

LCA RATIFICATION: Struggling Outlook

We are visiting the House of Representative in 16th of December 2011, attending the Paripurna meeting regarding the LCA law. We came with several update.

Struggling Look

Although our last visit in 14th of Dec'11 was closed successfully, happens that all the mini-fraction from big parties agree on the LCA draft, the Paripurna seems struggling and several parties haven't agree yet on the LCA draft. Main concern is the synchronization of LCA law toward the constitution and agrarian law.

Some also argue that the LCA law have the inability to accomodate the transition from old regulation to the new regulation. *Please refer to our earlier note "Key Takeaway from LCA Law" in the draft points (two from the last point) regarding the toll road land clearing.*

One of the point is, following the new regulation, after the LCA ratified, the land clearing scheme will be through the new scheme, which is do not have the Presidential Decree yet. Thus the new scheme will make the land clearing process declined until FY13.

The House of Representative stated that they will still agree on LCA ratification and the synchronization will be developed in 7 days. However, several parties argues that the synchronization should be developed before the law ratified.

Valuation

The Paripurna still in progress now, we will update you later. In our view, they will agree on the LCA today as the burden from Fitch Rating that finnaly passed Indonesia to investment grade. To avoid any downside, as the market are pricing in the LCA ratification, we recommended to take profit especially on infrastructure related stocks.

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