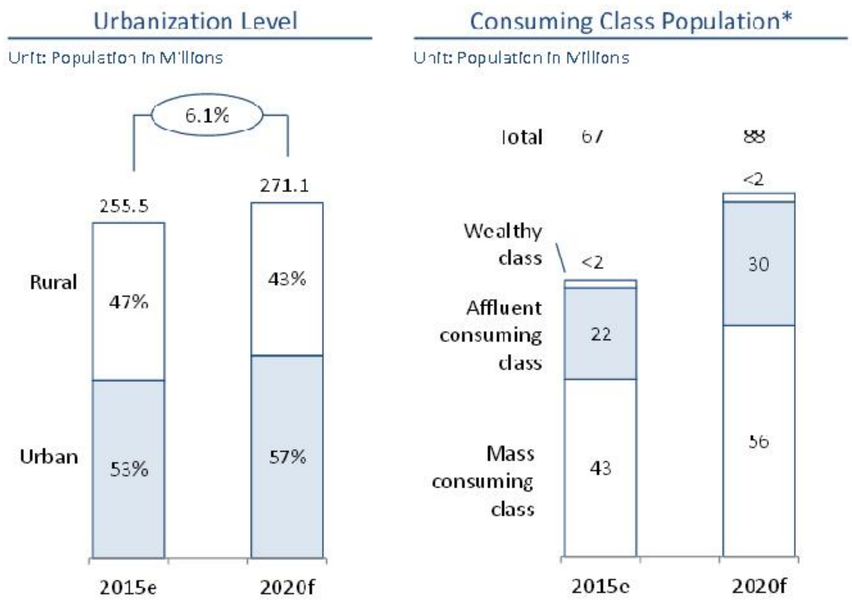
Source: Ipsos Business Consulting, Sinarmas Investment Research

Macro-wise, there are several catalysts that we believe would help automotive sales in future years. Starting from infrastructure developments such as toll roads, which would further boost 4W sales, to the lower benchmark rate environment as the government urges Bank Indonesia to cut benchmark rate. Given these two catalysts, Astra International will be one of the main beneficiaries.

Moreover, as the current government focus on improving lower-to-middle income segment's purchasing power, we believe 2W sales would be benefited as well. According to the research conducted by Ipsos, with a market share of roughly 30% of total population, smaller cities (150,000-2,000,000 populations) are expected to be able to grow by 6-9% YoY. Continuing urbanization could further boost the overall automotive demand and consumption. Furthermore, these young population dynamics and rising middle class would eventually benefit ASII towards higher 4W and 2W sales.

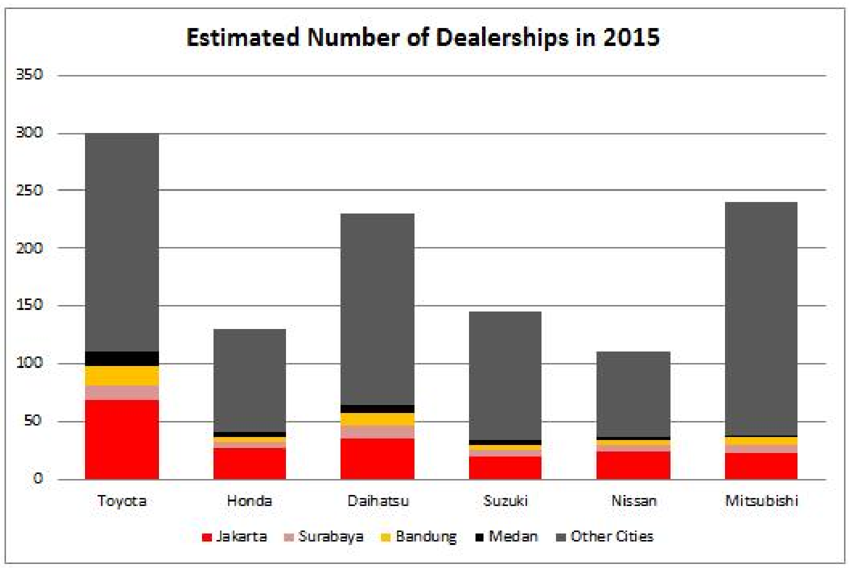
Having well-dispersed locations of dealerships, we believe the temporary decline market share in 4W will not last long as Astra, Indonesia's incumbent automotive distributor, has the largest infrastructure in the country and solid brand image. While market share may decline this year, we expect broad based pick up on demand through new INNOVAtions. In 2015, Astra, which holds exclusive dealership rights for Toyota and Daihatsu, has sold roughly 50% of new car sales in Indonesia.

Infrastructure developments, lower benchmark rate environment, young population dynamics, and rising middle class would eventually benefit ASII towards higher 4W and 2W sales.



Source: McKinsey, Ipsos Analysis, Sinarmas Investment Research

Having the highest dealership density, Astra is inarguably the market leader in the automotive industry.



Source: Ipsos Business Consulting, Sinarmas Investment Research

Assumptions used in our model:

Historical & Forecast	2014	2015	2016E	2017F	2018F
Astra 4W Sales Volume	614,169	510,224	535,735	616,095	693,107
% growth		*-16.9%*	*5.0%*	*15.0%*	*12.5%*
Astra 2W Sales Volume	5,051,100	4,453,888	4,676,582	4,910,412	5,155,932
% growth		*-11.8%*	*5.0%*	*5.0%*	*5.0%*

