

We initiate coverage on PT Buyung Poetra Sembada Tbk (HOKI) with BUY recommendation and FY19 target price at IDR 1,150, representing 21.7% potential upside. We give a buy recommendation for HOKI on the back of positive industry outlook, rising demand from modern channel and easing competition. The company is the market leader for branded premium rice in modern market which accounted for 35% in 2015. Furthermore, HOKI is supported with highly diversified supplier amounting to 205 suppliers spread across Indonesia to maintain stable supply on its extensive distribution channel. Overall, we are optimistic in the long term prospect of the company as we believe that the potential to grow is still enormous as HOKI's total sales volume in 2017 only accounted for 0.3% of total rice market value in Indonesia.

Big opportunity. After the recent havoc in rice industry due to HET implementation, HOKI as the market leader in modern market channel for branded premium rice is able to maintain their solid position whereas other premium rice producers have shown difficulties to adapt with the new regulation and price ceiling, including major player such as PT Tiga Pilar Sejahtera (AISA) and PT Prima Andalan Djaja Internusa. This results in less competition and a big opportunity for HOKI to grab some of its competitor's market share.

New distribution channel: Alfamart. HOKI has just obtained a license to distribute its new private label product for PT Sumber Alfaria, namely Alfamart Rice Beras Super Sylp with 5kg weight. We expect rising demand of branded premium rice contributed from Alfamart brand. As for 2018 the company will start to produce and distribute Alfamart's brand for Sumatera region only and will gradually spread to other regions. The impact in sales volume would likely be seen after the company ramp up their production capacity, as its current production has surpassed its normal capacity.

Expanding production capacity to meet its demand. Currently, HOKI's total production capacity amounted to 35 tons per hour. To accommodate the huge demand coming from both modern and traditional market, the company is currently building the new production line in Subang that will bring additional 20 tons per hour capacity which is expected to start operating in 2H18. The company also plans to further increase its production capacity by building new factory located in Palembang, South Sumatera with 40 tons per hour capacity (paddy to rice) which is expected to be completed in 1H19. Therefore, with their production capacity almost tripling within 2 years, we expect a rapid growth in sales volume to cover all the demand that currently the company are not able to cover.

Kenji Fanata

Equity Analyst

+62 21 392 5550 ext. 611

kenji.fanata@sinarmassekuritas.co.id

Stock Information

Sector	Consumer Staples
Bloomberg Ticker	HOKI IJ
Market Cap. (IDR tn)	2.24
Share Out./Float (mn)	2,366/661.2
Current Price	IDR 945
52-week Target Price	IDR 1,150
Upside (%)	21.7%

Share Price Performance

52W High (08/06/18)	1,015
52W Low (09/18/17)	268
52W Beta	0.81
YTD Change (%)	174.7%

Relative Valuations

Trailing P/E	39.4x
Forward P/E	23.2x
P/BV	4.7x
EV/EBITDA	27.9x

Highlights (IDR Bn)	2016	2017	2018E	2019F	2020F
Revenue	1,146.9	1,209.2	1,441.2	1,829.1	2,288.8
% growth	74.2%	5.4%	19.2%	26.9%	25.1%
Gross Profit	168.8	164.9	206.5	285.6	386.4
Net Profit	43.8	48.0	82.0	125.1	188.9
% growth	-17.7%	9.5%	70.9%	52.6%	51.0%
Gross Margin (%)	14.7%	13.6%	14.3%	15.6%	16.9%
Net Margin (%)	3.8%	4.0%	5.7%	6.8%	8.3%
Return on Equity (%)	19.9%	10.1%	15.4%	20.1%	25.1%
Return on Assets (%)	11.8%	8.3%	11.9%	15.9%	20.4%
EPS (IDR)	19	20	35	53	80

Brief History of the market leader in rice industry.



A Glance of Buyung Poetra Sembada. The company was established in September 16, 2003, engaging in food industry, particularly in the processing and distribution of premium branded rice with HOKI and TopiKoki as the company's main brand name. At present, HOKI operates two production facilities located in Pasar Induk Cipinang, East Jakarta and Subang, West Java with total production capacity as of 2017 reaching 302,400 ton/year approximately or 35 ton/hour. The production facility in Pasar Induk Beras Cipinang has 1 production line (rice to rice) with 5 ton/hour production capacity, whereas the production facility in Subang has 2 production lines with production capacity of 20 ton/hour (rice to rice) and 10 ton/hour (paddy to rice). HOKI purchases raw material (paddy&rice) from paddy & rice collectors in various production areas to lessen the dependency from any specific supplier, hence HOKI could maintain their raw material cost better. The majority of HOKI's branded rice products are sold through the modern retail distribution channels such as supermarket, minimarket, and other non-traditional markets. In addition, HOKI also distributes its products through online shops, hotels, restaurants, and cafes.

