



# EXECUTIVE HIGHLIGHTS

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**THE RUPIAH HAS BEEN STABLE AT RP8,950-RP8,970/US\$ OVER THE PAST WEEK ENDING 24 SEPTEMBER**

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**BANK MANDIRI HAS APPOINTED DEUTSCHE BANK, BANK OF AMERICA (BOA)-MERRILL LYNCH, CITIGROUP AND CLSA TO SUPPORT ITS US\$1.5 BILLION RIGHTS ISSUE**

**STATE RAILWAY OPERATOR KERETA API INDONESIA (KAI) HAS SECURED A RP5 TRILLION LOAN FROM BANK NEGARA INDONESIA (BNI) AND BANK RAKYAT INDONESIA (BRI)**

**THE INTERNATIONAL MONETARY FUND (IMF) IS CALLING ON BANK INDONESIA (BI) TO TAKE A PROACTIVE APPROACH TO KEEP RISING INFLATION PRESSURES IN CHECK.** In its annual review of Indonesia completed earlier this month, the multilateral agency noted that inflation expectations for 2011 were currently at the top end of the central bank's 4-6% target range and could move higher, suggesting the need to raise interest rates from their current historical low of 6.5%. So far, BI has opted to raise bank reserve requirements rather than hike rates to manage inflation. The IMF also highlighted the need for further financial sector reforms to reduce risks from a future global financial meltdown. It suggested the need to quickly pass legislation creating a new bank regulatory agency separate from BI and a financial system safety net law. Both are currently under deliberation. The agency also reiterated the importance of reducing energy subsidies and reallocating government funds for infrastructure and social spending. Overall, the IMF said Indonesia has emerged strongly from the global financial crisis, and will continue to see strong, sustainable growth over the long-term if it pursued further reforms in the financial and fiscal sectors.

**THE INFLUENTIAL INDONESIA CHAMBER OF COMMERCE AND INDUSTRY KADIN ELECTED SURYO BAMBANG SULISTO AS ITS NEW CHAIRMAN** at its national congress over the past weekend. Suryo was previously head of Kadin's advisory board. He is also currently president commissioner of top coal miner Bumi Resources and founder of the Satmarindo Group which has business interests in oil and gas, mining, steel manufacturing and palm oil. He was also formerly an ambassador at large for the Americas under President Habibie in the late 1990s. Following his election, Suryo underscored his intention to work with the government to pursue policies that would support the business community and regional and national economic growth. The new chairman highlighted challenges the country needed to address to support growth, including the lack of infrastructure, rising energy demand, food security and globalization that has compelled local firms to be more competitive.

**THE RUPIAH HAS BEEN STABLE AT RP8,950-RP8,970/US\$ OVER THE PAST WEEK ENDING 24 SEPTEMBER.** The currency is up only around one percent over the past month despite continued inflow of overseas funds into the local bond and stock markets. Bank Indonesia has acknowledged its active intervention to stem the rupiah's rise and to keep exchange rate volatility in check. It said foreign reserves have risen 9% in the first three weeks of September alone to almost \$90 billion—the fastest climb in recent history.

**TOP PETROCHEMICAL PRODUCER TRI POLYTA INDONESIA WILL MERGE WITH CHANDRA ASRI IN A US\$1.2 BILLION SHARE SWAP DEAL.** Both companies are majority owned by holding firm Barito Pacific, which has a 77.9% stake in Tri Polyta and a 70% stake in Chandra Asri. Under the deal, Tri Polyta will issue 2.9 billion new shares to Chandra Asri's shareholders in exchange for the firm's assets. Following the swap, Barito will have a 71.6% stake in the merged company. Chandra Asri is Tri Polyta's main feedstock supplier, producing 260,000 tons per year of propylene that it sells exclusively to Tri Polyta. Tri Polyta produces around 400,000 tons per year of polypropylene. The merger is aimed to provide better integration and cost efficiencies for Barito Pacific. The holding firm has appointed to Deutsche Bank and Singapore's DBS Group as advisors for the deal. Barito Pacific is owned by industrialist Prajogo Pangestu.

**INDOFOOD CONSUMER BRANDED PRODUCTS (CBP) RAISED RP6.3 TRILLION (US\$700 MILLION) FROM ITS INITIAL PUBLIC OFFERING** earlier this month. The deal was nine times oversubscribed, with the bulk of demand coming from foreign investment funds. Credit Suisse and Deutsche Bank were



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**LEADING COAL PRODUCER BUMI RESOURCES RAISED US\$362 MILLION IN A SHARE SALE TO PRIVATE INVESTORS**

**THAILAND MINER BANPU PCL DIVESTED AN 8.7% STAKE IN ITS INDONESIAN COAL SUBSIDIARY INDO TAMBANGRAYA MEGAH IN A US\$392 MILLION DEAL**

