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Tuesday, October 13, 2015

## Report of the Day

**Sector Update:** Plantation Sector – “A Glance – What an immature and young mature plants could promise”

## At a Glance

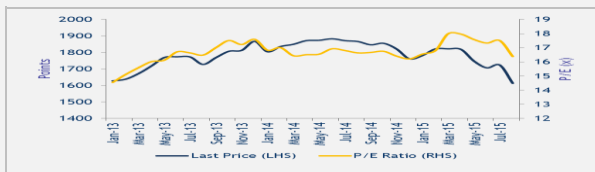
FBMKLCI rose 3.32 points to finish at 1,709.86 despite lower-than-expected August's IPI numbers.....(See full report next page)

## Corporate Highlights

- **DiGi, HOLD (TP: RM6.10):** LTE network now covers 50% of Malaysia's population
- **TM, HOLD (TP: RM6.87):** Introduces map-based geomatic service application
- **MAHB (CP: RM5.38):** Handles 1.1% more passengers in September this year
- **Glomac (CP: RM0.895):** To sell freehold Selangor land to PR1MA for RM145.59m

## Economic Update

- **Malaysia:** August industrial output climbs but slower than forecast
- **Malaysia:** TPPA credit positive for all 12 countries: Moody's
- **Europe:** ECB stimulus talk pledges eurozone shield from global gloom



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
MY	12-Oct	12:00 PM	Industrial Production YoY	-	6.1%
CN	13-Oct	-	Trade Balance	\$47.90b	\$60.24b
CN	13-Oct	-	Exports YoY	-6.0%	-5.5%
CN	13-Oct	-	Imports YoY	-15.2%	-13.8%
EU	14-Oct	5:00 PM	Industrial Production SA MoM	-	0.6%
EU	14-Oct	5:00 PM	Industrial Production WDA YoY	-	1.9%
US	14-Oct	7:00 PM	MBA Mortgage Applications	-	-
US	14-Oct	8:30 PM	PPI Final Demand MoM	-0.3%	0.0%
US	14-Oct	8:30 PM	Retail Sales Advance MoM	0.2%	0.2%
US	14-Oct	8:30 PM	PPI Ex Food and Energy MoM	0.1%	0.3%
US	14-Oct	8:30 PM	Retail Sales Ex Auto MoM	-0.1%	0.1%
US	14-Oct	8:30 PM	Retail Sales Ex Auto and Gas	-	0.3%
US	14-Oct	8:30 PM	PPI Final Demand YoY	-0.9%	-0.8%
CN	14-Oct	9:30 AM	CPI YoY	1.8%	2.0%
CN	14-Oct	9:30 AM	PPI YoY	-5.9%	-5.9%
JP	14-Oct	7:50 AM	PPI MoM	-	-0.6%
JP	14-Oct	7:50 AM	PPI YoY	-	-3.6%
JP	14-Oct	7:50 AM	Money Stock M2 YoY	-	4.2%
JP	14-Oct	7:50 AM	Money Stock M3 YoY	-	-1.8%
US	15-Oct	8:30 PM	Initial Jobless Claims	-	-
US	15-Oct	8:30 PM	Continuing Claims	-	-
US	15-Oct	8:30 PM	CPI MoM	-0.2%	-0.1%
US	15-Oct	8:30 PM	CPI Ex Food and Energy MoM	0.2%	0.1%
US	15-Oct	8:30 PM	CPI YoY	-0.2%	0.2%
JP	15-Oct	12:30 PM	Industrial Production MoM	-	-0.5%
JP	15-Oct	12:30 PM	Industrial Production YoY	-	0.2%
JP	15-Oct	12:30 PM	Capacity Utilization MoM	-	-0.2%
EU	16-Oct	5:00 PM	CPI MoM	-	0.0%
EU	16-Oct	5:00 PM	CPI YoY	-	-0.1%
EU	16-Oct	5:00 PM	CPI Core YoY	-	0.9%
US	16-Oct	9:15 PM	Industrial Production MoM	-0.3%	-0.4%
US	16-Oct	9:15 PM	Capacity Utilization	77.3%	77.6%
US	16-Oct	10:00 PM	U. of Mich. Sentiment	89.0	87.2
MY	16-Oct	12:00 PM	CPI YoY	-	3.1%
CN	10-15 Oct	-	Money Supply M2 YoY	13.1%	13.3%

## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,709.86	3.32	0.19
FBMEMAS	11,766.37	31.85	0.27
FBMEMAS SHA	12,545.33	73.43	0.59
FBM100	11,472.07	32.73	0.29
Volume (mn)	2,094.04	-368.40	-14.96
Value (RMmn)	2,204.61	-635.87	-22.39
FBMKLCI YTD Chg			-2.92