Extensive distribution channel. In term of marketing and selling activities, HOKI distribute its products through various distribution channel, including modern retail, general trade, online, and business to business.

1. Modern retail, with sustained cooperation with many modern retailers, HOKI is able to distribute its product to supermarkets and minimarkets throughout Indonesia.
2. General trade, facilitates the products to be reached by wider market segments.
3. Online, HOKI also distributes its product through online trading partners, including JD.id, Elevenia, Sukamart, and Tokopedia.
4. Business to Business, the company also sells the residual product from the milling process that is not included in the final product, such as broken rice which could then be sold to rice flour and rice noodle processing factories.

Premium branded rice as HOKI's main product. The company main product is marketed under Topikoki, BPS, Rumah Limas, Belida, and Hoki trademark which are produced and sold with various rice varieties and sizes. Complying with the latest regulation from the government regarding the price ceiling, the final selling price for customer in the modern retail ranges between IDR 12,800-IDR 13,600, vary depending on the region. Furthermore, the company also cooperates with several modern retailers to produce rice products under their own brands (private label) that are exclusively sold in their own store. Several private labels produced by HOKI are, Indomaret, Giant, Lottemart, Hero, Hypermart, Yomart, Larrist (Indogrosir), and soon will start producing for Alfamart after they seal the deal in the beginning of August to produce private label products under Alfamart brand.

Own brand product variation



Source: Company data, Sinarmas Investment Research

Private label product variation



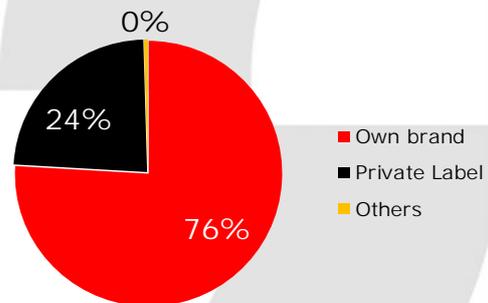
Source: Company data, Sinarmas Investment Research

Sales contribution by customer (%)

Customer	2014	2015	2016
PT Indomarco Prismaatama	20%	25%	21%
PT Matahari Putra Prima	5%	6%	5%
PT Lotte Mart Indonesia	2%	4%	4%
PT Hero Supermarket	9%	9%	4%
PT Lotte Shopping Ind	3%	3%	3%
PT Trans Retail Indonesia	5%	3%	2%
PT Lion Superindo	3%	2%	1%
PT Sinar Shabat Inti Makmur	1%	1%	1%
PT Tip Top	1%	1%	1%
Others	53%	45%	58%

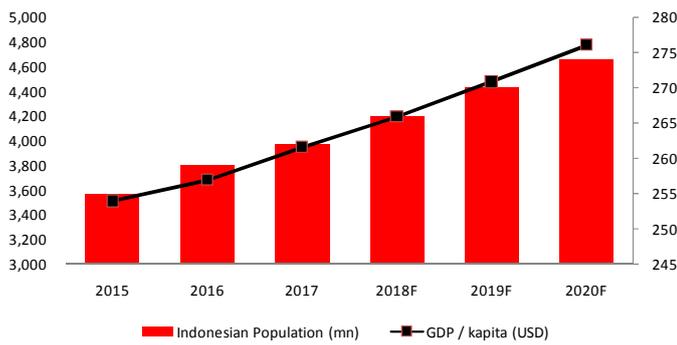
Source: Company data, Sinarmas Investment Research

Sales by product type in 2016 (%)



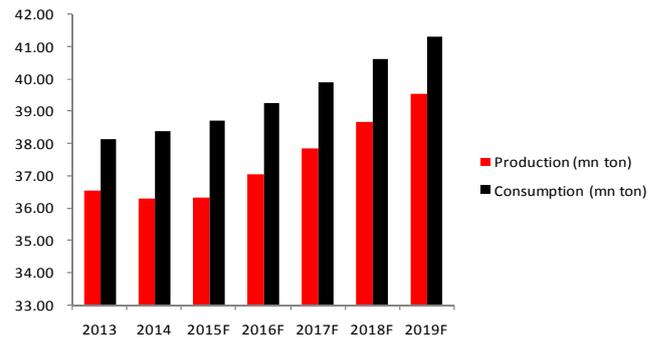
Source: Company data, Sinarmas Investment Research

