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Tuesday, March 10, 2015

Report of the Day

Results Review: Berjaya Auto 3Q15 - "When One plus One is More Than Two"

Company Update: WCT - "First Contract Wins in FY15"

At a Glance

FBMKLCI dropped 15.22 points to finish at 1,791.74 due to rising concern on US may accelerate interest rate in June.....(See full report next page)

Daily Trading Strategy

"Fine Weather After All"

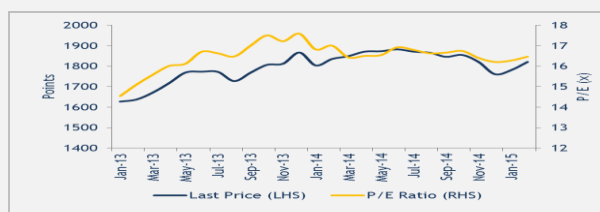
We think that there will be some quarters who still get wobbled out of the prospect of US policy tightening and hence, this sudden spurt of gain in Wall Street may not last.....(See full report next page)

Corporate Highlights

- **Berjaya Auto, BUY (TP: RM4.30):** 3Q net profit jumps 52% to RM46.52m
- **WCT, HOLD (TP: RM1.59):** JV secures RM1.2b Qatar building contract
- **CMMT (CP: RM1.59):** To undertake placement, raising RM396m for Tropicana City Mall

Economic Update

- **Malaysia:** Jan factory output growth seen steady at 7.4 pct y/y
- **China:** Central bank policy adviser says no need for strong stimulus policy
- **Europe:** ECB launches QE gambit



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	9-Mar	7:50 AM	BoP Current Account Adjusted	¥117.6B	¥976.6B
JP	9-Mar	7:50 AM	Trade Balance BoP Basis	(¥896.4B)	(¥395.6B)
JP	9-Mar	7:50 AM	GDP SA QoQ	0.5%	0.6%
JP	9-Mar	7:50 AM	GDP Annualized SA QoQ	2.2%	2.2%
JP	9-Mar	7:50 AM	GDP Deflator YoY	2.3%	2.3%
CN	10-Mar	9:30 AM	CPI YoY	1.0%	0.8%
CN	10-Mar	9:30 AM	PPI YoY	-4.4%	-4.3%
JP	10-Mar	7:50 AM	Money Stock M2 YoY	3.5%	3.4%
JP	10-Mar	7:50 AM	Money Stock M3 YoY	2.9%	2.8%
CN	11-Mar	1:30 PM	Retail Sales YTD YoY	11.6%	-
CN	11-Mar	1:30 PM	Industrial Production YTD YoY	7.7%	-
JP	11-Mar	7:50 AM	PPI MoM	0.1%	-1.3%
JP	11-Mar	7:50 AM	PPI YoY	0.5%	0.3%
EU	12-Mar	6:00 PM	Industrial Production SA MoM	-	0.0%
MY	12-Mar	12:00 PM	Industrial Production YoY	-	7.4%
MY	12-Mar	12:00 PM	Manufacturing Sales Value YoY	-	2.1%
JP	12-Mar	1:00 PM	Consumer Confidence Index	-	39.1
US	12-Mar	8:30 PM	Retail Sales Advance MoM	0.5%	-0.8%
US	12-Mar	8:30 PM	Retail Sales Ex Auto MoM	0.6%	-0.9%
US	12-Mar	8:30 PM	Retail Sales Ex Auto and Gas	-	0.2%
US	12-Mar	8:30 PM	Initial Jobless Claims	-	-
JP	13-Mar	12:30 PM	Industrial Production MoM	-	4.0%
JP	13-Mar	12:30 PM	Industrial Production YoY	-	-2.6%
JP	13-Mar	12:30 PM	Capacity Utilization MoM	-	2.0%
US	13-Mar	8:30 PM	PPI Final Demand YoY	0.3%	-0.8%
US	13-Mar	8:30 PM	PPI Ex Food And Energy MoM	0.1%	-0.1%
US	13-Mar	8:30 PM	PPI Ex Food And Energy YoY	-	1.6%
US	13-Mar	10:00 PM	U. of Mich. Sentiment	96.0	95.4
CN	10-15 Mar	-	Money Supply M2 YoY	11.0%	10.8%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,791.74	-15.22	-0.84
FBMEMAS	12,350.40	-90.56	-0.73
FBMEMAS SHA	12,963.94	-71.04	-0.54
FBM100	12,033.96	-86.38	-0.71
Volume (mn)	2,136.88	131.04	6.53
Value (RMmn)	1,868.01	-58.02	-3.01
FBMKLCI YTD Chg			1.73