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	17.7	-37.4
Local Institution	55.3	-183.8
Foreign Investors	27.0	221.2

## Top Gainers

	Close	Change+/-	(+/- %)
BATU KAWAN	17.78	0.48	2.78
KOSSAN RUBBER	8.13	0.39	5.04
TENAGA	12.88	0.38	3.04

## Top Losers

	Close	Change+/-	(+/- %)
BAT	61.50	-1.00	-1.60
NESTLE (MALAY)	73.10	-0.30	-0.41
LATITUDE TREE HL	6.79	-0.21	-3.00

## World Indices

	Close	Change+/-	(+/- %)
DJIA	17,131.86	47.37	0.28
NASDAQ	4,838.64	8.17	0.17
S&P 500	2,017.46	2.57	0.13
FTSE 100	6,371.18	-44.98	-0.70
DAX	10,119.83	23.23	0.23
Nikkei 225	18,438.67	297.50	1.64
HSI	22,730.93	272.13	1.21
KOSPI	2,021.63	2.10	0.10
STI	3,029.64	31.14	1.04
KLCI Futures	1,691.50	10.50	0.01
USDMYR 3M	17.36	(0.11)	(0.01)
USDMYR 6M	16.19	(0.30)	(0.02)
USDMYR 12M	15.42	(0.16)	(0.01)

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	48	0.5	1.1%
Brent (USD/bbl)	49.9	-2.8	-5.3%
Gold(USD/ounce)	1,163	-1.1	-0.1%
Coal (USD/mt)	53.0	-0.6	-1.2%
CPO (RM/mt)	2,257	40.0	1.8%
Rubber	134	-0.4	-0.3%
RM/USD	4.15	0.018	-0.43%
EUR/USD	0.88	0.0002	0.02%
YEN/USD	120.05	0.01	-0.01%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average grew 47.37 points to 17,131.86 points, S&P 500 gained 2.57 points to 2,017.46. Nasdaq rose by 8.17 points to 4,838.64. Gains in utilities offset a retreat in energy shares on Monday, leaving U.S. stocks slightly higher as investors remained nervous about third-quarter corporate results. The Dow rose for a seventh straight session, led by gains in UnitedHealth Group, which rose 2.7 percent at \$122.51.
- This week brings results from some top U.S. banks, among other companies, and investors are eyeing a projected 4.8 percent year-over-year decline in third-quarter S&P 500 earnings, according to Thomson Reuters data. That would be the worst earnings season in six years.

### The Local Market

- FBMKLCI rose 3.32 points to finish at 1,709.86 despite lower-than-expected August's IPI numbers. There were 567 gainers and 305 decliners in total value traded of RM2.20 billion.
- Among the gainers on Bursa Malaysia were Batu Kawan up 48 cent to RM17.78, Kossan Rubber grew 39 cent to RM8.13, Tenaga grew 38 cent to RM12.88 and Teck Guan increased 31 cent to RM1.36.

### Strategy

- Our 2015 year-end target is 1,660 based on PER of 15.6x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction and telco respectively. We predict Malaysia to grow by 5.0% in 2015.

## CORPORATE HIGHLIGHTS

### DiGi, HOLD (TP: RM6.10): LTE network now covers 50% of Malaysia's population

DiGi.Com Bhd has surpassed its year-end target of 45% Long Term Evolution (LTE) network population coverage, as its LTE network now covers 50% of Malaysia's population, according to the group's chief executive officer Albern Murty. For comparison, as at June 30 this year, the group's LTE network coverage was at 35% of the nation's population. We have expanded our 4G LTE reach in 28 major cities and secondary towns nationwide, with key market centres having a steady 80% population coverage," Murty said. "When we talk about DiGi, the brand reminds us of so many other things except network. But today, we are having Malaysia's widest LTE network coverage," he added. Murty said the group's delivery of LTE network will remain in the 1,800MHz and 2,600MHz spectrum bands. (Source: The Edge)

### TM, HOLD (TP: RM6.87): Introduces map-based geomatic service application

Telekom Malaysia Bhd (TM) has introduced a map-based geomatic service for various industries called SmartMap Application Programme Interface

(SmartMap API) that can enhance business operations with geographic information system (GIS) capabilities. TM mass market marketing operations vice president Moharmustaqeem Mohamed said SmartMap API is a comprehensive service that provides a breadth of geographical information for industries such as retail, hospitality, automotive, insurance, shipping and logistics, telecommunication, and government departments. The geographical information includes property lot numbers, operational information such as demographic data as well as the surrounding points of interest, which will enrich the value of the areas. *(Source: The Edge)*