Indonesia Population & GDP growth per



Source: BPS, Sinarmas Investment Research

Production & Consumption rice in Indonesia



Source: Company prospectus, Sinarmas Investment Research

Continuous growth of rice consumption. According to Badan Pusat Statistik Indonesia (BPS) the total population of Indonesia by the end of 2017 amounted to 262 mn people, +1.16% compared with 2016 population. Furthermore, by 2020 Indonesia population is projected to reach 274 mn people with 1.5% annual growth rate. As Indonesia's population continues to grow, more mouths need to be fed in the future, because people in Indonesia tend to consume rice as their primary food for daily consumption. Consumption data that was released by the Ministry of Agriculture, shows that rice still dominates the portion of public consumption with rice consumption per capita amounting to 98 Kg/year. Therefore, for years to come, we believe that there is huge room for the company to grow, inline with further improvement in quality of life of Indonesians with more middle to upper class society consuming premium quality rice.

Rice environment in Indonesia. Rice is grown by approximately 77% of all farmers in the country with the average farm size being less than 1 ha, with the majority of the farmers cultivating landholdings of 0.1–0.5 ha. Rice production is heavily concentrated in the islands of Java and Sumatra; nearly 60% of total production emanates from Java alone. Rice is cultivated in both lowlands and uplands throughout Indonesia, with the upland crop typically being rainfed and receiving only low amounts of fertilizer. Irrigated lowland rice is both well watered and heavily fertilized. According to the Ministry of Public Works, approximately 84% of the total rice area in Indonesia in 2012 was irrigated while the remaining 16% relied on rainfall. Rice is grown year-round, with some farmers being able to grow three crops a year, but it is common to grow two rice crops a year.

Indonesian Province which are the biggest rice producer are:

1. South Sumatera
2. West Java
3. Central Java
4. East Java
5. South Sulawesi

Rice Production Seasonality

Region	Planting	Harvesting
Java & South Sumatra	Oct-May	Feb-Jun
Sulawesi	May-Jun	Aug-Oct
Sumatra	July-Sept	Nov-Dec

Source: Sinarmas Investment Research

Government intervention through BULOG. To ensure that prices are stabilized, Indonesia's national logistics agency (BULOG) maintains grain stocks for the government by selling stocks when rice prices are too high or buying from farmers when prices drop below specific levels. BULOG is in charge of carrying domestic purchases of rough rice and milled rice. It is also in charge of distributing subsidized rice for poor and vulnerable people while retaining and managing the national rice reserve stock. BULOG procures around 7% of rice production and sells this at a subsidized rate.

New regulation for rice industry (HET). In an attempt to curb inflation, on September 2017 the government through Indonesia's Trade Ministry has capped retail prices for most types of rice by creating price ceilings for rice sales (HET) which vary between regions. The new regulation also classifies rice into three types of rice : Medium, Premium, and Specialty while price ceilings only apply to the first two category. The government set a standard quality for rice grains through its textures by emphasizing on its milling degree, water content, and broken rice rate. The price ceilings for medium rice type ranges from IDR 9,450-IDR 10,250 while premium rice type ranges from IDR 12,800-IDR 13,600. Those ceiling prices were below national average of medium rice prices in 2017, which have so far fluctuated between Rp 10,540 to Rp 10,756 rupiah a kilogram, according to trade ministry data. Other types of rice the government considers "special" are exempt from the new rules. Due to the changes in regulation, every rice player, including HOKI was pressured as the government gave a grace period of one month to recall all of the branded products or to be sold. As a result, HOKI suffered a lost in the third quarter of 2017 due to increasing cost from the recalls. However, it has started to recover since October 2017 after the company started to consistently distribute its product to modern market while complying with the new regulation.