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	19.2	19.2
Local Institution	55.0	342.1
Foreign Investors	25.8	-361.3

Top Gainers

	Close	Change+/-	(+/- %)
DUTCH LADY MILK	47.48	0.76	1.63
FABER GROUP	3.10	0.29	10.32
FAR EAST HLDGS	8.25	0.25	3.13

Top Losers

	Close	Change+/-	(+/- %)
BAT	68.54	-0.58	-0.84
NESTLE (MALAY)	74.00	-0.48	-0.64
PETDAG	18.58	-0.40	-2.11

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,995.72	138.94	0.78
NASDAQ	4,942.44	15.07	0.31
S&P 500	2,079.43	8.17	0.39
FTSE 100	6,876.47	-35.33	-0.51
DAX	11,582.11	31.14	0.27
Nikkei 225	18,790.55	-180.45	-0.95
HSI	24,123.05	-40.95	-0.17
KOSPI	1,992.82	-20.12	-1.00
STI	3,404.57	-12.94	-0.38
KLCI Futures	1,779.50	(16.00)	(0.01)
USDMYR 3M	10.98	(0.00)	(0.00)
USDMYR 6M	10.91	(0.02)	(0.00)
USDMYR 12M	10.88	(0.01)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	50	0.0	0.0%
Brent (USD/bbl)	58.5	-1.2	-2.0%
Gold(USD/ounce)	1,167	0.2	0.0%
Coal (USD/mt)	65.3	-0.3	-0.4%
CPO (RM/mt)	2,271	-17.0	-0.7%
Rubber	172	0.0	0.0%
RM/USD	3.68	0.028	-0.76%
EUR/USD	0.92	0.0014	0.15%
YEN/USD	121.55	0.4	-0.33%

What To Expect

U.S. Market

- The Dow Jones Industrials Average expanded 138.94 points to 17,995.72, S&P 500 grew by 8.17 points to 2,079.43. Nasdaq rose by 8.17 points to 4,942.44. U.S. stocks rose amid corporate deals after the Standard & Poor's 500 Index tumbled the most in two months on Friday.
- Concern the Federal Reserve may start raising interest rates this year amid a strengthening economy has dragged equities lower. The S&P 500 fell 1.6 percent last week, the most since January, as data showed the jobless rate reached the central bank's range for what it considers full employment. Policy makers next meet on March 17-18.

The Local Market

- FBMKLCI dropped 15.22 points to finish at 1,791.74 due to rising concern on US may accelerate interest rate in June. There were 273 gainers and 544 decliners in total value traded of RM1.93 billion.
- Among the decliners on Bursa Malaysia BAT fell 58 cent to RM68.54, Nestle (M) declined 48 sen to RM74.00, PetDag and PetGas slid 40 cent to RM18.58 and RM22.46 respectively.

Strategy

- **"Fine Weather After All "**

Wall Street made a stunning return on Monday after it imploded last Friday as investors chose not to pay too much heed of the drop in the US unemployment numbers as it essentially signals that the US economy is chugging along fine. S&P 500 and DJIA managed to partially cover back its losses after gaining by 8.17 (0.39%) and 138.94 (0.78%) points to end at 2,079.43 and 17,995.72 respectively. With the absence of significant economic release on Monday, investors turned their attention squarely on the US February employment data. Thankfully, investors took this in their stride and was able to make sense that the US economy is actually humming along well and it is only right for the unemployment rate to get knocked down further. Despite this, we think that there will be some quarters who still get wobbled out of the prospect of US policy tightening and hence, this sudden spurt of gain in Wall Street may not last. Note that the probability of the US policy tightening to be in June has risen significantly from the previous expectation of October adjustment. In the meantime, Ringgit has tumbled to RM3.68 per Dollar, the lowest level since the last 6 years as foreign selling pressure elevated yesterday with the equity market alone saw total net selling of RM361 million. We believe that foreigners had also unloaded their holding in the bond and sukuk market.

