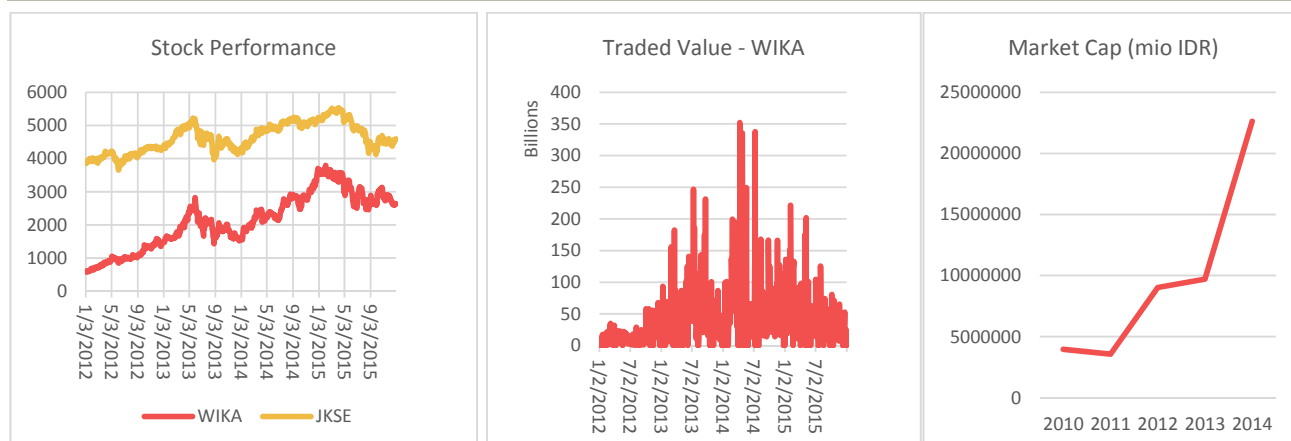


# Indonesian Construction SOE: Riding the Wave

## Analysis of PT Wijaya Karya Tbk

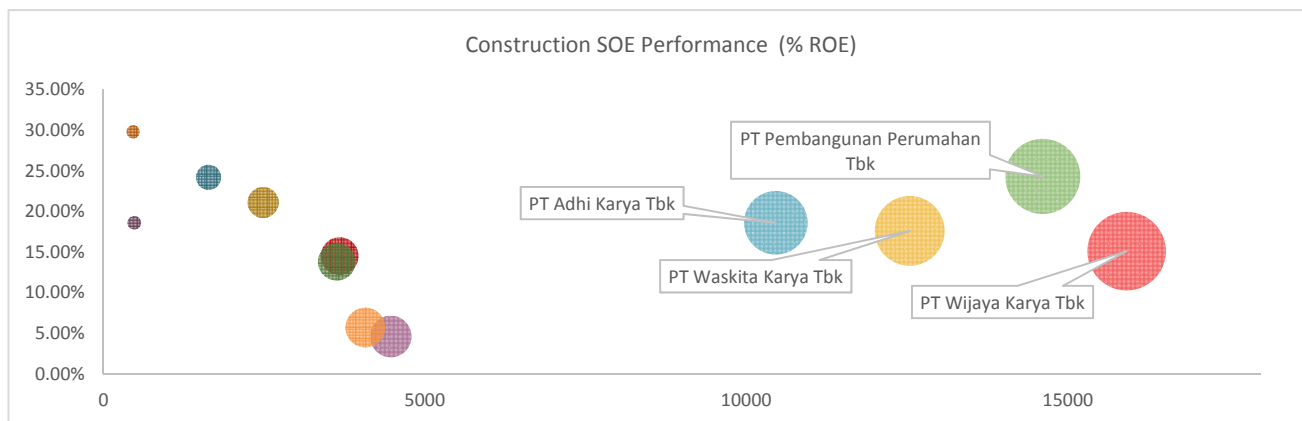


In the next 5 years as underlined in Master plan for Acceleration and Expansion of Indonesia's Economic Development (MP3EI), infrastructure and economic development will become main focus of the government. In the 2015-2019 development plan, transportation infrastructure of 2650 Km of road, 1000 Km of toll road, 15 airport, 24 port, and 3258 Km of train track will be build. While in Energy Sectors, 2 refinery each with a capacity of 300 thousand barrel.