Maximum Price Ceiling Regulation (HET)

Region	Price Ceiling (HET) Rp/kg	
	Medium	Premium
Jawa, Lampung, South Sumatera	9,450	12,800
Sumatera, except Lampung & South Sumatera	9,950	13,300
Bali & West Nusa Tenggara	9,450	12,800
East Nusa Tenggara	9,950	13,300
Sulawesi	9,450	12,800
Kalimantan	9,950	13,300
Maluku	10,250	13,600
Papua	10,250	13,600

Rice Characteristic	Rice Type	
	Medium	Premium
Milling degree	95%	95%
Water Content	14%	14%
Broken grain	25%	15%

Source: Sinarmas Investment Research

Investment Thesis

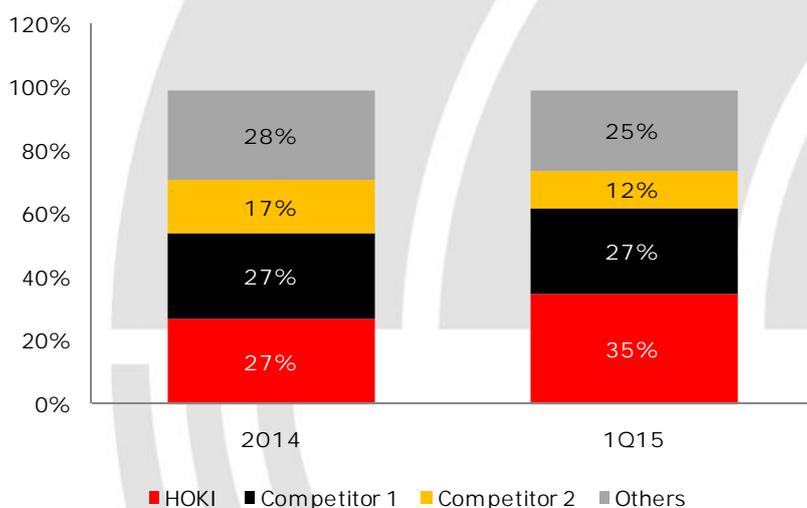
Easing competition prior to HET regulation. The short term negative impacts from HET regulation turn out to be a positive catalyst for HOKI post regulation. Before HET, Topikoki was sold at IDR 20,900 / Kg, while at present Topikoki price ranging between IDR 12,400-12,800. The drop in selling prices, triggered customer buying power as they could buy premium quality of rice at much lower price post regulation, resulting in rising demand of HOKI's products in modern channels.

Furthermore, HOKI branded premium rice started to dominate the modern market due to easing competition in branded premium rice industry. The new regulation benefitted big player like HOKI, as the small and medium rice player found it hard to reap profit as their margin gets pressured due to higher production cost and lower bargaining power for raw material, forcing them to shut down their business.

Changing competition landscape. Previous large competitors mainly include PT Prima Andalan Djaja Internusa and PT TigaPilar Sejahtera Food (AISA). However, due to AISA's rice scandal and the imposed HET regulation during 2017, both competitors took hits and may not even be classified as HOKI's competitor anymore. The main reason for PT Prima Andalan Djaja Internusa's fall is due to their best-selling product classification. "Si Pulen", PT Prima Andalan Djaja Internusa's specialty product, was categorized as premium rice and would have to adhere to the new HET regulations including a price ceiling of Rp.12.800. They stopped the product most likely due to the diminishing profit margin or even loss. This provides big opportunity for HOKI to grab some of ex-competitors market share.

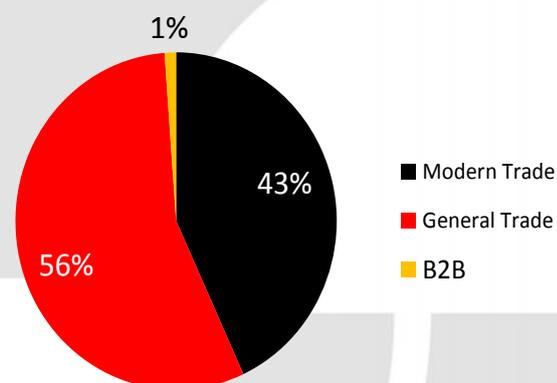
Leading in modern channels. By the end of 2017, around 43% of the company's sales revenue was generated from modern trade while the remaining 57% was from general trade (56%) and B2B (1%), with 24% coming from private label and 75% from company's own brand (Topikoki, Hoki, etc). In modern channel only, based on the data released by Nielsen in 2015, HOKI's took the lead with 35% market share in 1Q15. We believe the strong brand image of HOKI's product and rising sales volume, along with easing competition post HET, would drive the market share even higher, making it the market leader before and after HET for branded premium rice product in Indonesia.