Source: Sinarmas Investment Research

Automotive (IDR Bn)	2014	2015	2016E	2017F	2018F
Revenue	108,635	96,792	106,713	128,856	152,211
% growth		*-10.9%*	*10.3%*	*20.8%*	*18.1%*
Cost of Revenues	97,970	86,752	95,830	115,715	136,688
% growth		*-11.5%*	*10.5%*	*20.8%*	*18.1%*
Gross Profit	10,665	10,040	10,883	13,141	15,523
% growth		*-5.9%*	*8.4%*	*20.8%*	*18.1%*
Operating Expense	8,648	8,773	7,470	9,020	10,655
% growth		*1.4%*	*-14.9%*	*20.8%*	*18.1%*
D&A	746	945	1,046	1,046	1,046
% growth		*26.7%*	*10.7%*	*0.0%*	*0.0%*
EBITDA	2,763	2,212	4,459	5,167	5,914
% growth		*-19.9%*	*101.6%*	*15.9%*	*14.5%*
Operating Profit	2,017	1,267	3,413	4,121	4,868
% growth		*-37.2%*	*169.4%*	*20.8%*	*18.1%*
Pre-Tax Income	9,699	8,445	10,831	12,414	14,082
% growth		*-12.9%*	*28.3%*	*14.6%*	*13.4%*
Net Income	8,764	7,555	9,690	11,106	12,598
% growth		*-13.8%*	*28.3%*	*14.6%*	*13.4%*

Source: Company Data, Sinarmas Investment Research

Financial (IDR Bn)	2014	2015	2016E	2017F	2018F
Revenue	15,788	17,281	18,577	19,920	21,336
% growth		*9.5%*	*7.5%*	*7.2%*	*7.1%*
Cost of Revenues	6,728	7,553	7,895	8,466	9,068
% growth		*12.3%*	*4.5%*	*7.2%*	*7.1%*
Gross Profit	9,060	9,728	10,682	11,454	12,268
% growth		*7.4%*	*9.8%*	*7.2%*	*7.1%*
Operating Expense	5,300	6,005	6,680	7,162	7,672
% growth		*13.3%*	*11.2%*	*7.2%*	*7.1%*
D&A	772	868	955	1,115	1,257
% growth		*12.4%*	*10.0%*	*16.8%*	*12.8%*
EBITDA	4,532	4,591	4,957	5,406	5,854
% growth		*1.3%*	*8.0%*	*9.1%*	*8.3%*
Operating Profit	3,760	3,723	4,002	4,292	4,597
% growth		*-1.0%*	*7.5%*	*7.2%*	*7.1%*
Pre-Tax Income	6,064	4,830	5,310	5,623	5,953
% growth		*-20.3%*	*9.9%*	*5.9%*	*5.9%*
Net Income	5,021	3,775	4,150	4,395	4,653
% growth		*-24.8%*	*9.9%*	*5.9%*	*5.9%*

Source: Company Data, Sinarmas Investment Research

Heavy Equipment and Mining Contractor

We view UNTR as a solid company that generates high revenue and supported with plenty of cash and strong balance sheet (6% FY15 DER) with competitive advantages among peers. The company proved that it is the best company in the heavy equipment and mining contracting industries. However, due to the commodity cycle has not yet fully recovered in the short-term and the tends of IDR strengthen against USD, the company's performance will continue to experience turbulences.

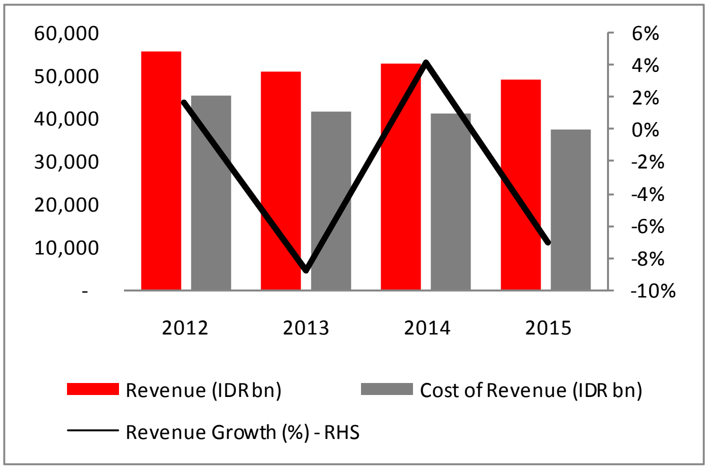
FY15 UNTR's Financial Performance

Revenue Decreased by 7% YoY. The company booked FY15 total consolidated revenue decrease by 7% YoY to IDR 49,3tn. The decrease in total revenue was contributed by the decrease in all existing business lines with the biggest drop in mining sector by 18% YoY, then it was followed by the same percentage amount of decrease in both construction machinery and mining contracting sectors by each of 9% YoY. Construction industry revenue which coming from its new subsidiary acquired in early 2015, Acset Indonusa, contributed to UNTR's total revenue by IDR 1,4tn. Overall, mining contracting, construction machinery, mining, and construction industry contributed by 62%, 27%, 8% and 3% in respectively to total revenue.

Net Profit Dropped by 42% YoY. Inline with the decrease in total revenue, gross profit was also decreased by 3% YoY to IDR 11.7tn, despite the increase in gross profit margin from 22.7% in FY14 to 23.7% in FY15. Profit for the year fell by 42% YoY to IDR 2.8tn, mainly due to the impairment loss recorded increase by 91% YoY to IDR 5.3tn. Net income attributable to owners of the parent was decreased by 28% YoY to IDR 3.9tn. However, excluding the impact of non-cash impairment loss recorded in relation to coal mining properties, net income recorded 'only' decreased by 7% YoY to IDR 6.4tn.

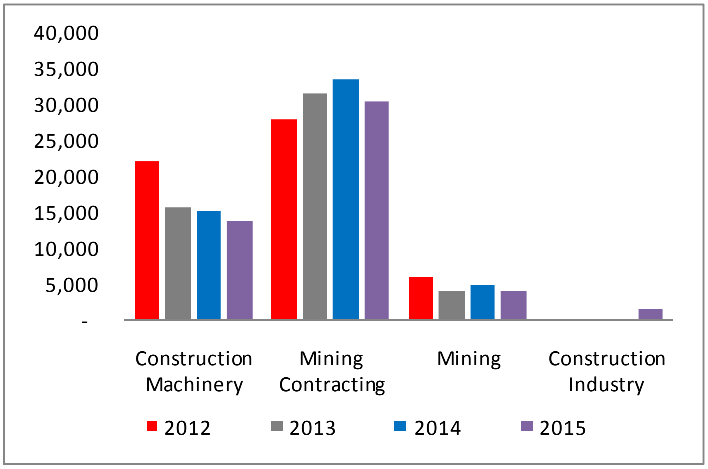
Financial Statement (in IDR bn)	FY15	FY14	% YoY
Exchange Rate (IDR/USD)	13,795	12,440	11%
Revenue Breakdown			
Construction Machinery	13,629	14,983	-9%
Mining Contracting	30,545	33,493	-9%
Mining	3,817	4,666	-18%
Construction Industry	1,357		
Total Revenue	49,347	53,142	-7%
Gross Profit	11,702	12,070	-3%
GPM	23.7%	22.7%	4%
Profit for the Year	2,792	4,832	-42%
Net Income	3,853	5,362	-28%
EPS (IDR)	1,033	1,437	-28%