- Our 1H15 year-end target is 1,840 based on PER of 16.0x and hence, FBMKLCI is poised to record a gain of 4.5% against 2014 closing of 1,761. We have an **OVERWEIGHT** call on auto, construction, rubber gloves and telco respectively. We predict Malaysia to grow by 5.0% in 2015 against the projection of 5.9% in 2014.

CORPORATE HIGHLIGHTS

Berjaya Auto, BUY (TP: RM4.30): 3Q net profit jumps 52% to RM46.52m

Berjaya Auto Bhd (BAuto) posted a net profit of RM46.52 million for the third quarter ended Jan 31, 2015 (3QFY15), up 52% from RM30.57 million a year ago. The group has bumped up its dividend payment following the improved earnings. BAuto proposed a 3.35 sen dividend for the quarter, bringing its full year dividend to 8.6 sen compared with 1.75 sen declared last year. Its quarterly revenue rose 13.3% to RM388.76 million from RM343.03 million in 3QFY14 on higher sales volume of Mazda vehicles. Earnings per share (EPS) grew to 5.74 sen against 3.88 sen a year earlier. BAuto is principally engaged in the distribution and retailing of Mazda vehicles and provision of after-sales services. (Source: The Edge)

WCT, HOLD (TP: RM1.59): JV secures RM1.2b Qatar building contract

WCT Holdings Bhd joint venture has bagged a RM1.2bil contract in Qatar to build the roads, utilities and underground car parks in Doha. WCT said on Monday its 70:30 joint venture with Al-Ali Projects Co (W.L.L.) had accepted the contract from Lusail Real Estate Development Company for all the project. It added the scope of works for the contract includes construction of the commercial boulevard, internal roads, utilities, five small size LRT station and four two-levels of underground car parks. The works are expected to be completed in the second quarter of 2017. (Source: The Star)

CMMT (CP: RM1.59): To undertake placement, raising RM396m for Tropicana City Mall acquisition

CapitaMalls Malaysia Trust (CMMT) announced proposals for a placement and increase in fund size to raise RM395.5 million to partly fund the proposed acquisition of Tropicana City Mall and Tropicana Office Tower in Petaling Jaya for RM540 million. This follows the completion of a due diligence exercise and market valuation for the proposed acquisition, CMMT (fundamental: 1.8; valuation: 1.0) said in an announcement to Bursa Malaysia today. It said the vendor was notified of several minor irregularities during the due diligence exercise. The vendor has agreed to rectify these irregularities and shall complete the rectification before the sales and purchase agreement (SPA) becomes unconditional. (Source: The Edge)

Brahim (CP: RM0.86): Confirms talks to acquire local F&B firm

Brahim's Holdings Bhd said it is currently in negotiation to acquire a local food and beverage (F&B) company, but stopped short of confirming it is TCRS Restaurants Sdn Bhd. *The Edge Weekly* had over the weekend, reported the inflight caterer was eyeing to acquire TCRS which owns and operate The Chicken Rice Shop, Sweet Chat and Dubu-Dubu in Malaysia. It is also the co-owner of Pancake House International. In a filing with Bursa Malaysia today, Brahim's (fundamental: 0.35; valuation: 1.2) said, "We wish to confirm that Brahim's is currently in negotiation to acquire a local F&B company. The board of directors of Brahim's always strive to create and increase the shareholders' value. However, at this juncture, terms and conditions of the proposed acquisition have yet to be agreed upon. (Source: The Edge)

Benalec (CP: RM0.83): To reap nearly RM45m from Melaka land sale

Benalec Holdings Bhd is expected to reap RM44.75mil from the sale of 70.46 acres of reclaimed leasehold land in Melaka. The company said on Monday it was selling the nine parcels of land to Arena Progresif Sdn Bhd for RM128.91mil cash while its land cost was RM84.16mil. The parcels of land are in Pekan Klebang Seksyen II, Melaka Tengah, about 9.5km due southwest of Melaka City Centre. By selling lands, it provides Benalec the opportunity to immediately crystallise the value of its landbank, which will improve the operating cash flow of the company in the future. *(Source: The Star)*