Modern Channel Market Share (%)



Source: Company data, Sinarmas Investment Research

Sales by distribution channel (%)

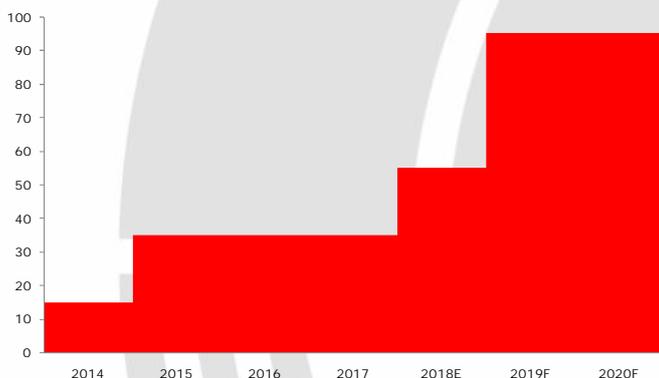


Source: Company data, Sinarmas Investment Research

Tap into Alfamart. By the beginning of August, Sumber Alfaria Trijaya (Alfamart) had just struck a deal with HOKI to produce branded premium rice under Alfamart brand also known as private label product and HOKI just obtained a license to distribute its new product, namely Alfamart Rice Beras Super Symp with 5kg weight. Currently, there are only two major minimarket companies in Indonesia, which is Indomaret and Alfamart. Both minimarket have outlets in all regions of Indonesia, always located close to residential or downtown. That makes both minimarket one of the most compelling options of grocery shopping. Based on the latest survey conducted by Jakpad, result shows that from 5066 respondent, 51.7% chose Indomaret as their most visited minimarket, followed by Alfamart with 37.49%, while other minimarket (7eleven, CircleK, Lawson, etc) only accounted for 11% of total respondent. With both major player in minimarket to set foot into HOKI's customer portfolio, we expect a rising demand of branded premium rice contributed from Alfamart brand. The impact in sales volume would likely be seen after the company ramps up their production capacity, as the company's production utilization rate is already above its normal capacity due to rising demand from other channel. As for 2018, the management stated that they will only produce and distribute Alfamart's brand for Sumatera region due to lack of production capacity. Going forward, they will tap into other regions as soon as the new production line and facility is ready to be utilized to maintain stable supply to Alfamarts' stores.

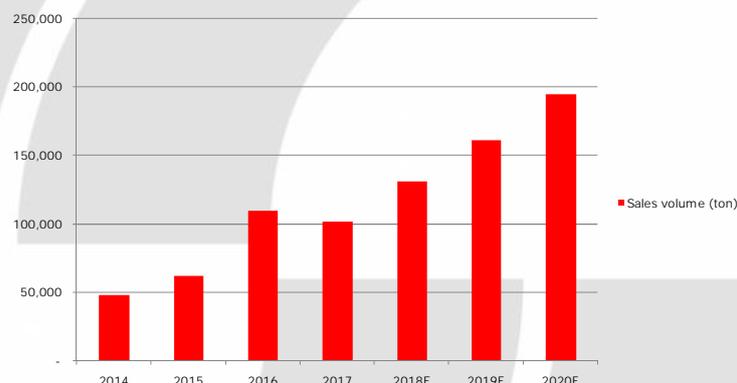
Catching up with rising demand, ramping up production capacity. Currently, the company already owns two factories, one of them is located in Subang (West java) with 2 production lines, 10 tons per hour capacity for paddy to rice processing machine and 20 tons per hour capacity for rice to rice while the other production facilities located in Cipinang (Jakarta) with 5 tons per hour capacity (rice to rice). However, the utilization rate of its production facilities are already above normal capacity. The new production line (rice to rice) with 20 tons per hour capacity should be finished around the end of 2018. We believe this 20 tons per hour capacity is still not enough to anticipate all the demand as HOKI will start producing for Alfamart starting August 2018 which should boost HOKI's sales volume. The company also plans to further increase production capacity by building a new factory located in Palembang, Sumatera with 40 tons per hour capacity (paddy to rice). This new factory is expected to be completed in 1H19 and will play a vital role for margin and to maintain stable supply for modern channel. Note that this will bring up HOKI's normal production capacity to 262,000 tons/annum and the significant improvement will be reflected in 2019 and 2020.

