OVERWEIGHT

Return (%)	-1D	-1W	-1M
JCI	-0.1	0.5	2.1
LQ45	-0.3	0.2	3.1
AALI IJ	-1.0	1.3	-2.8
DSNG IJ	1.5	5.6	-8.6
LSIP IJ	-0.4	0.7	2.6
STAA IJ	-6.7	-3.5	-21.2

EPS Growth (%)	FY26F	FY27F
AALI IJ	0.7%	0.6%
DSNG IJ	5.8%	2.1%
LSIP IJ	-3.7%	-3.1%
STAA IJ	4.7%	2.3%

Plantation Sector

Weather-Driven Recovery Meets Regulatory Catalysts

Steady production growth with FFB recovery expected in FY26F

- Aggregate FFB production among plantation companies under our coverage reached 6.05 MT in 9M25, growing +3.3% YoY and achieving 75.1% of the FY25E target. This is broadly in-line with our expectation for flattish FY25 FFB output of 8.11 MT. The muted FFB growth in 9M25 was mainly attributable to dry weather that occurred in 1Q24 and 3Q24, which affected harvest productivity this year. Meanwhile, our weather observations indicate that, from Nov-24 to Oct-25, rainfall across most regions remained in the medium–high range, though drought conditions were visible during Jun–Aug 2025. This suggests improving FFB production potential heading into FY26F. A transition from weak La-Nina to ENSO-neutral conditions through 1H26 should also support harvest productivity.
- Looking ahead, we project aggregate FFB production to grow +4.1% YoY to 8.44 MT in FY26F, supported by favorable FY25 weather condition and stable harvesting activities. We estimate DSNG to deliver the strongest FFB growth at +10.7% YoY, driven by its relatively young tree age (15 years) and more resilient rainfall in Kalimantan compared to Sumatra during the Jun–Aug'25 dry spell. Moreover, aggregate FFB processed is expected to rise +4.7% YoY to 12.65 MT, translating to an aggregate CPO output increase of +6.7% YoY to 2.69 MT.

B50 rollout dependent on capacity upgrades, yet prospects remain structurally positive

- With domestic supply expected to increase into FY26F, we see this being absorbed by resilient demand trends. Domestic consumption of palm-oil products rose +5.4% YoY in 8M25, driven primarily by biodiesel consumption (+12.4% YoY), offsetting the decline in food-related usage (–1.3% YoY) and flat oleochemical demand. Notably, palm-oil product exports also recorded strong growth of +15.3% YoY over the same period. The surge in biodiesel demand is closely linked to the transition from B35 in FY24 to B40 in early FY25. Realized B40 distribution reached 10.57mn kl in 9M25, up +4.9% YoY (vs B35: 10.07mn kl in 9M24), representing 67.8% of FY25E target of 15.6mn kl. Entering FY26F, the government targets the rollout of B50, with road testing beginning in Dec-25 and full implementation set for 2H26F. While B50 is set to become a meaningful demand catalyst that lifts total production requirements toward 19.6mn kl (vs FY25E: 15.6mn kl), this stands in contrast to the current domestic biodiesel processing capacity of 18.4-19.5mn kl/year. B50 implementation requires an additional 1.25–1.50 MT of CPO (FAME) in 2H25 (2.50–3.00 MT annualized), that could push industry utilization rate above the normal 80%–85% range.
- However, there is potential for incremental refinery/fractionation capacity of 1.50 MT from CBUT IJ (non-rated), supported by syndicated loan facilities totaling IDR5.2 tn from its parent (SSMS IJ–non rated). Overall, we remain cautiously optimistic on the B50 mandate, with its effectiveness ultimately hinging on the timely expansion of domestic biodiesel processing capacity, which remains the key factor.

CPO price: downward bias, but structural support limits weakness

During ENSO-neutral and El-nino conditions, CPO prices typically softening (Exhibit 01), this in-line with higher production volumes and a balanced supply–demand (S-D). However, we expect CPO prices to remain relatively solid at MYR3,900–4,200/MT in FY26F (vs YTD avg. MYR4,323/MT). Several catalysts may act as buffers against steeper price corrections, including: 1) Strengthening soybean-oil prices, driven by lower export shipments from major producing countries; 2) India's NMEO-OP initiative has shown limited progress over the past four years, implying continued reliance on imported edible oils; 3) Market concern relates to land enforcement actions under the Forestry Enforcement Task Force (Satgas PKH). To date, Satgas PKH has reclaimed 3.3–3.4mn ha, with 1.51mn ha allocated to PT Agrinas Palma Nusantara in two phases (Part 1: 833.4k ha; Part 2: 674.2k ha). In Phase 1, approximately 20% of land is lightly damaged, 30% moderately damaged, and 50% severely degraded, implying only 166k–416k ha are likely to be productive. We expect this to constrain domestic productivity, especially as the B50 mandate could further influence CPO prices going forward.