**COAL CONTRACTOR BUKIT MAKMUR MANDIRI UTAMA (BUMA) ANNOUNCED HEAVY EQUIPMENT PURCHASES TOTALING US\$285 MILLION**

**JAPAN'S CHUBU ELECTRIC POWER SAID IT HAS REACHED AN AGREEMENT TO BUY LNG FROM THE SENORO-DONGGI PROJECT IN SULAWESI**

**PERTAMINA IS FINALIZING A US\$50 MILLION DEAL TO ACQUIRE STAKES IN TWO OIL AND GAS BLOCKS OWNED BY JAPAN'S INPEX CORP**

**CELLULAR SERVICES OPERATOR XL AXIATA HAS SECURED A RP2.5 TRILLION LOAN FROM BANK MANDIRI**

**QATAR NATIONAL BANK HAS SIGNED AN INITIAL AGREEMENT TO ACQUIRE SMALL-SIZED LOCAL LENDER BANK KESAWAN**

**BANK TABUNGAN NEGARA (BTN) IS SLATED TO LAUNCH ASSET-BACKED SECURITIES (ABS) WORTH RP750 BILLION NEXT MONTH**

joint global coordinators and bookrunners, while Kim Eng Securities was the domestic underwriter. Indofood CBP said 70-80% of the proceeds from the offering would be used to repay debt with the remainder allocated for capital expenditures. The firm posted a full-year 2009 net profit of Rp1.1 trillion, up more than 200% from a year earlier. Revenues for 2009 totaled Rp16.3 trillion, up 36% from a year earlier. Indofood CBP is the instant noodle, dairy and food seasoning unit of diversified consumer products group Indofood. The company's shares will be listed officially on the Indonesian Stock Exchange (IDX) on 7 October.

**BANK MANDIRI HAS APPOINTED DEUTSCHE BANK, BANK OF AMERICA (BOA)-MERRILL LYNCH, CITIGROUP AND CLSA TO SUPPORT ITS US\$1.5 BILLION RIGHTS ISSUE** planned for later this year. Mandiri's director of finance & strategy Pahala Nugraha Mansury said Deutsche Bank and BoA-Merrill Lynch would act as joint global coordinators, while Citigroup and CLSA would act as joint book-runners. Mandiri has previously appointed Mandiri Sekuritas and Danareksa Sekuritas as local underwriters. Pahala said proceeds from the rights issue would be used to strengthen Mandiri's capital base and allow the bank to support strong loan growth over the next several years. The rights issue is also slated to dilute the Indonesian government's shareholding in Mandiri to below 60%. This would enable the bank to satisfy tax rules for publicly listed companies for a reduction on its corporate tax rate. The government currently owns a 66% stake in Bank Mandiri.

**STATE RAILWAY OPERATOR KERETA API INDONESIA (KAI) HAS SECURED A RP5 TRILLION LOAN FROM BANK NEGARA INDONESIA (BNI) AND BANK RAKYAT INDONESIA (BRI)** to support its expansion plans. Company president director Ignasius Jonan said the funds would be used to expand its coal freight lines in Sumatra. The project includes upgrading an existing 416 km railway connecting Tanjung Enim in South Sumatra and Tarahan in Lampung, and building a new 308 km railway on the same route dedicated specifically for coal transport. The railway project will be developed jointly between KAI and its partners, China Railway Engineering and local firm Trans Pacific. Ignasius remarked that the project would help boost coal output from state miner Tambang Batubara Bukit Asam to 20 million tons by 2014 and 70 million tons by 2017 from current levels of around 15 million tons. The chief executive said the loan would have a 10 year term with a grace period of three years.

**LEADING COAL PRODUCER BUMI RESOURCES RAISED US\$362 MILLION IN A SHARE SALE TO PRIVATE INVESTORS.** The shares, equivalent to a 7.1% stake in the firm, were purchased by overseas buyers through Credit Suisse and JPMorgan Chase Bank at a price of Rp2,366/share. The size of the deal was lower than the US\$495 million initially targeted, due to Bumi's inability to finalize a deal with sovereign wealth fund China Investment Corp (CIC). The latter, which has US\$1.9 billion in loans extended to Bumi, was initially looking to acquire a 10% stake in the coal miner in a debt-to-equity swap. A deal did not go through because CIC's offering price was too low. Bumi spokesman Dileep Srivastava said proceeds from the recent share sale would be used to help repay up to US\$800 million in debt by the fourth quarter of this year. Bumi Resources is controlled by the Bakrie Group

**THAILAND MINER BANPU PCL DIVESTED AN 8.7% STAKE IN ITS INDONESIAN COAL SUBSIDIARY INDO TAMBANGRAYA MEGAH IN A US\$392 MILLION DEAL** earlier this month. Around 90% of the shares were sold to overseas investors, with the remainder going to local funds. Goldman Sachs managed the international portion of the deal, while Bahana Securities, Mandiri Sekuritas and Danareksa Securities handled the local portion of the sale. Banpu



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## Additional Highlights

said the divestment was part of a corporate restructuring and asserted that the firm was fully committed to its long-term investment in Indonesia. The sale will reduce Banpu's stake in Indo Tambangraya to 65%. Indo Tambangraya is Indonesia's third largest coal producer with output of 21 million tons per year from mines in South Kalimantan