Production capacity (tons/hour)



Source: Sinarmas Investment Research

Sales volume (Ton)



Source: Sinarmas Investment Research

Strong connection with many supplier. The company purchases paddies and rice from various paddy and rice collectors. To reduce the probability of having raw material price hikes and shortage, the company outsources their raw material from a number supplier in different regions and is not dependent on any specific supplier. Raw material in form of rice is received from Garut, Subang, Sumedang, Indramayu, Pati, Solo, Sragen, Jember, Makassar, and Palembang while paddies are purchased from paddy collectors in various paddy production areas. Currently, the total of HOKI's raw material supplier amounting to 205 suppliers. We believe this is one key aspect for a rice player to survive in modern market competition as they need to maintain their rice supply stable in order to build credibility and trust in the modern market channel.

HOKI's supplier



Source: Sinarmas Investment Research

Investment Risk

Change in consumption behavior. Currently, it is unexpected that customers would switch to substitutes of rice. Even though substitute for carbohydrates are available, the majority of Indonesian people still stick to their traditional option, rice. However there is still a possibility that in the future, consumption behavior in Indonesia would shift and adapt to the western lifestyle, substituting rice with other close substitutes such as potato and cassava.

Business competition risk. With the new regulation, rivalry between rice player lies on the quality and brand awareness of its product since numerous brands have the same type of rice, with identical selling prices due to HET regulations. Furthermore, new player entering the premium rice market such as CantikManis, Raja, Anak Raja, Sumo, and Food station, should be taken into account as they could hamper HOKI's sales expansion.

Raw material availability. HOKI does not have its own paddy fields to produce paddy and thus has a high dependency to paddy and rice suppliers to acquire its raw material. Possible disruption that may occur include, bad weather, crop failure, and pests.

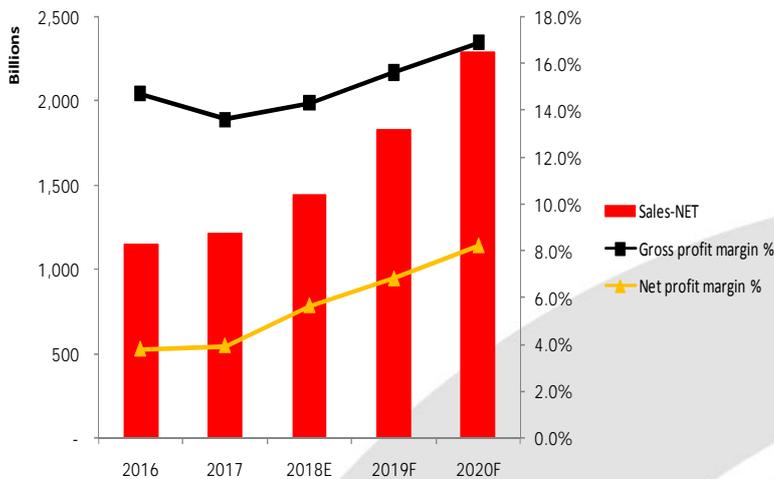
Increased raw material prices. Low availability of raw material could further drive raw material price higher and it will impact HOKI's profitability margin as their selling price has to comply with the HET regulation.

Sudden change in government regulation. The government can alter the regulation anytime since rice is considered as the most important staple food for Indonesia. The sudden and unexpected change in regulation may affect every rice player performance, including HOKI.

Financial highlight

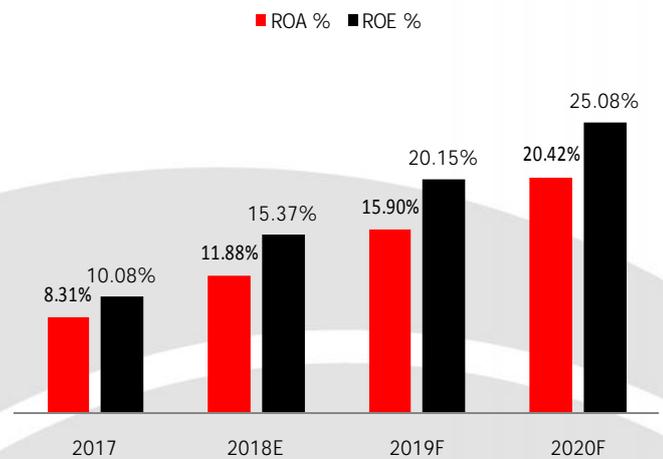
1H18 decent performance. HOKI managed to book a decent 1H18 results with revenue of IDR 764.5 bn (+9.1% YoY) and net profit of IDR 50.5 bn (+11.6% YoY). In 2Q18 alone, HOKI's revenue increased to IDR 384 bn (+8.8% YoY, +1% QoQ), Net profit fell slightly to IDR 23.9 bn (13,1% YoY, -10,3% QoQ) due to Eid al-Fitr bonus payments to employees. In 1H18, HOKI sold 68,213.3 tons of rice, 2.5% increased compare with 66,565.7 tons in 1H17. Overall, we see a strong recovery in HOKI's 1H18 financial performance after they suffered from the recent implementation of HET regulation in 2H17, which is reflected in an improvement in gross margin and net profit margin, 14.3% (vs 11.4% in 2H17) and 11.6% (vs 0.54% in 2H17) respectively. Going forward, we are still positive in the outlook as new factory in Subang is set to be completed in 4Q18 which will further boost HOKI's production capacity to be able to provide stable supply to modern market.