Overweight recommendation for Plantation sector

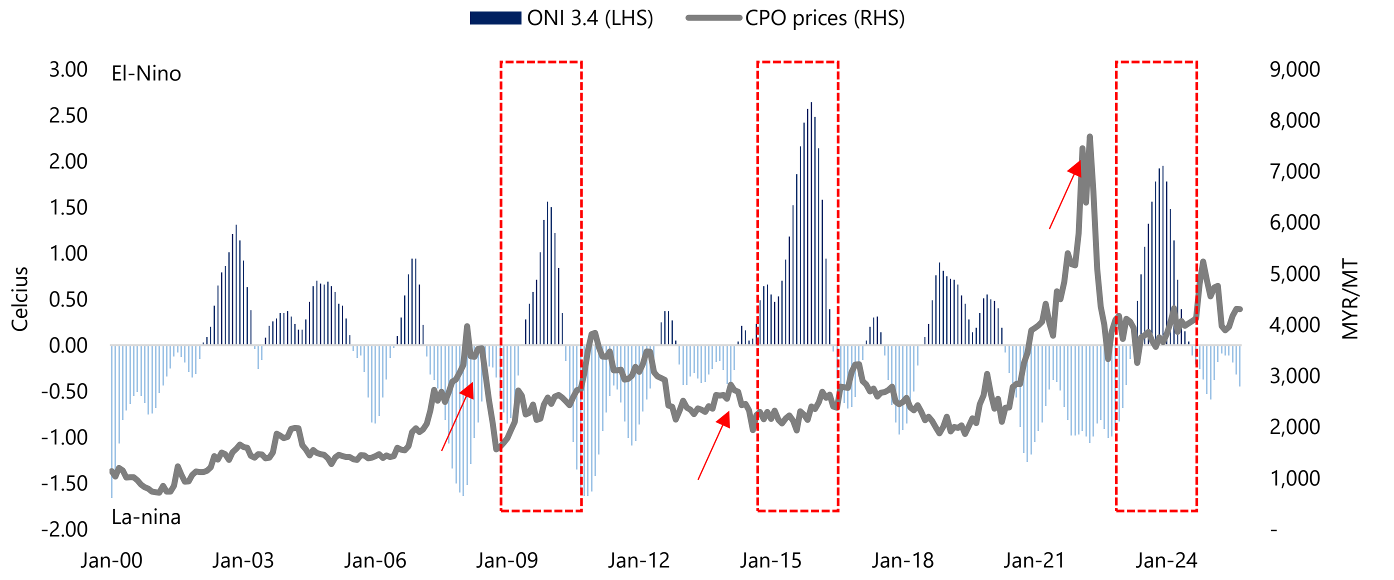
We maintain our **Overweight** stance on the plantation sector. Our top picks are **DSNG IJ (BUY; TP: IDR2,300/share)** and **STAA IJ (BUY; TP: IDR1,600/share)**. We favor companies with the capacity to drive production growth to offset declining ASP trends. We project DSNG's FFB yield to increase to 23.5x in FY26F (vs 21.2x in FY25E), while the commissioning of STAA's new refinery plant (STAOF) will strengthen its revenue stream going forward. Key downside risks include weaker-than-expected biodiesel absorption, a lower-than-anticipated correction in CPO prices, and lower plantation yields.

