

26 November 2012

FLASH UPDATE

PT UNITED TRACTORS Tbk

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### October Sales Figure—Imminent Downward Revision

#### **Komatsu Heavy equipment**

United Tractors managed to sell only 249 units in the month of October (-452 units yoy; -171 units mom). Mining, again, contributed the largest decline (-89 units mom; -479 units yoy) and **what is even more troubling is that the market share of Komatsu in Indonesia declined:** in 9M2012, UT reported Komatsu market share at 44% (which we can only infer that it is around 43.5% as it is rounded up to 44%) and now in 10M2012, Komatsu market share declined to 43% (and we are only hopeful that it is still above 43.0%). The marketing program introduced to defend Komatsu's market share in June 2012 seems to be faltering or, to give the firm benefit of doubts, the full effect has not yet been realized.

**Imminent Downgrade:** It will be Herculean task to sell 648 units per month to reach 7,000 units for 2012. We are expecting potential downward revision to around 6,200-6,500 units (a more reasonable of run-rate 248-398 units per month, respectively) and 2013 is expected to be worse if recovery in coal markets do not gain any traction. While construction will be the volume driver, ASP wise, it is lower than that of mining. We are now expecting the firm to sell 6,262 in 2012 and reviewing our models to incorporate even lower sales volume in 2013.

#### **Mining Contracting**

Again, PAMA surprised us with its ability to register higher stripping ratio but we do not expect this to last. PAMA registered lower Coal mined of 8.4 mn Ton (-3% mom; +2% yoy) with lower OB removal of 81.3 mn bcm (-0.5% mom; +4% yoy). As more mining companies are trying to cut cost through reduction in OB removal, we can only expect stripping ratio to fall to around 8.2-8.5 next year from the current 9.3 (10M2012). Consequently, we expect margin to deteriorate and expect the firm to cut more capex on heavy equipment as they try to boost the efficiency of their current fleets.

#### **Mining Division**

As expected, sales volume continue to deteriorate as it is not cost effective to sell at current price.

#### **Conclusion**

We are now reviewing our estimates for potential downgrade while we maintain our **UNDERWEIGHT** rating on the firm. The firm is currently facing severe headwind and pressure is mounting for the firm to perform.

**Wibowo Ng**

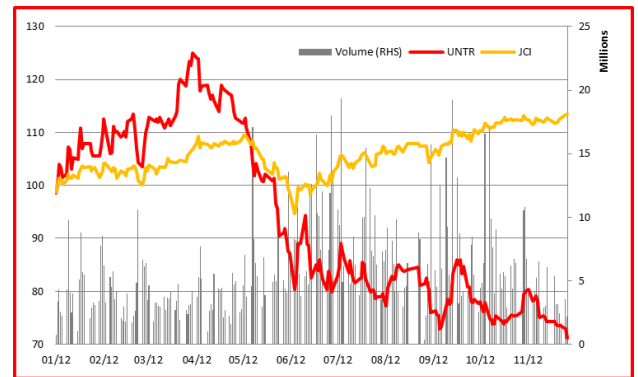
**Research Analyst**

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#### Stock Data

Sector	Heavy Equipment
Price (26 Nov 2012)	IDR 19,250
Target Price 2012	<b>UNDER REVIEW</b>
12-month Rating	<b>UNDERWEIGHT</b>
Prior	UNDERWEIGHT (TP: IDR 20,000)
Ticker	UNTR.IJ (BBG); UNTR.JK (RIC)
Market Cap	IDR 70.3 tn
Shares Outstanding	3,730 mn
Free Float	1,511 mn

#### UNTR Performance against JCI Index

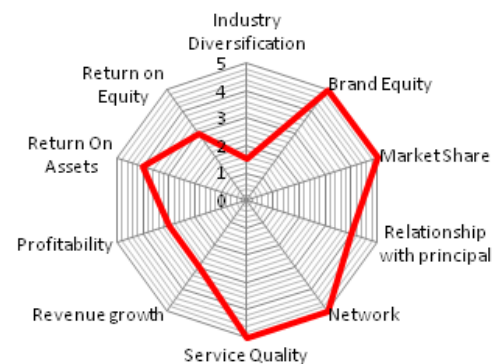


Source: Bloomberg (normalized at 03 January 2012 = 100)