HOKI Revenue, Gross Margin, Net margin



Source: Sinarmas Investment Research

Profitability Ratio



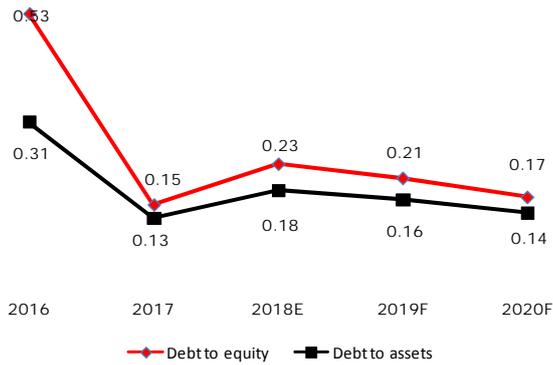
Source: Sinarmas Investment Research

Solid growth. As for 2018, we forecast a robust growth for HOKI's topline and bottomline steered by 1) rising demand for HOKI's premium branded rice, 2) New private label brand for Alfamart, 3) New production line in Subang should further increase revenue as demand for HOKI's products is still strong. Going forward, we expect the new manufacturing site in Palembang which will be finished around 1H19, will provide a great benefit for HOKI's long term sustainability as the company will be able to maintain stable supply for both modern and traditional market.

We believe margin would also expand as the company will significantly increase its paddy to rice production capacity which provides better margin than rice to rice production process. Currently, paddy to rice production capacity only accounted for 30% of total production capacity whereas the remaining 70% are rice to rice production line. By 2020, we forecast that 43% of HOKI's production process will come from paddy to rice machine.

Minimal loans, limited risk. As at the end of 2017, the company has total loans amounted to IDR 72.9 bn in which 100% of those loans are consider short-term loans, used for working capital purposes. All of its loans are rupiah denominated from local banks, thus avoiding the risk of Indonesia's currency depreciation against US dollar. HOKI's debt-to-equity ratio stood at 0.15x at the end of 2017. Going forward, the management stated that the company will use small loans amounting to USD 3.5 mn to finance the construction of power plant in Palembang which will slightly increase their debt level, however we forecast their solvency ratio to gradually decrease.

HOKI Solvency ratio



Source: Sinarmas Investment Research

Valuation

Alluring outlook for the leader of premium rice player. We initiate our coverage on PT Buyung Poetra Sembada Tbk (HOKI) with BUY recommendation and FY19 target price of IDR 1,150, derived from DCF valuation with the assumption of,

- 1) 4.5% terminal growth rate,
- 2) 11.7% Weighted Average Cost of Capital,
- 3) Beta of 0.81,
- 4) Market risk premium of 6.5%

Our FY19 TP represent a 21.7% potential upside from the current price and reflect 21.6x PE supported by margin improvement, robust sales volume growth, and dominant presence in modern channel.

Income Statement (IDR Bn)	2016	2017	2018E	2019F	2020F
Revenue	1,146.9	1,209.2	1,441.2	1,829.1	2,288.8
COGS	978.0	1,044.3	1,234.7	1,543.5	1,902.4
Gross Profit	168.8	164.9	206.5	285.6	386.4
Selling expenses	(64.0)	(52.1)	(38.2)	(53.1)	(61.5)
G&A	(32.7)	(39.9)	(45.4)	(51.8)	(58.9)
Operating Profit	72.2	72.9	123.0	180.8	266.0
Other income/exp	(0.6)	1.3	1.9	2.3	2.6
EBIT	71.6	74.2	124.8	183.1	268.6
EBITDA	77	82	134	194	282
Finance income(exp)	(13)	(10)	(15)	(15)	(15)
EBT	59	64	110	168	254
Tax	(15)	(16)	(28)	(43)	(65)
Net profit	43.8	48.0	82.0	125.1	188.9
Earnings per share (Rp.)	19	20	35	53	80