Ticker	Mkt. Cap. (IDR tn)	PER (x)		PBV (x)		Rec	TP (IDR/Sh)
		FY25E	FY26F	FY25E	FY26F		
AALI IJ	15.0	12.3	12.2	0.6	0.6	HOLD	7,700
DSNG IJ	18.0	9.9	9.3	1.6	1.4	BUY	2,300
LSIP IJ	9.5	6.0	6.2	0.7	0.7	HOLD	1,500
STAA IJ	15.2	11.1	10.6	2.5	2.3	BUY	1,600

Sources : Companies, MNCS Research

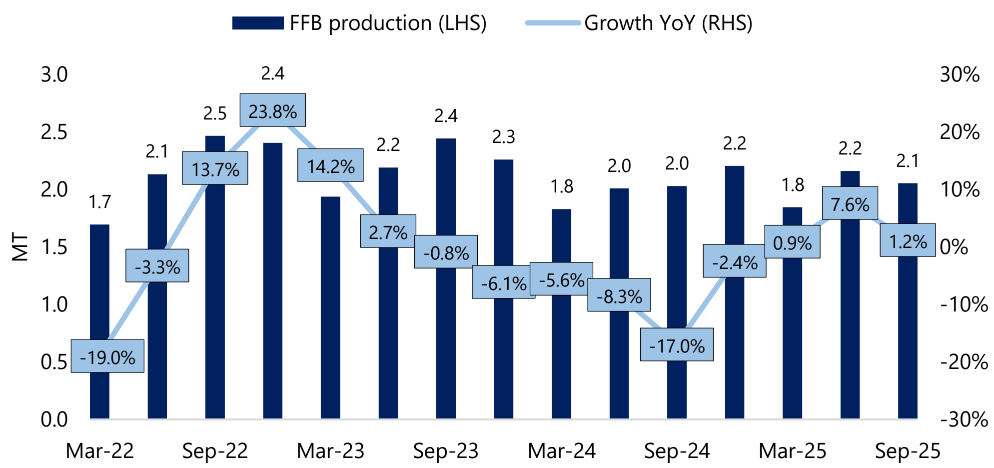
Research Analyst
Raka Junico W.
raka.widyaman@mncgroup.com

Exhibit 01. ENSO-neutral and El-nino conditions typically put downward pressure on CPO prices, though we expect the correction to remain limited



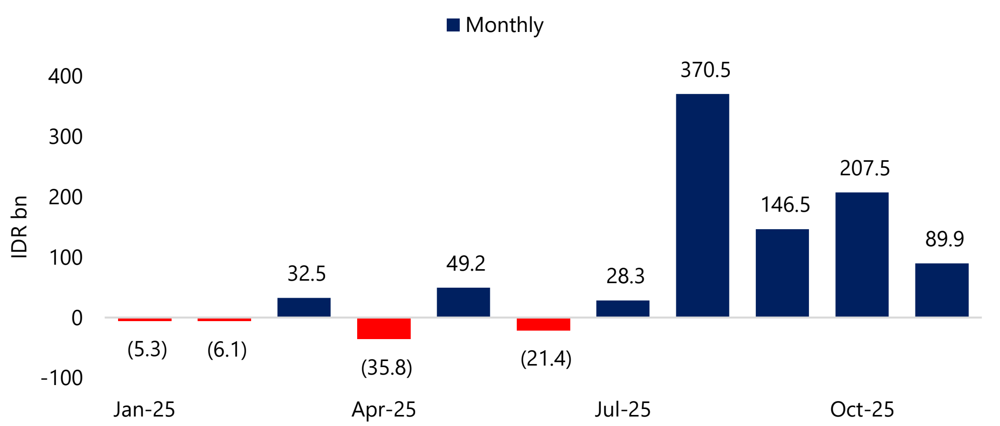
Sources : NOAA, Bloomberg, MNCS Research

Exhibit 02. We expect aggregate FFB production to recover at least to FY22 levels



Sources : Companies, MNCS Research

Exhibit 03. Plantation companies under our coverage have recorded YTD net foreign buy of IDR855.9 bn