#### Shares Ownership data

PT ASTRA INTERNATIONAL Tbk	59.5%
Institutional Holdings	17.7%
Others	22.8%

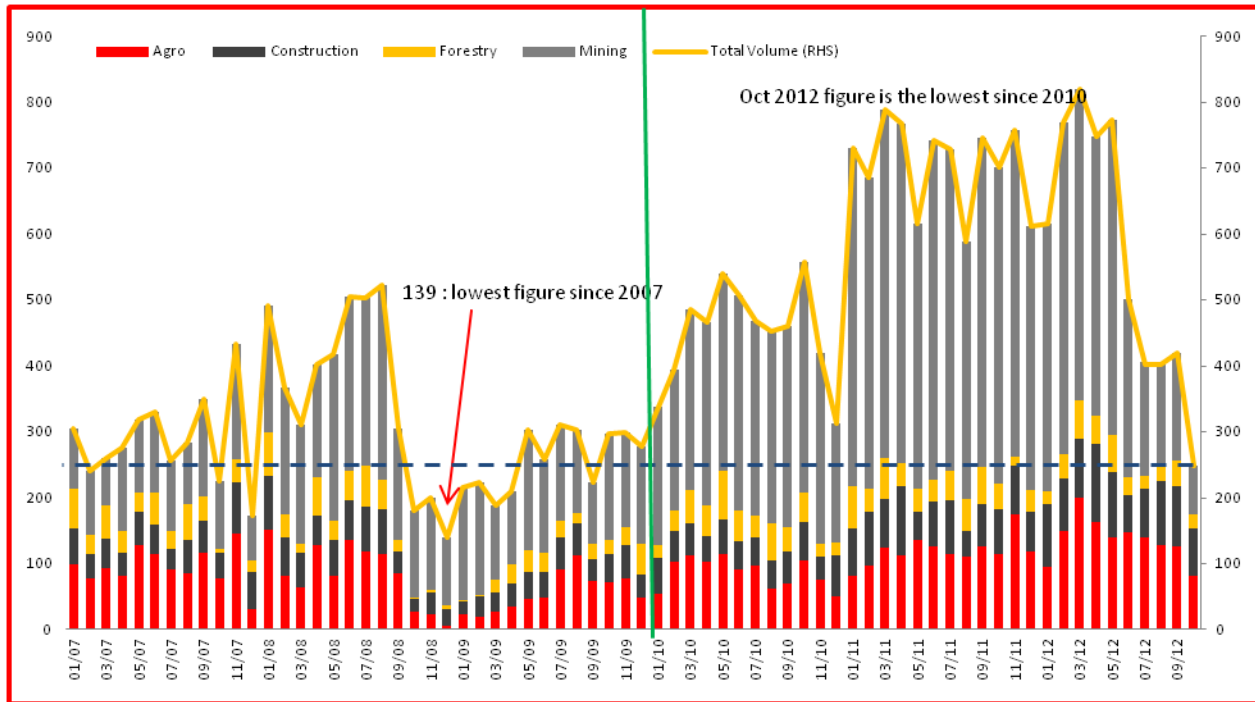
Source: Bloomberg (as of 26 November 2012)



Score: ★★★★★★☆☆

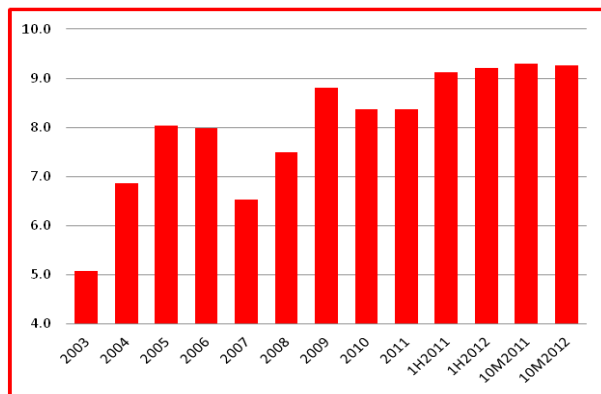
Source: SinarMas Sekuritas Research

Chart 1: Komatsu Heavy Equipment Sales—October 2012 figure is the lowest since 2012



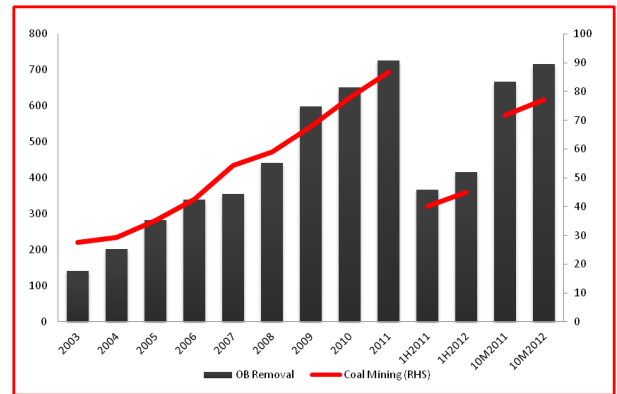
Source: Company data

Chart 2: Stripping ratio remains relatively high, but not for long.



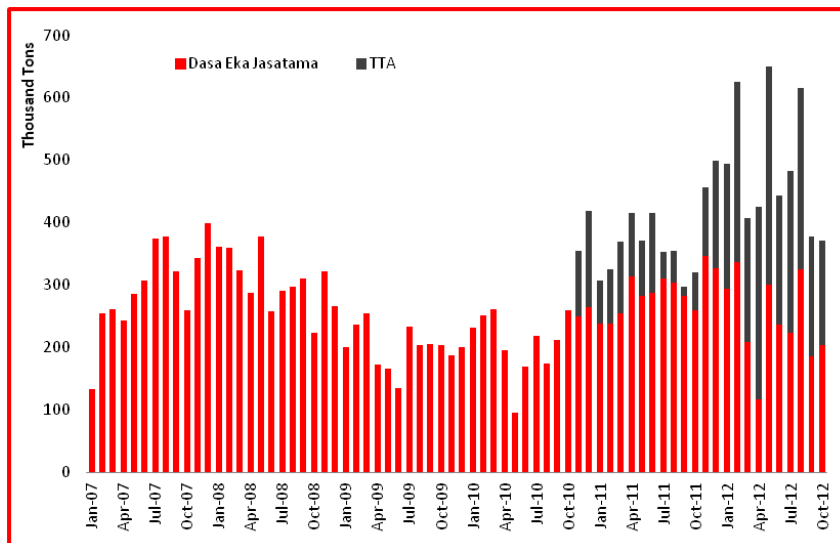
Source: Company data

Chart 3: Coal mined and OB removal by PAMA



Source: Company data

Chart 4: Mining division monthly sales volume



Source: Company data

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