Balance Sheet (IDR Bn)	2016	2017	2018E	2019F	2020F
Cash & equivalents	2.5	36.3	76.4	90.5	154.4
Trade receivables	128.0	250.6	236.9	220.5	232.0
Other CA	57.8	115.6	112.9	125.9	156.4
Total Current Assets	188.3	402.5	426.3	436.9	542.8
PPE	177.8	169.8	259.9	345.8	377.2
Other LT assets	4.1	4.7	4.1	4.4	5.1
Total Assets	370.2	577.0	690.3	787.1	925.1
Payables	20.3	13.2	16.5	20.6	25.0
Short-term loans	116.5	72.9	74.1	77.2	76.1
Other current liabilities	4.7	2.0	1.1	1.7	2.5
Total Current Liabilities	141.5	88.1	91.7	99.5	103.6
Long term loans	-	-	50.4	50.4	50.4
Other long term liabilities	8.7	12.9	14.8	16.3	17.9
Total Liabilities	150.2	101.0	156.9	166.2	171.9
Share & APIC	166.5	375.3	375.3	375.3	375.3
Retained earnings	53.6	100.6	158.0	245.6	377.9
NCI	-	0.0	0.0	0.0	0.0
Total Equity	220.1	476.0	533.4	621.0	753.2
Total Equity & Liabilities	370.2	577.0	690.3	787.1	925.1

Cash Flow (IDR Bn)	2016	2017	2018F	2019F	2020F
Net Income	43.8	48.0	82.0	125.1	188.9
Depreciation & amortization	4.9	8.6	11.1	13.4	16.3
Chg. in NWC	(21.4)	(190.1)	18.7	8.1	(36.9)
CF from Operating	27.3	(133.6)	111.8	146.7	168.3
Capital Expenditure	(33.6)	(0.5)	(101.2)	(99.3)	(47.6)
Chg. in LT Assets	(2.0)	(0.6)	0.6	(0.3)	(0.7)
Chg in LT Liabilities	2.9	4.2	1.9	1.5	1.6
CF from Investing	(32.8)	3.1	(98.7)	(98.1)	(46.7)
Chg. in Share & APIC	1.0	208.8	-	-	-
Chg. in Bank Loans	6.3	(43.6)	51.6	3.1	(1.1)
Dividends Paid	(0.4)	(0.9)	(24.6)	(37.5)	(56.7)
CF from Financing	6.9	164.3	27.0	(34.4)	(57.7)
Change in Cash	1.5	33.8	40.1	14.1	63.9
Beginning Cash	1.0	2.5	36.3	76.4	90.5
Ending Cash	2.5	36.3	76.4	90.5	154.4

Financial Ratio	2016	2017	2018F	2019F	2020F
Profitability					
ROE	19.9%	10.1%	15.4%	20.1%	25.1%
ROA	11.8%	8.3%	11.9%	15.9%	20.4%
Gross margin	14.7%	13.6%	14.3%	15.6%	16.9%
Net profit margin	3.8%	4.0%	5.7%	6.8%	8.3%
Liquidity & Solvency					
Current Ratio	1.3	4.6	4.6	4.4	5.2
Debt to Equity	0.5	0.2	0.2	0.2	0.2
Debt to Assets	0.3	0.1	0.2	0.2	0.1
Valuation					
Price to Earning (PE)	61.7	56.3	33.0	21.6	14.3
Price to Book (PBV)	12.3	5.7	5.1	4.4	3.6

Key Assumptions	2016	2017	2018F	2019F	2020F
Sales Volume (ton/year)	109,541	101,013	130,170	160,563	194,365
Average Selling Price (IDR/Kg)	10,470	11,971	11,072	11,392	11,776
Normal Production Capacity (ton/year)	96,658	96,658	105,864	207,124	262,357

BUY: Share price may rise by more than 15% over the next 12 months.

ADD: Share price may range between 10% to 15% over the next 12 months.

NEUTRAL: Share price may range between -10% to +10% over the next 12 months.

REDUCE: Share price may range between -10% to -15% over the next 12 months.

SELL: Share price may fall by more than 15% over the next 12 months.

DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2018). All rights reserved.