**COAL CONTRACTOR BUKIT MAKMUR MANDIRI UTAMA (BUMA) ANNOUNCED HEAVY EQUIPMENT PURCHASES TOTALING US\$285 MILLION** to support its exploration activities. BUMA executive Ariani Vidya Sofjan said deals were recently signed with three suppliers: Hexindo Adiperkasa (US\$40 million), United Tractors (US\$45 million) and Caterpillar (US\$200 million). BUMA is the country's second-largest coal contractor with a 19% share of the market. It has contracts with major producers such as Adaro Indonesia, Kideco Jaya Agung, Bayan Resources and the Banpu Group, and operates at 13 mining sites in East and South Kalimantan. BUMA is a wholly-owned subsidiary of Delta Dunia Makmur, which in turn is majority owned by private equity firm Northstar Pacific Partners.

**JAPAN'S CHUBU ELECTRIC POWER SAID IT HAS REACHED AN AGREEMENT TO BUY LNG FROM THE SENORO-DONGGI PROJECT IN SULAWESI.** Under the deal, Chubu will buy one million tons of LNG per year starting in 2014. Financial details were not provided. The US\$1.7 billion Senoro-Donggi LNG facility is a joint venture between Mitsubishi Corporation (with a 51% stake in the project), state-owned Pertamina (29%) and local oil and gas firm Medco Energi International (20%). The project is currently under construction and is scheduled to come on stream in 2014 with an initial capacity of two million tons of LNG per year. The LNG facility will get the bulk of its gas from two nearby blocks, the Senoro field

operated by Pertamina and Medco, and the Matindok field operated solely by Pertamina. The blocks have proven gas reserves totaling more than 2.3 trillion cubic feet (Tcf).

**PERTAMINA IS FINALIZING A US\$50 MILLION DEAL TO ACQUIRE STAKES IN TWO OIL AND GAS BLOCKS OWNED BY JAPAN'S INPEX CORP.**

Pertamina will purchase a 7.3% stake in the Offshore Northwest Java (ONWJ) block and a 13.1% stake in the South East Sumatra (SES) block. Pertamina is already the operator at the ONWJ block with a 46% stake acquired from BP last year. The ONWJ block currently produces around 26,800 barrels/day (b/d) of oil and 205 million standard cubic feet (MMscfd) of gas. The SES block is operated by China's National Offshore Oil Corp. (CNOOC), which owns a 65.5% stake in the concession. The SES block currently produces around 41,000 b/d of oil. Pertamina president director said the acquisitions were part of an overall strategy to boost the firm's output to 700,000 b/d of oil equivalent by 2014, up more than 60% from current levels.

**CELLULAR SERVICES OPERATOR XL AXIATA HAS SECURED A RP2.5 TRILLION LOAN FROM BANK MANDIRI.**

The loan has a five year tenor with an interest rate of 1.4% above the Jakarta interbank offered rate (JIBOR). XL president director Hasnul Suhaimi said the funds would be used to support the firm's business expansion. As of the first half of the year, XL's subscriber base grew 43% from the same period in 2009. The first half also saw total revenues rising 35.4% to Rp8.5 trillion, with revenues from call services rising 40.1% to Rp4.2 trillion and revenues from non-call services rising 58.7% to Rp2.8 trillion. Net income increased by 87.4% to Rp1.3 trillion in the first half of 2010. XL Axiata is Indonesia's third largest wireless

telephone operator. It is owned by Malaysia's Axiata Group Berhad (66.7%), Emirates Telecommunications (13.3%) and public shareholders (20%).

**QATAR NATIONAL BANK HAS SIGNED AN INITIAL AGREEMENT TO ACQUIRE SMALL-SIZED LOCAL LENDER BANK KESAWAN.**

No financial details were provided. Under the deal, Qatar National will be the standby buyer of a rights issue by Bank Kesawan that will be finalized by the first quarter of next year. Qatar National chief executive Shareef al-Emadi said the acquisition would support the firm's strategy of focusing on international expansion to boost growth and diversify its sources of revenue. Bank Kesawan has total assets of around Rp2.3 trillion and operates 33 branches across the country. Qatar National indicated that it would utilize Kesawan to take advantage of Indonesia's growing market for sharia investment products and to facilitate new investments from the Middle East. Qatar National Bank is the largest lender in Qatar.

**BANK TABUNGAN NEGARA (BTN) IS SLATED TO LAUNCH ASSET-BACKED SECURITIES (ABS) WORTH RP750 BILLION NEXT MONTH.**

The state controlled bank has appointed Trimegah Securities, Kresna Sekuritas and Andalan Artha Advisindo Sekuritas as underwriters for the issuance. BTN finance director Saut Pardede said the ABS would be backed by the lender's home equity loans. He remarked that the bulk of the proceeds would be used to support the bank's credit expansion for home purchases. Home equity loans constitute more than 90% of BTN's loans. Saut said the ABS would have a five year term with an annual coupon of 25-100 basis points above the benchmark treasury rate. He added that the issue could be raised to up to Rp1 trillion if demand for the debt is strong.



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