UNTR's Consolidated Revenue and Cost of Revenue



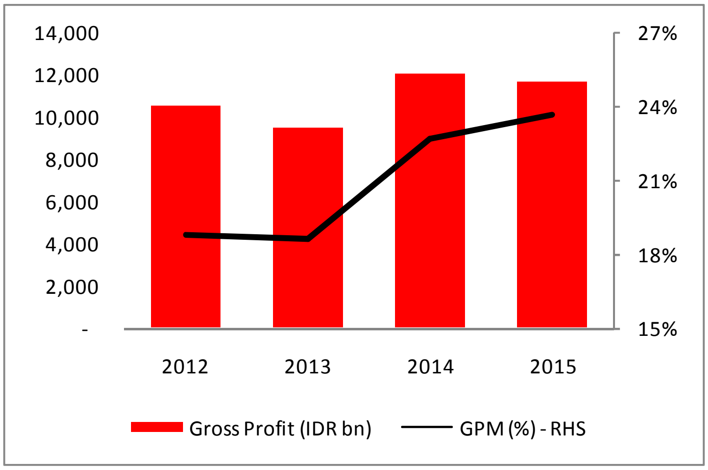
Source: Company Data, Sinarmas Investment Research

UNTR's Revenue Breakdown



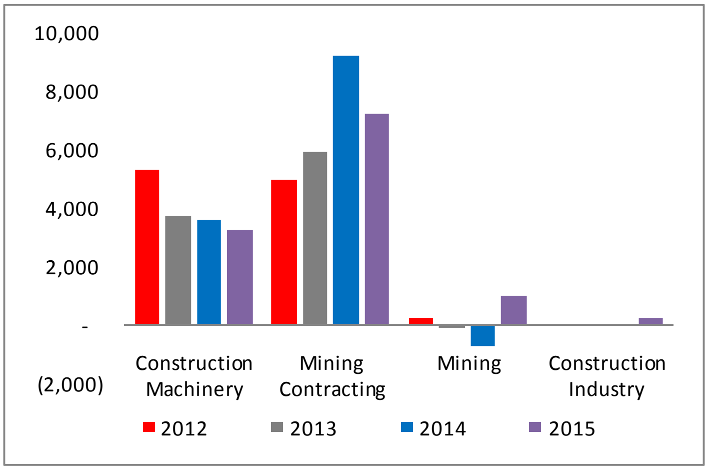
Source: Company Data, Sinarmas Investment Research

UNTR's Gross Profit



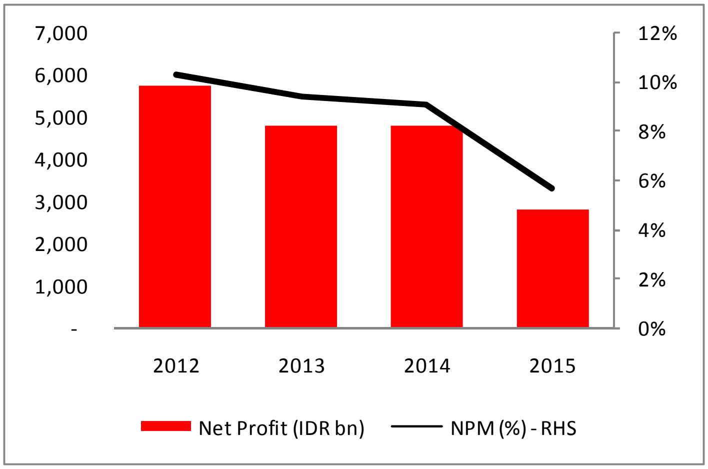
Source: Company Data, Sinarmas Investment Research

UNTR's Gross Profit Breakdown



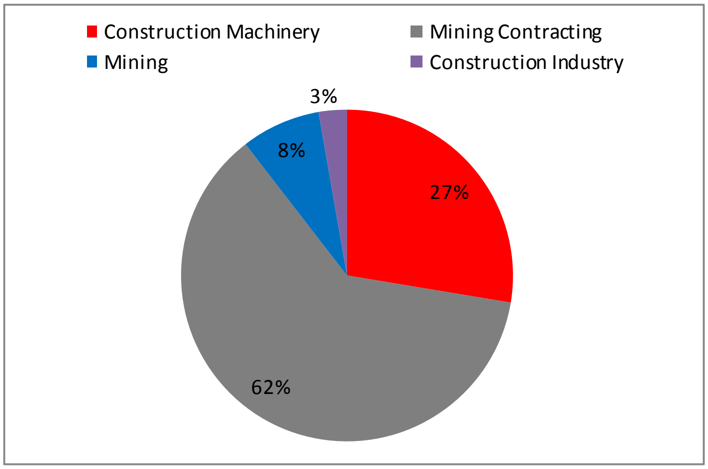
Source: Company Data, Sinarmas Investment Research

UNTR's Net Profit



Source: Company Data, Sinarmas Investment Research

UNTR's FY15 Revenue Breakdown



Source: Company Data, Sinarmas Investment Research

USD Sensitivity Analysis

The company is benefited from the depreciation of IDR to USD as most of its sales revenue is received in USD based. However, with the current IDR movement which tends to strengthen against USD, we view this will affect negatively to company's revenue. Thus, we estimate the impact of USD/IDR movement to company's revenue by making the sensitivity analysis.