During its implementation, Construction SOE is expected to handle and cooperate with SOE dealing with the financing side. In the future Engineering Procurement Construction (EPC) is expected to give higher profit margin and SOE are encouraged to expand their business activities to include EPC

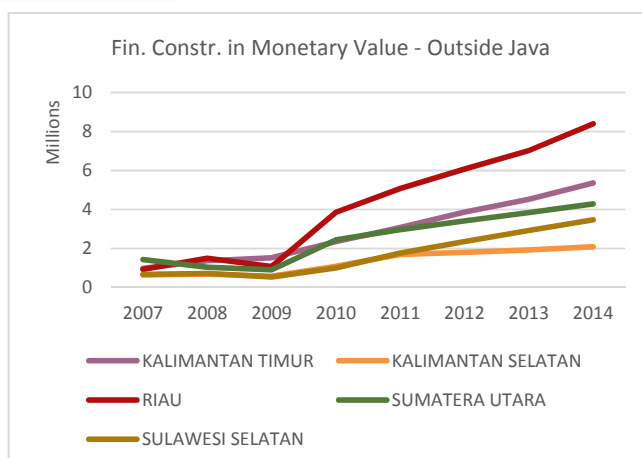
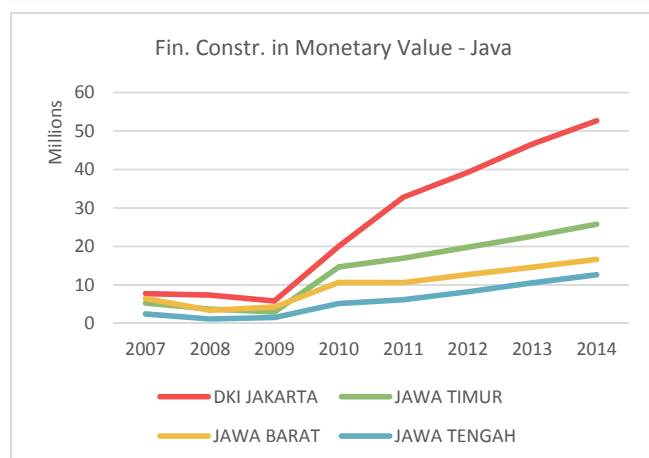
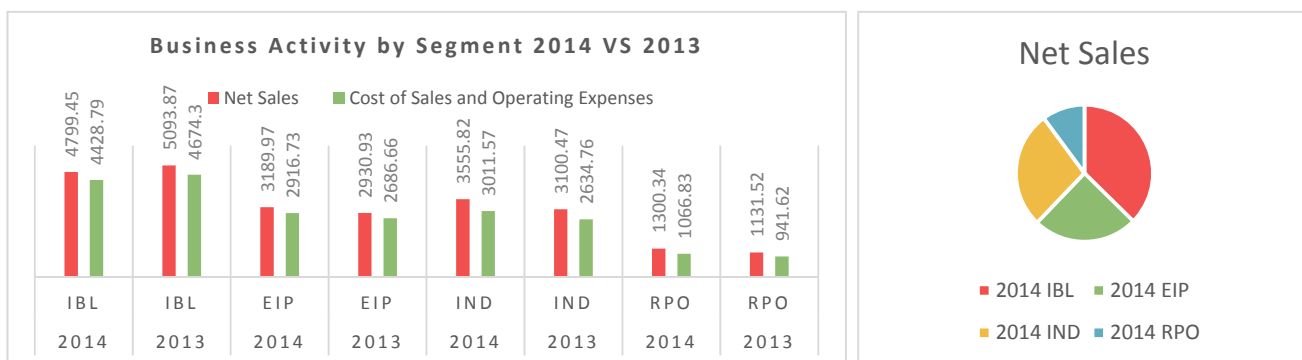
As one of the biggest Indonesian Construction SOE, PT Wijaya Karya Tbk (WIKA) is one of the leading performer both in financial term and Good Corporate Governance. WIKA is poised to reap benefit from MP3EI implementation, as it is the most ready to take on this opportunity

Company	Asset	Liabilities	Equity	Revenue	Net Profit (Loss)	ROA	ROE	
PT Wijaya Karya Tbk	15915.1	10936.4	4978.7	12833	750.9	4.70%	15.10%	
PT Pembangunan Perumahan Tbk	14611.9	12221.5	2390.2	12427.4	531.9	3.90%	24.30%	
PT Waskita Karya Tbk	12542	9693.2	2848.8	10483.9	501.2	4.00%	17.60%	
PT Adhi Karya Tbk	10458.9	8707.3	1751.5	8672	324.1	3.10%	18.60%	
PT Total Bangun Persada Tbk	4470.6	2701.1	1769.6	3607.9	129.3	2.50%	4.60%	
PT Nusa Konstruksi Enjiniring Tbk	4074.9	1709.6	2365.3	518.4	92.1	2.80%	5.70%	
PTHutama Karya Tbk	3676.1	989.9	5993.1	5717.1	144	2.50%	14.50%	
Perum Perumnas	3630	2663.7	966.3	1338.5	133.8	3.70%	13.80%	
PT Acset Indonusa Tbk	2483.7	1684.5	799.2	2106.3	163.7	7.00%	21.10%	
PT Brantas Abipraya	1636.1	1261.4	374.7	2280.6	90.8	5.60%	24.20%	
PT Nusa Raya Cipta Tbk	479.2	292.6	186.7	286	31.7	7.90%	18.60%	
PT Amarta Karya	461.5	411.3	50.2	296.7	15	3.20%	29.80%	



