

We have just visited the next-to-develop industrial estate of SSIA which is located at Subang, as well as visited Patimban Seaport project. Here are our key takeaways:

Review of SSIA's first industrial estate in Karawang. Suryacipta City of Industry, SSIA's first 1,400ha industrial estate (IE) which is located in Karawang currently has only 123ha saleable land left. Automotive and many auto-related companies have settled their factories here, for instance, Daihatsu (120ha), Isuzu, Bridgestone, along with other FMCG names such as Nestle and Kapal Api. However, with only limited land available to sell at Karawang IE, SSIA is currently focusing on the development of new Subang IE rather than expanding in Karawang.

Within the current pipeline, there are 16ha land that potentially could be booked as sales in 2019 with ASP ranging at USD 120-170 per sqm. The interesting point is that management stated that the number of Chinese visitors to the company's website has jumped by 1,400 times which may signal positive impact deriving from U.S. - China trade dispute toward Indonesia IE developers. Note that in 4Q18, SSIA had booked a land sales from Non-Chinese company based in China which exports to U.S. market.

SSIA's Subang land



Source: Sinarmas Investment Research

Subang IE development will be commenced after Lebaran this year with revenue stream follows in 2021. As stated in our last SSIA report, the Subang estate will definitely be the future growth engine of SSIA. The Subang IE is located at KM 88 of Cipali toll road. The estate is divided into two sides by the Cipali toll road; the South side (600ha) will be the 1st phase, and the 1,400ha area of North side will be the 2nd phase. The management claims that SSIA has already acquired 55% of total 2,000ha land. Approximately 70% of the total land will be the net salable land with ASP start from USD 90 per sqm for anchor tenant. Moreover, funding has already secured by cash from Cipali toll road divestment and USD 100mn loans from IFC. For timeline, SSIA will start developing Subang land in 3Q19, starting from preliminary works like land cut and fill, and build basic infrastructures. Next one, marketing team will start selling the estate in mid 2020 and handover expected to be done in early 2021. As of now, 24 companies mostly from Japan were already attracted to Subang Industrial City with approximate of 90ha land inquiry.

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Patimban seaport targeted to have soft opening in 2019. During our visit, we met the representative of Indonesia's Ministry of Transportation, which said the progress of Patimban seaport is now at 22%. The reclamation process is using Cement-Deep Mixing (CDM) technology adopted from Japan, while the construction is handled by a consortium of Penta Ocean –Toa – Rinkai – PP – Wika (PTRPW). As the project is supported by a financing from Japan International Cooperation Agency (JICA), the 30% of project's technology, material and manpower has to be also supported by Japan. Previously, the port is targeted to have a ground breaking ceremony in March 2019, but some land acquisition problems caused the event to be cancelled. Overall, the Patimban seaport project has 3 phases with construction progress that spans to year 2036. The nearest target is to have a 9ha car port with capacity of 218 thousand CBU in December 2019.

Patimban seaport plan



Source: Sinarmas Investment Research

Access wise, SSIA was already in consortium with Jasa Marga (JSMR) with 25% shares and ready to bid Patimban access toll road project. However, the operator of the Patimban seaport tender has to be done first before the access toll road tender could begin. The Patimban access toll road will span to 37 km long, started at KM 89.2 of Cipali toll road and go through SSIA's Subang land all the way to the port. The approximate cost of the toll is IDR 5tn. With SSIA's 25% shares, IDR 1.25tn will be funded by 30% equity in which 50% of it includes SSIA's owned Subang land, while the rest 70% will funded by another debt. Going forward, Nusa Raya Cipta (NRCA), a construction company owned by SSIA will also take part in to tender process of Subang Industrial City and Patimban access toll road projects. However, the amount of potential contract that can be acquired is still unknown. Therefore, we believe that further review of the progress of Subang estate development and the auction of Patimban port access toll is needed.

Preliminary reclamation work



CDM barge



Source: Sinarmas Investment Research

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