Financial Statement (in IDR bn)	Our FY16E Base	Scenario #1: IDR strengthen		Scenario #2: IDR weaken	
		New Outcome	Difference	New Outcome	Difference
USD/IDR Forex Rate (full amount)	13,500	12,825	5%	14,175	-5%
Revenue	41,720	39,741	-5%	43,698	5%
Gross Profit	9,851	9,376	-5%	10,325	5%
Net Profit	4,250	3,759	-12%	4,741	12%

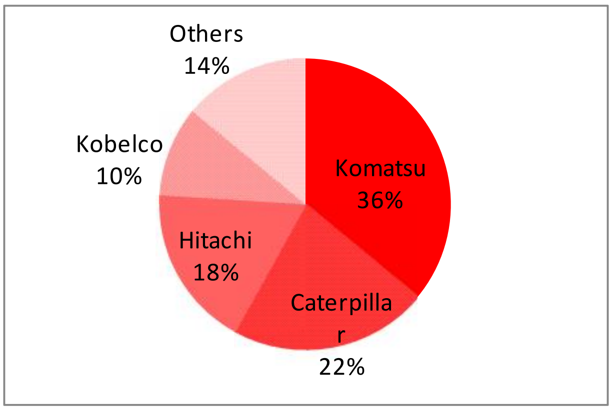
Source: Company Data, Sinarmas Investment Research

From the analysis table above, we use IDR 13,500/USD as our FY16E base case scenario. Under scenario #1 which IDR strengthen by 5% against USD, the company's performance in IDR based for revenue is estimated to decrease by 5% while net profit is estimated to fell more than that by 12%. However, under scenario #2 which IDR weaken by 5% against USD, the company's performance in IDR based for revenue is estimated to increase by 5% and net profit is estimated to hike by 12%. Therefore, we conclude that for every 5% change in USD/IDR foreign exchange, that will affect to a 5% change in top line revenue and a 12% change in bottom line profit, with a negative correlation.

Construction Machinery

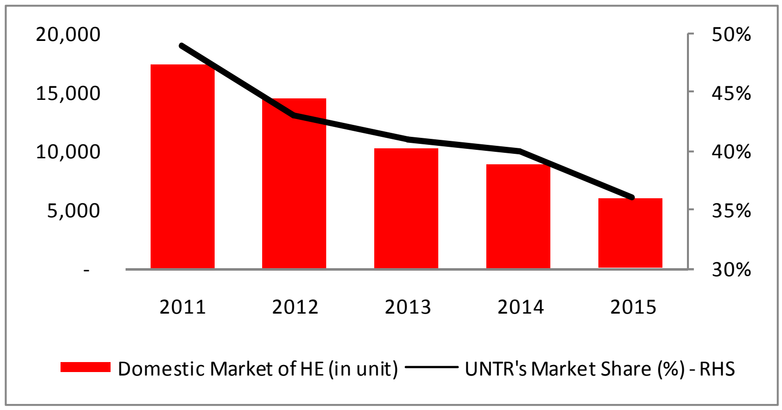
The Market Leader in HE Industry. The company is the market leader in heavy equipment (HE) distribution in Indonesia with a total market share of 36% as of FY15 (according to company's internal research). The company's construction machinery business offers a full range of HE solution to customers in a diverse range of industries, i.e. mining, plantations, construction, forestry, material handling, and transportation. The company offers the world-renowned brands, including Komatsu, UD Trucks, Scania, Bomag, and Tadano.

FY15 Domestic HE Market Share by Brand



Source: Company Data, Sinarmas Investment Research

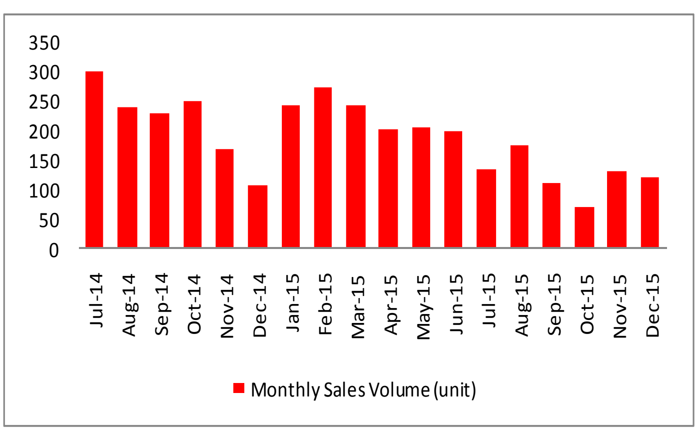
UNTR's Komatsu Market Share



Source: Company Data, Sinarmas Investment Research

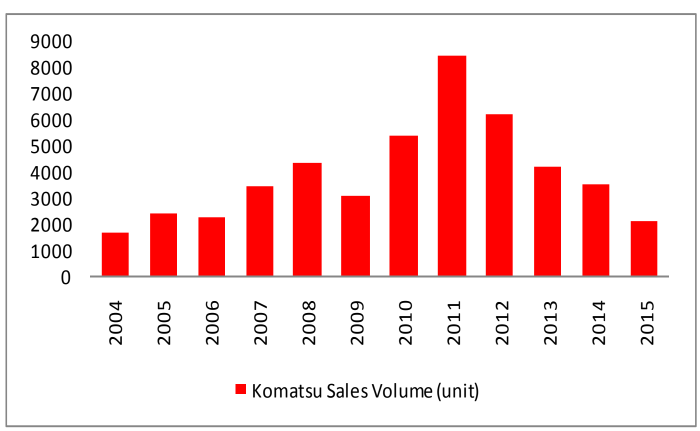
Weak Komatsu Demand. The company sold 2,124 units Komatsu in FY15, a decrease by 40% YoY from 3,513 units sold in FY14 due to the continuation of HE market sluggishness along with the decrease in HE demand from those industries mentioned above. During FY11-FY15, the company experienced declining trend in Komatsu unit sales from its highest of 8467 units sold in 2011 to 2,124 units sold in FY15, a total drop by 75% in the last 5 years.