WIKA business activities is segmented in to these four operation:

<p><b>● Infrastructure and Building (IBL)</b></p> <p>Civil construction services, construction of facilities and infrastructure</p>	<p><b>● Energy and Industrial Plant (EIP)</b></p> <p>Construction services in energy and EPC, operation and maintenance of power plant</p>
<p><b>● Industry (IND)</b></p> <p>Precast concrete products such as piles, girders, railway sleepers, steel construction, automotive spare parts, products of energy conversion and mining industries</p>	<p><b>● Realty and Property (RPO)</b></p> <p>Landed housing, high rise apartment, building management, condotel</p>

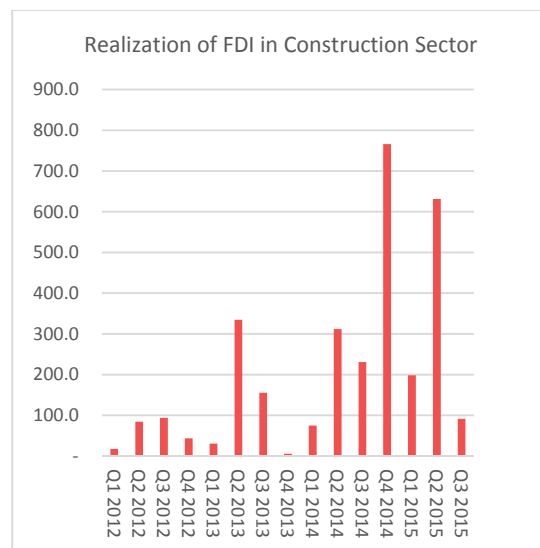
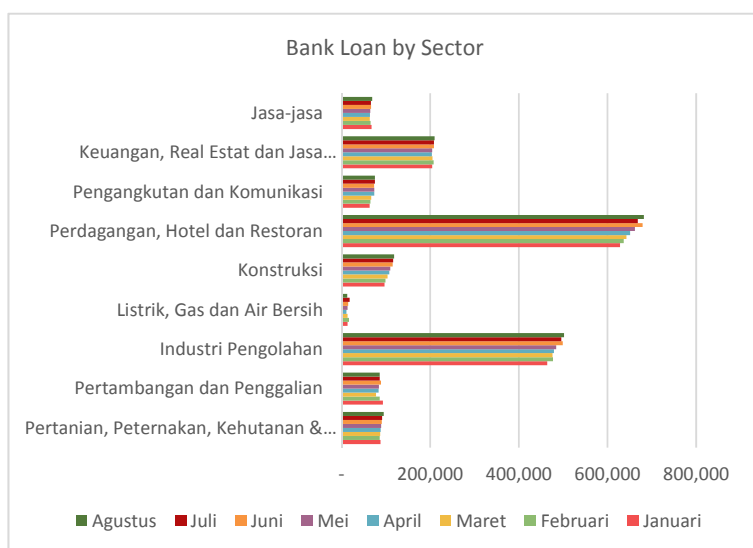
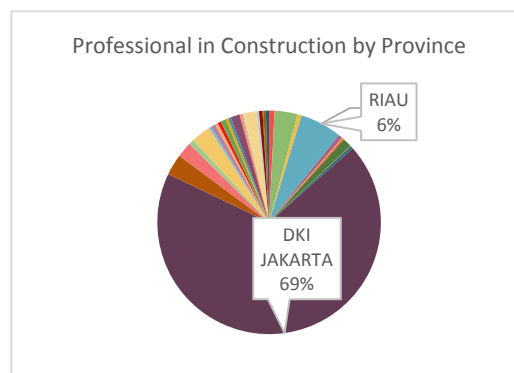


By business operation, the most lucrative segment is still IBL as it still dominate as the source of revenue. However it is also the only segment that decreased, albeit slightly as other segment (EIP,IND, and RPO) increased. However we are optimist that demand for construction is still strength both in Java and outside Java

In term of financing WIKA will also benefited from recent cut of central bank interest rate. Although empirically Indonesian bank tend to ignore signal from central bank by not decreasing their interest rate. We can expect that financing for large infrastructure project which was usually carried by syndication will get a special consideration, as they had government backing

However, currently Infrastructure building in the more remote part of Indonesia is hampered by the fact that competent worker tend to concentrate in certain region only