**MAHB (CP: RM5.38): Handles 1.1% more passengers in September this year**

Malaysia Airports Holdings Bhd (MAHB) handled 1.1% more passengers in September 2015, as compared to the same time a year ago, driven mostly by the domestic sector and higher traffic at klia2 in Sepang. Its latest passenger statistics released on Bursa Malaysia today, showed that 6.66 million passengers had passed through the 39 airports it operates in Malaysia in September, as compared to the 6.59 million seen in the same month last year. International passengers grew 0.3% on-year to 3.11 million passengers, from RM3.1 million; while domestic travellers rose 1.9% to 3.55 million, from 3.48 million. The Kuala Lumpur International Airport (KLIA) in Sepang saw 0.9% more passengers passing through its gates in September, bringing the month's total to 3.85 million, against 3.82 million in September 2014. *(Source: The Edge)*

**Glomac (CP: RM0.895): To sell freehold Selangor land to PR1MA for RM145.59m**

Glomac Bhd plans to dispose of a piece of freehold land measuring about 16.9ha in Ulu Langat, Selangor, to Perbadanan PR1MA Malaysia for RM145.59 million cash. The disposal is expected to bring Glomac an estimated net gain of about RM83.6 million or 12 sen per share, according to the group's filing to Bursa Malaysia today. Glomac's wholly-owned subsidiary Glomac Maju Sdn Bhd (GMSB) entered into a sale and purchase agreement with PR1MA for the disposal last Friday. "The disposal will allow GMSB to unlock the potential value of its land bank. The disposal of the said land at its current value of RM145.59 million will generate income and increase opportunity for GMSB's immediate and/or future acquisition of more strategic land bank," said Glomac. *(Source: The Edge)*

**Destini (CP: RM0.62): Aims for better FY15 performance, driven by marine, aviation segments**

Destini Bhd hopes to report better performance this financial year ending Dec 31, 2015 (FY15), driven by its marine and aviation segments as the integrated engineering company continues in expansion mode. Its net profit doubled to RM16.57 million last year from RM8.22 million in FY13, on the back of a 78.9% increase in revenue to RM166.97 million from RM93.31 million. Destini group managing director Datuk Rozabil Abdul Rahman expects its marine and aviation segments to offset the slowdown in the oil and gas (O&G) business. *(Source: The Edge)*

**Icon Offshore (CP: RM0.38): JV to get RM13.66m payment from contract termination**

Icon Offshore Bhd said its joint venture (JV) with FOB Swath Malaysia AS has terminated a contract with Danish Yachts AS to build a fast crew boat due to the latter's failure to construct the vessel in accordance with the technical specification. In a statement today, Icon Offshore said Icon-FOB Holdings (L) Inc, in which Icon Offshore holds a 51% stake while FOB Swath Malaysia owns 49%, and Danish Yachts had on Oct 6 signed a letter of agreement for the contract termination. Both (Icon-FOB Holdings) and Danish Yachts have agreed to mutually terminate the contract and make full refund of the payment made to date," it added. *(Source: The Edge)*

**Metrod (CP: RM1.90): Invests RM170.15m in Ceres for Goa hotel buy**

Metrod Holdings Bhd which is planning to diversify into the hospitality business in India by jointly acquiring a five-star resort hotel in Goa with its major shareholder, is forking out INR2.65 million (about RM170.15 million) to invest in Ceres Hotels Pte Ltd for the proposed venture. Metrod and its major shareholder MetTube Sdn Bhd, inked a supplemental conditional subscription agreement today to invest in Ceres, a special purpose vehicle established by MetTube's wholly-owned unit, MetTube International Pte Ltd (MetTube Singapore), to undertake the venture. Under the agreement, Metrod and its unit Metrod Holdings (Singapore) Pte Ltd, will be subscribing for 13.7 million new shares, with the face value of INR10 each in Ceres — representing a 51% equity interest — for INR1,374.9 million. *(Source: The Edge)*

**Bright Packaging (CP: RM0.38): 4Q net loss narrows**

Bright Packaging Industry Bhd's net loss narrowed by more than half to RM1.54 million in 4QFY15, compared with RM3.84 million in the previous corresponding quarter, thanks to higher order from its tobacco customers. Quarterly revenue has doubled to RM15.59 million, against RM7.79 million a year ago. The net loss dragged its full-year profit further to a mere RM764,000 or 0.5 sen a share, a 54.28% plunge from FY14's net profit of RM1.67 million or RM1.73 a share. This came despite reporting a 30.93% rise in revenue to RM44.71 million. However, Bright Packaging's net loss in 4QFY15 was the biggest for the financial year. *(Source: The Edge)*