Komatsu Monthly Sales Volume (Jul 2014-Dec 2015)



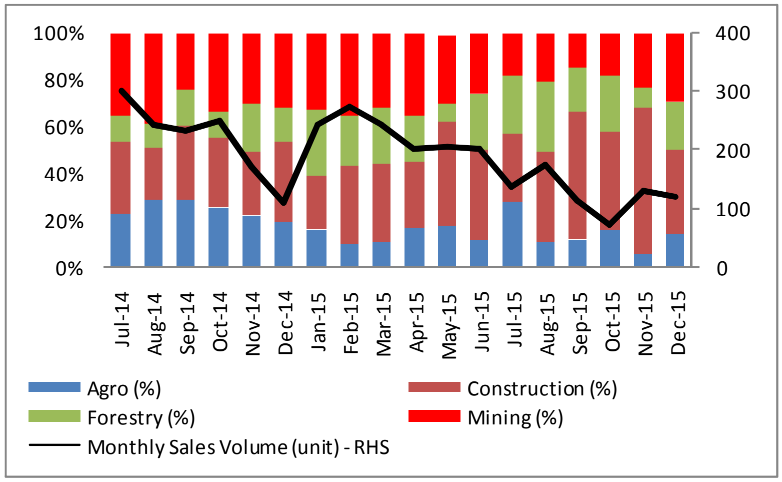
Source: Company Data, Sinarmas Investment Research

Komatsu Sales Volume in 2004-2015



Source: Company Data, Sinarmas Investment Research

Komatsu Monthly Sales Volume by Sector (Jul 2014-Dec 2015)



Source: Company Data, Sinarmas Investment Research

Construction Sector Will Become Future Source of Growth. HE demand is expected to continue its weakness in the short-term, especially the demand coming from commodities related sectors i.e. mining, agribusiness and forestry, due to the weakness in global commodity prices. However, as the Indonesian government is trying to accelerate the infrastructure development, we view that the sales contribution from construction sector will have a better outlook in company's HE sales. HE sales proportion from construction itself increased from 28% in FY14 to 36% in FY15. The company plans to sell 2,000 units Komatsu this year, a decrease by 6% YoY, with relying more on sales for construction sector.

Historical Komatsu Sales Volume by Sector in 2004-2015

Source: Company Data, Sinarmas Investment Research

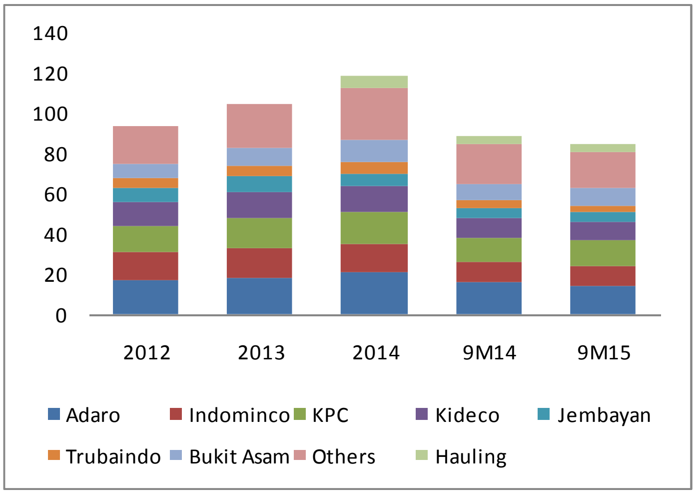
Mining Contracting

World Class Mining Services Company. The mining contracting business is operated through its subsidiary, PT Pamapersada Nusantara ("PAMA"), which was established in 1988. With its experience of almost three decades, PAMA provides a comprehensive range of world class mining services that extends from mine design, exploration, construction of infrastructure, extracting, removal of overburden, hauling transshipment, and marketing.

The Biggest Domestic Market Share. By having those competitive advantages, PAMA is now the largest coal mining contractor in Indonesia in terms of net revenue, which captured 48% of domestic market share (based on company's internal market research).

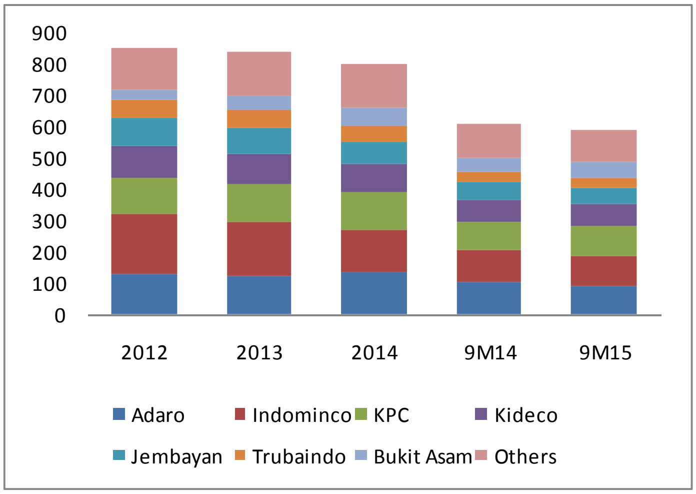
Well-known and Reputable Clients. PAMA has been working together and also building good relationship with some of the largest and most respected coal operators in Indonesia as their clients, such as PT Adaro Indonesia, PT Indominco Mandiri, PT Kideco Jaya Agung, PT Kaltim Prima Coal, PT Jembayan Muarabara, and PT Bukit Asam Tbk (PTBA.IJ). Generally, the company works based on contractual agreement with its clients for medium-term (3-5 years) to long-term (8-10 years) periods.