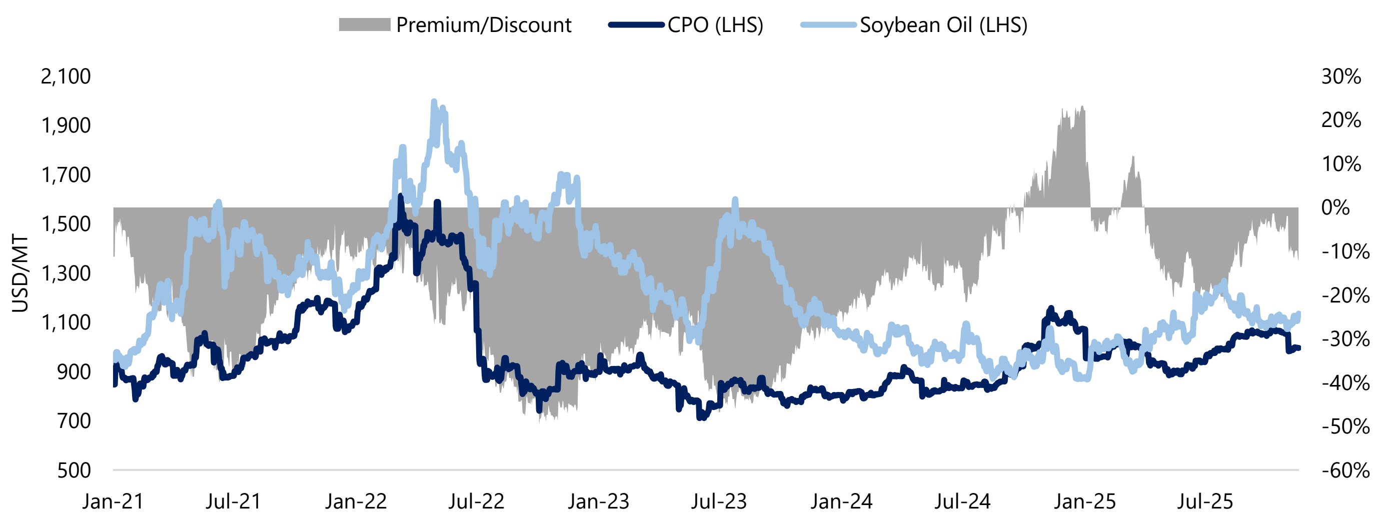
Sources : Motion Trade, MNCS Research

Exhibit 04. Plantation profile overview

Company	Land area ('000 ha)	Mature ('000 ha)	Immature ('000 ha)	Crop age (years)	FFB production ('000 ton)	FFB yield (x)	FFB processed ('000 ton)	Palm mill capacity (tph)	CPO production ('000 tons)	OER
AALI	284.8	265.5	19.3	16.5	3,792	14.3	6,068	1,570	1,173	19.3%
ANJT	48.4	42.2	6.2	12.9	800	19.0	1,237	315	257	20.8%
BWPT	87.0	87.0	-	18.0	1,031	11.9	1,194	370	279	23.3%
CSRA	21.5	18.1	3.3	N/A	338	18.6	433	90	91	21.1%
DSNG	**108.0**	**103.9**	**4.1**	**15.0**	**2,163**	**20.8**	**2,691**	**675**	**634**	**23.5%**
FAPA	88.7	87.6	1.1	13.0	1,312	15.0	N/A	N/A	298	N/A
LSIP	91.2	84.9	6.2	21.0	1,147	13.5	1,321	N/A	286	21.6%
MKTR	8.5	6.0	1.5	10.0	101	16.8	319	60	70	22.0%
NSSS	28.1	26.2	1.9	10.5	535	20.4	551	120	121	21.9%
PGUN	22.9	19.6	3.3	N/A	276	14.1	N/A	90	212	N/A
PNGO	20.5	16.6	3.9	12.0	206	12.4	390	120	90	23.2%
PSGO	27.6	27.4	0.2	10.3	489	17.9	N/A	150	142	N/A
SGRO	128.2	105.5	22.7	15.0	1,144	10.8	1,676	510	341	20.3%
SSMS	81.6	80.6	1.0	15.7	1,626	20.2	2,396	540	529	22.1%
STAA	**50.2**	**45.2**	**5.0**	**14.0**	**1,092**	**24.2**	**2,007**	**495**	**428**	**21.3%**
TAPG	160.6	150.6	10.0	14.0	3,408	22.6	4,065	995	944	23.2%
TLDN	64.5	64.0	0.6	15.5	1,240	19.4	1,410	335	320	22.7%

Sources : Companies, MNCS Research (data processed)

Exhibit 05. CPO prices are currently trading at a -12% discount to soybean oil



Sources : Bloomberg, MNCS Research

MNC Research Industry Ratings Guidance

- **OVERWEIGHT :** Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL :** Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT :** Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
- **SELL** : Share price may fall by more than 10% over the next 12 months
- **Not Rated** : Stock is not within regular research coverage

PT MNC SEKURITAS
MNC Bank Tower Lt. 15 – 16
Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340
Telp : (021) 2980 3111
Fax : (021) 3983 6899
Call Center : 1500 899