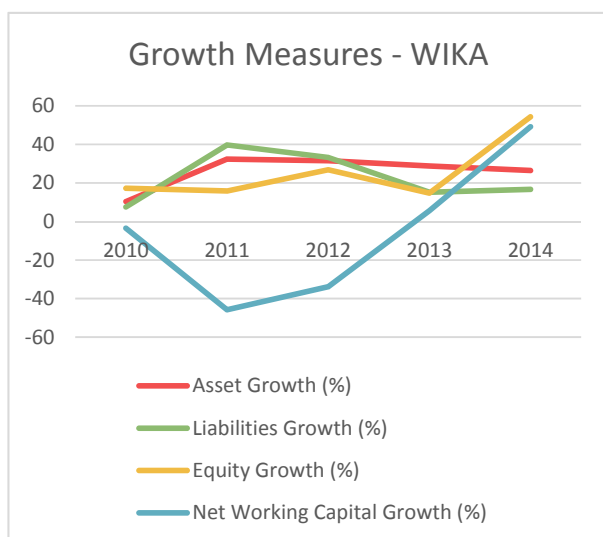
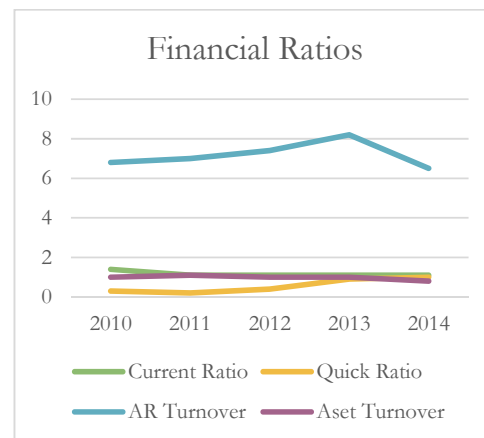
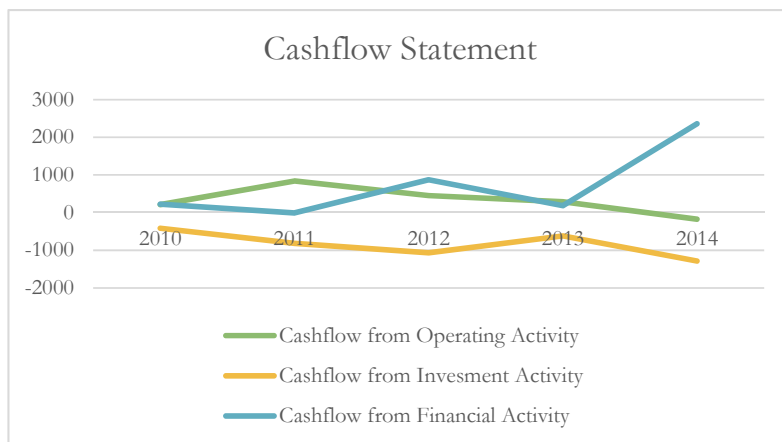
Funding from bank to construction sector is also still very low compared to other sector. However, there are other source of fund from foreign direct investment (FDI)



However we are still in the opinion that WIKA will thrive when compared to similar SOE like WSKT and ADHI, WIKA yield better ROE and ROA, it is only beaten in ROE by PTTP, which specializes in building housing.

WIKAs cash flow shows a sudden hike in 2014 from investment activity and decreases from operating activity, in a common business this will be interpreted negatively, but in construction industry we need to see whether there's a new project recently started. In 2014, WIKAs had finished several projects which saw their sudden drop in AR Turnover. Their superiority is more apparent when we put ADHI and WSKT as comparison

	2014		
	WIKAs	WSKT	ADHI
Cashflow from Operating Activity	-177.7	-88.7	-978.2
Cashflow from Investment Activity	-1286.2	-1082.5	-587.9
Cashflow from Financial Activity	2360.1	1727.9	437.6



	2014		
	WIKA	WSKT	ADHI
Current Assets	9514.4	10524.2	9484.3
Non-Current Assets	1163.6	2017.8	974.6
Short Term Liabilities	727.5	5427.2	1637.6
Long Term Liabilities	4369.5	977.7	8707.3
Times Interest Earned Ratio	6.8	5.1	4.3
Current Ratio	1.1	1.4	1.3
Quick Ratio	1	1.3	0.4

In Conclusion, we can expect in the backdrop of government initiative for infrastructure development as driver of economic growth, and a greater appetite for development both in national level and regional level fueled by available funds from local and foreign investors. WIKA is the most readily to accept and work on these opportunities. This fact is supported by excellent organizational strength, diversified business operation, and efficient business practices. We can expect a growth not only from revenue attributed to new building/infrastructure project, but also from maintenance project, as WIKA continues to hone their expertise in ECP.

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*Data, Document, and Code used in this analysis can be accessed in*  
<https://github.com/firhatnawfanh/PEFINDO-ADP-Analysis>