PAMA's Coal Production by Customer (MT)



Source: Company Data, Sinarmas Investment Research

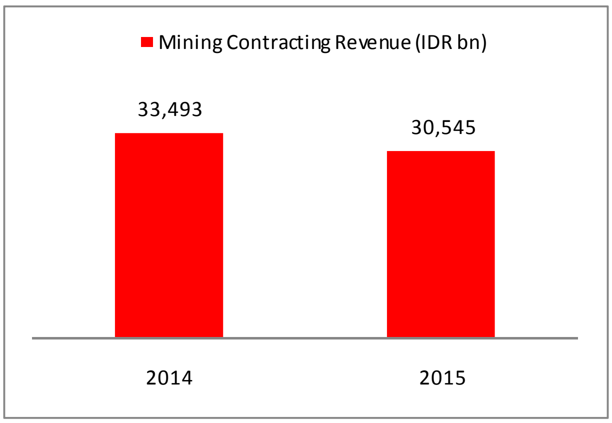
PAMA's Overburden Removal by Customer (Mbcm)



Source: Company Data, Sinarmas Investment Research

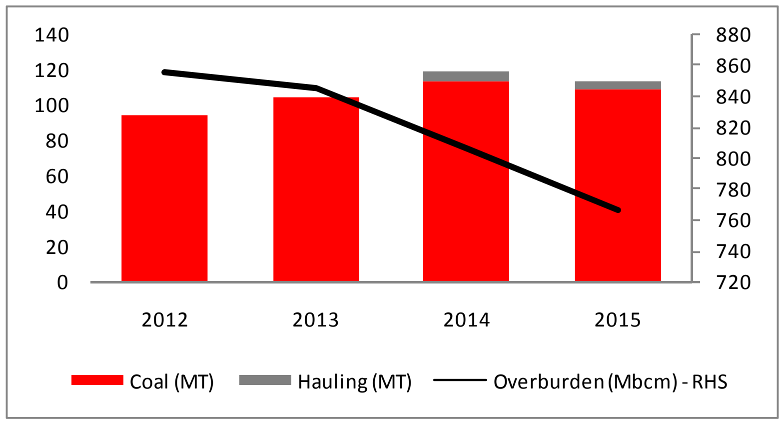
The Biggest Revenue Contributor. In FY15, mining contracting contributed by IDR 30.5tn, a decrease by 9% YoY. This was equal to 62% to company's total revenue of IDR 49.3tn. Coal production fell by 4% YoY from 113.5 million tons in FY14 to 109 million tons in FY15, while overburden removal also fell by 5% YoY from 806.4 million bcm in FY14 to 766.6 million bcm in FY15. Among the company's four business lines, mining contracting has taken position over from construction machinery as the biggest contributor to total consolidated revenue in term of both value and percentage portion since 2012, due to the declining trend in heavy equipment sales revenue.

Mining Contracting Revenue



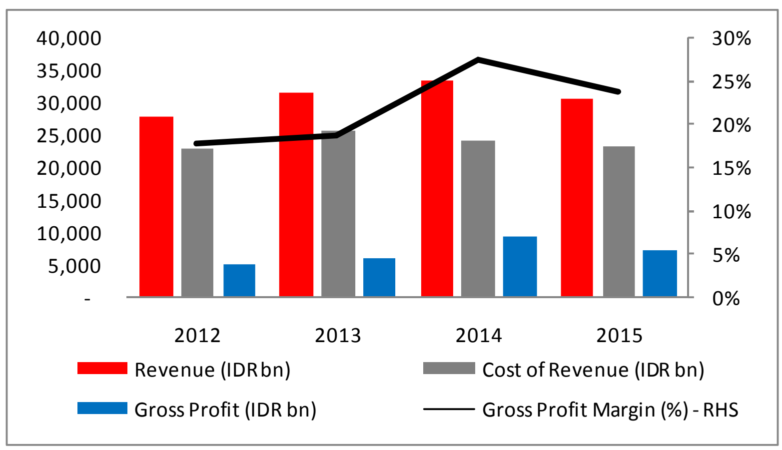
Source: Company Data, Sinarmas Investment Research

Coal Production, Hauling and Overburden Removal



Source: Company Data, Sinarmas Investment Research

UNTR's Mining Contracting Financial Performance



Source: Company Data, Sinarmas Investment Research

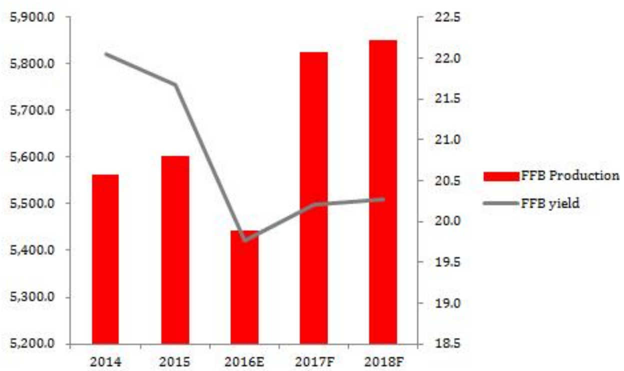
UNTR (IDR Bn)	2014	2015	2016E	2017F	2018F
Revenue	53,142	49,347	41,720	46,650	52,927
% growth		*-7.1%*	*-15.5%*	*11.8%*	*13.5%*
Cost of Revenues	41,071	37,645	31,869	35,661	40,485
% growth		*-8.3%*	*-15.3%*	*11.9%*	*13.5%*
Gross Profit	12,070	11,702	9,851	10,989	12,442
% growth		*-3.0%*	*-15.8%*	*11.5%*	*13.2%*
Operating Expense	6,107	8,685	5,204	3,940	4,345
% growth		*42.2%*	*-40.1%*	*-24.3%*	*10.3%*
D&A	3,918	3,728	4,144	4,279	4,414
% growth		*-4.9%*	*11.2%*	*3.3%*	*3.2%*
EBITDA	10,216	7,761	9,032	11,586	12,810
% growth		*-24.0%*	*16.4%*	*28.3%*	*10.6%*
Operating Profit	6,297	4,033	4,888	7,307	8,396
% growth		*-36.0%*	*21.2%*	*49.5%*	*14.9%*
Pre-Tax Income	6,507	4,193	5,667	8,503	9,770
% growth		*-35.6%*	*35.2%*	*50.0%*	*14.9%*
Net Income	4,832	2,792	4,250	6,377	7,328
% growth		*-42.2%*	*52.2%*	*50.0%*	*14.9%*