**Petronas: Outlines six strategies to remain profitable**

Petroleum Nasional Bhd (Petronas) has outlined six strategies to tide over the trying times in the oil and gas (O&G) industry, and to stay profitable. Petronas president and group chief executive officer Datuk Wan Zulkiflee Wan Ariffin told an English daily that in the next few years, the company should focus firstly on cash generation. "What I mean by cash generation is our plants must be in tip-top condition - running all the time - and we must sell our products at the best value we can get, so it has to be all across the value chain," he said. Second, Zulkiflee said Petronas needs to deliver on its growth projects - the Refinery and Petrochemical Integrated Development (RAPID), the Floating Liquefied Natural Gas (FLNG), more projects in Sabah and the project in Canada. *(Source: The Star)*

**Plantation (Neutral): Malaysia's Sept palm oil output falls, exports up**

Malaysia's September palm oil inventory rose at a slower pace of 5.46% on month to 2.63 million tonnes as exports grew amid crude palm oil (CPO) output decline. Malaysian Palm Oil Board (MPOB) said exports of palm oil, comprising CPO and processed palm oil, grew 4.36% to 1.68 million tonnes. CPO output declined 4.48% to 1.96 million tonnes. In August, CPO output rose 12.96% on month while palm oil inventory climbed 10.36%. Palm oil exports fell 0.12%. In September, MPOB said CPO production declined on lower output in Peninsular Malaysia and Sabah. MPOB said Peninsular Malaysia and Sabah's CPO output declined 8.15% and 1.36% respectively. Sarawak's CPO production, however, rose 1.68%.

**ECONOMIC UPDATES****Malaysia: August industrial output climbs but slower than forecast**

Malaysia's industrial production index (IPI) rose at a slower pace of 3% in August, which was slower than the forecast of 4.1% due to a contraction in the mining sector. The Statistics Department said on Monday the rise in August 2015 was supported by positive growth in manufacturing index (4.3%) and electricity index (15.9%). However, the mining index recorded a decrease by 3.4%. The IPI in July 2015 remained unchanged at 6.1% year-on-year. In seasonally adjusted terms, the IPI in August 2015 declined by 0.9% month-on-month as the mining index decreased by 10.2%. Meanwhile, the index for manufacturing and electricity increased by 1.9% and 19.8% respectively. (Source: Reuters)

**Malaysia: TPPA credit positive for all 12 countries: Moody's**

The Trans-Pacific Partnership Agreement (TPPA) is credit positive for all 12 participating sovereigns, especially for those in Asia, Moody's Investors Service says. The deal, announced last week, will reduce the cost of trade and open up new investment opportunities, supporting growth, it said in a statement yesterday. The free trade agreement (FTA) – among Australia (Aaa stable), Brunei (unrated), Canada (Aaa stable), Chile (Aa3 stable), Japan (A1 stable), Malaysia (A3 positive), Mexico (A3 stable), New Zealand (Aaa stable), Peru (A3 stable), Singapore (Aaa stable), the United States (Aaa stable) and Vietnam (B1 stable) – will increase market access, lower or eliminate tariffs and set standards in areas including intellectual property rights, environmental and labour conditions, and government procurement, said the rating agency. (Source: The Sun)

**Europe: ECB stimulus talk pledges eurozone shield from global gloom**

Mario Draghi is reminding the world that the eurozone has a trillion-euro comfort blanket. While some major central banks feel the chill of a global emerging-market slowdown over their plans to tighten policy, the European Central Bank (ECB) president has at least 700 billion euros (US\$795bil) out of a slated 1.1 trillion euros still to spend in his quantitative-easing (QE) programme. ECB officials are quietly indicating they will let the current programme take its course for now, while saying repeatedly that they are ready to do even more if needed. At the International Monetary Fund's (IMF) annual meeting here over the weekend, delegates see-sawed between gloom that economic woes from

Beijing to Brazil would derail world output, and optimism that reality will undershoot the worst fears. *(Source: The Star)*

**India: Firms' revenues may slump most in four years in July-September quarter**

Revenues at India's top companies are expected to fall 8.2% in the July-September quarter, the biggest decline in at least four years, according to Thomson Reuters data, highlighting the precarious health of the corporate sector. But analysts say cost-cutting measures and a lower base effect could see companies post a slight 0.4% rise in net income from the previous year, the first earnings growth in four quarters. The mixed results could add to concerns about how a weaker-than-expected economy is pressuring Indian companies. While the central bank has cut official interest rates by 125 basis points since January, banks have moved far more slowly. *(Source: The Star)*



# M&A Securities

## STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between $-10\%$ and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

## SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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