Source: Company Data, Sinarmas Investment Research

Plantations

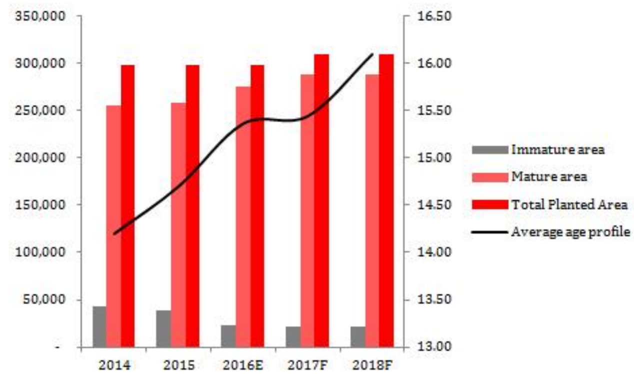
By the end of 2015, AALI manages total plantation of 297,862 hectares with 86.8% of it are mature plantations. As its nucleus plantations accounted by 79% of its total plantations. Last year, AALI's FFB production is flat, at 5.6 MT as its FFB yield declined slightly to 21.67 ton/ha (vs 22 ton/ha in 2014).

AALI total planted area in ha (mature and immature)



Source: Company, Sinarmas Investment Research

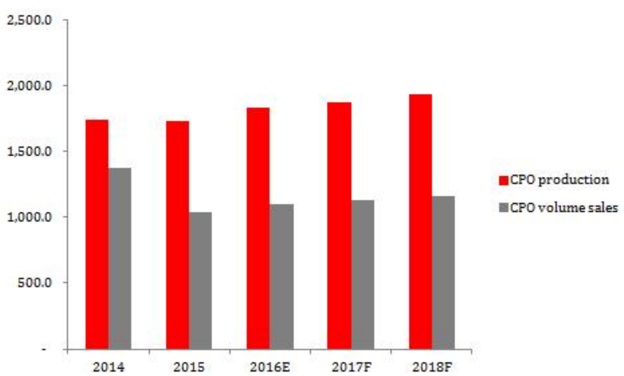
AALI annual FFB production and FFB yield (ton/ha)



Source: Company, Sinarmas Investment Research

AALI 2015 CPO production was also flat as CPO volume sales declined by 24.2% YoY. These were the result of more CPO allocation to its downstream business. Hence, AALI olein production and sales volume grew significantly by about 66% YoY. Last year was a tough year for AALI, especially when it came to the selling price. AALI average CPO selling price for last year was IDR 6.971/kg, dropped significantly by 15.8% on the back of maintainable low CPO prices in 2015.

AALI CPO production and sales (volume)



Source: Company, Sinarmas Investment Research

AALI CPO selling price (IDR/Kg)

Source: Company, Sinarmas Investment Research

For this year, there will be slowing down in AALI FFB and CPO production on the back of El Nino effect. We forecast AALI 2016 FFB production to reach 5.4 MT (-2.8% YoY), with FFB yield of 19.76 ton/ha before we expect to see recovery in 2017. We also see AALI average selling price at IDR 8000/kg this year, benefited from higher CPO prices which is expected to last for the upcoming years.

AALI faced tough year in 2015 on the back of low CPO prices. AALI recorded a 20% YoY decline in its top-line, whereas bottom-line registered declined by 73.5% YoY which finally translated into lower net income margin (4.7% vs 15.4% in 2014). Declining performance was mainly due to lower 2015 average selling price of IDR 6,971/kg (-15.8% YoY). AALI gross profit margin also experienced significant shrinkage to 23.6% (from 30.4% in 2014).

For 2016, though there will be lower production as the result of El Nino effect, it is also compensated by rising CPO prices year to date by 19.7%. We assume CPO price will keep rising in the next upcoming months as the peak of El Nino effect is still yet to come. We expect to see average CPO prices for this year at RM 2,600 - 2,700 as IDR will stable at IDR 13,500.

We expect revenue and EPS to grow by 22.1% and 234.9% respectively. Therefore, GPM will rise to 27.1% as NIM will be at around 13%.

AALI is proposing a rights issue with estimated gross proceeds of IDR 4tn. The rights issue and its term will be finalized in AALI shareholder meeting on 11 April 2016. The plan is the proceeds will go towards the repayment of existing debts, noting AALI high leverage profile. Considering this, we expect to see lower gearing and healthier balance sheet in 2016. In addition, AALI will be able to reduce its interest expenses, translating to better bottom-line profitability.

AALI (IDR Bn)	2014	2015	2016E	2017F	2018F
Revenue	16,306	13,059	15,942	18,316	17,787
% growth		*-19.9%*	*22.1%*	*14.9%*	*-2.9%*
Cost of Revenues	11,353	9,977	11,618	12,213	12,415
% growth		*-12.1%*	*16.4%*	*5.1%*	*1.7%*
Gross Profit	4,953	3,082	4,324	6,103	5,372
% growth		*-37.8%*	*40.3%*	*41.1%*	*-12.0%*
Operating Expense	1,229	1,229	1,324	1,535	1,523
% growth		*0.0%*	*7.7%*	*16.0%*	*-0.8%*
D&A	727	885	748	820	907
% growth		*21.6%*	*-15.5%*	*9.7%*	*10.6%*
EBITDA	4,451	2,738	3,748	5,388	4,755
% growth		*-38.5%*	*36.9%*	*43.8%*	*-11.7%*
Operating Profit	3,723	1,853	3,001	4,568	3,848
% growth		*-50.2%*	*61.9%*	*52.2%*	*-15.7%*
Pre-Tax Income	3,682	1,176	2,910	4,516	3,804
% growth		*-68.1%*	*147.6%*	*55.2%*	*-15.8%*
Net Income	2,622	696	2,183	3,387	2,853
% growth		*-73.5%*	*213.8%*	*55.2%*	*-15.8%*

Source: Company Data, Sinarmas Investment Research

Consolidated (IDR Bn)	2014	2015	2016E	2017F	2018F
Cash and Equivalents	20,902	27,102	31,172	24,105	18,058
Trade Receivables	21,332	17,776	18,427	21,425	24,398
Financing Receivables	30,297	31,728	32,889	38,241	43,548
Other Receivables	3,130	3,501	3,629	4,220	4,805
Inventories	16,986	18,337	19,023	22,137	25,470
Total Current Assets	97,241	105,161	111,857	116,844	122,997
Non-Current Receivables	32,951	33,242	34,459	40,066	45,626
Investments	35,237	38,453	44,391	51,151	58,737
Plantations	6,007	6,686	7,208	7,683	8,137
Mining Properties	9,149	4,859	4,108	4,593	5,211
Concessions	4,930	5,298	5,753	6,205	6,653
Fixed Assets	41,250	41,702	43,336	44,939	44,609
Total Assets	236,027	245,435	261,147	281,515	302,003
ST Borrowings	37,421	36,202	35,616	34,746	34,041
LT Borrowings	32,651	34,447	34,447	34,447	34,447
Account Payables	18,839	20,557	21,326	24,817	28,554
Total Liabilities	115,840	118,902	119,085	121,706	124,737
Total Equity	120,187	126,533	142,062	159,809	177,266

Source: Company Data, Sinarmas Investment Research

Consolidated (IDR Bn)	2014	2015	2016E	2017F	2018F
Revenue	201,701	184,196	190,938	222,007	252,816
% growth		*-8.7%*	*3.7%*	*16.3%*	*13.9%*
Cost of Revenues	162,892	147,486	153,002	178,047	204,858
% growth		*-9.5%*	*3.7%*	*16.4%*	*15.1%*
Gross Profit	38,809	36,710	37,937	43,960	47,958
% growth		*-5.4%*	*3.3%*	*15.9%*	*9.1%*
Operating Expense	18,646	19,498	16,075	16,885	19,224
% growth		*4.6%*	*-17.6%*	*5.0%*	*13.8%*
D&A	7,425	10,895	7,930	7,242	7,545
% growth		*46.7%*	*-27.2%*	*-8.7%*	*4.2%*
EBITDA	27,588	28,107	29,792	34,317	36,279
% growth		*1.9%*	*6.0%*	*15.2%*	*5.7%*
Operating Profit	20,163	17,212	21,862	27,075	28,734
% growth		*-14.6%*	*27.0%*	*23.8%*	*6.1%*
Pre-Tax Income	27,058	19,630	25,740	32,113	34,704
% growth		*-27.5%*	*31.1%*	*24.8%*	*8.1%*
Net Income	22,131	15,613	21,024	26,042	28,236
% growth		*-29.5%*	*34.7%*	*23.9%*	*8.4%*
Attributable to Common	*19,191*	*14,464*	*19,611*	*23,921*	*25,800*
Minority Interest	*2,940*	*1,149*	*1,413*	*2,121*	*2,437*

Source: Company Data, Sinarmas Investment Research

SoTP Valuations

Automotive	Ownership
Earnings FY16E (IDR Bn)	9,473
FY16E P/E (X)	17.0
Fair Value (IDR Bn)	161,045
per share	*3,978*

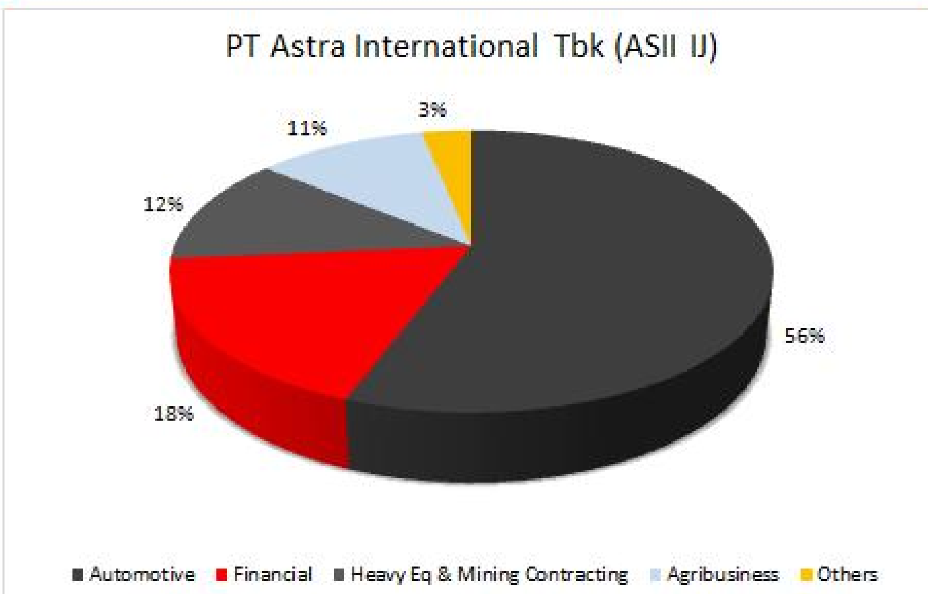
Financial	Ownership
Earnings FY16E (IDR Bn)	3,908
Equity (IDR Bn)	26,583
ROE (%)	14.7
g (%)	6.0
k (%)	10.5
FY16E P/BV (X)	1.9
Fair Value (IDR Bn)	51,399
per share	*1,270*

Heavy Eq & Mining Contracting	Ownership
WACC (%)	10.8
Terminal growth (%)	1.0
52-Week Target Price (DCF)	16,200
Number of Shares (Bn)	3.7
Fair Value (IDR Bn)	35,955
per share	*888*

Agribusiness	Ownership
Earnings FY16E (IDR Bn)	2,074
FY16E P/E (X)	15.2
Fair Value (IDR Bn)	31,436
per share	*777*

Others	Ownership
Earnings FY16E (IDR Bn)	609
FY16E P/E (X)	15.0
Fair Value (IDR Bn)	9,140
per share	*226*

Total Fair Value (IDR Bn)	288,976
No. of Issued Shares (Bn)	40.5
Fair Value per Share	*7,150*
Automotive	*3,978*
Financial	*1,270*
Heavy Eq & Mining Contracting	*888*
Agribusiness	*777*
Others	*226*



We rate ASII as NEUTRAL with 52-week target price of IDR 7,150, representing a slight downside potential from the current market price. While earnings should see pick-ups, we view the company is fully valued, though any major corrections can be taken as buying opportunities for short-term investment purposes.

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