KKB (CP: RM1.38): Entures into O&G in JV with Australia's Icon KKB Engineering Bhd is venturing into the oil and gas sector following a tie-up with Australia's Icon Engineering Pty Ltd. It said on Monday its associate, OceanMight Sdn Bhd had signed a consortium agreement with Icon Oilfield Solutions Sdn Bhd to identify, secure and perform work on O&G field developments in Malaysia. KKB said the agreement would enable both parties to leverage on their combined capabilities and resources involving the engineering and construction of minimal facilities platforms and lightweight structures. *(Source: The Star)*

LPI Capital (CP: RM22.02): Expects satisfactory performance in FY15

Investment holding company, LPI Capital Bhd, is confident of sailing through the challenging financial year 2015 (FY15) and post another satisfactory performance. Its chairman, Tan Sri Teh Hong Piow, said LPI registered sterling results in FY14 and the board was confident of registering further improvement in the performance for FY15. The group will work to further strengthen resilience capacity, implement innovative action plans and improve efficiency and productivity. *(Source: The Star)*

EITA Resources (CP: RM1.25): In JV with Shanghai's STEP for elevators projects

EITA Resources Bhd has teamed up Shanghai STEP Electric Corporation to undertake elevator and escalator control systems outside China. The company said on Monday its unit EITA-Schneider (Mfg) Sdn Bhd had signed an agreement with Shanghai STEP Electric Corp to set up the 50:50 JV company to manufacture, distribute and service the systems in Malaysia and other countries. EITA-Schneider is involved in the sale, installation and maintenance of the system in Malaysia, the Middle East, Asean and other countries outside China. *(Source: The Star)*

IPO: Aemulus to list on ACE Market

Aemulus Holdings Bhd is looking to list on the ACE Market of Bursa Malaysia and will use the proceeds from its proposed initial public offering (IPO) for research and development (R&D) expenditure and working capital. In a draft prospectus exposure on the Securities Commission website, the semiconductor tester firm said the fund raised will also used to purchase property, plant and equipment as well for marketing, branding and promotion. Aemulus' IPO involves the public issue of 87.79 million new shares, of which 21.94 million shares for Malaysian public, 13.17 million for eligible directors, employees and business associates and 52.68 million for private placement. There will also be an offer-for-sale of 43.89 million shares via public placement. *(Source: The Sun)*

Tabung Haji: Expects 2015 to be a challenging year

Lembaga Tabung Haji expects 2015 to be a challenging year to replicate the payment of last year's depositors' bonus of 6.25% and an additional 2% haj bonus. Deputy group managing director/chief executive officer, Datuk Johan Abdullah, said many factors contributed to the challenging environment, among them, the flooding at the end of last year, weakening of ringgit and oil price decline. (Source: *The Star*)

ECONOMIC UPDATES**Malaysia: Jan factory output growth seen steady at 7.4 pct y/y**

Malaysia's January factory output likely grew 7.4 percent from a year earlier, a Reuters poll showed, partly supported by a lower base in the same month of 2014. The Lunar New Year holidays fell in January last year, but was in February this year. Output in December 2014 was 7.4 percent, above expectations as manufacturing, mining and electricity sectors helped boost factory output. However, January's exports slipped as sales to China weakened. Exports fell 0.6 percent, while imports dropped 5.3 percent. With imports in the negative, the country's trade surplus came in at 9.01 billion ringgit (\$2.45 billion). (Source: *The Edge*)

China: Central bank policy adviser says no need for strong stimulus policy

China should not roll out big stimulus measures to spur the slowing economy and the government cannot rely too heavily on monetary policy, a central bank policy adviser said on Monday. Qian Yingyi, a member of the central bank's monetary policy committee, said during the annual meeting of the country's parliament that the use of short-term stimulus could exacerbate distortions in the economy. (Source: *The Edge*)

Europe: ECB launches QE gambit

In what may be its best and last chance to stimulate growth and ward off deflation across the eurozone, the European Central Bank (ECB) will launch its long-awaited 1.1-trillion-euro (US\$1.2 trillion) quantitative easing programme. Monday's kick-off was announced on Thursday by ECB president Mario Draghi, who confirmed the eurozone central bank will begin its programme of buying around 60 billion euros of public and private bonds each month starting today – a policy it will apply until at least September 2016. The move comes as traditional efforts to boost sluggish economic activity in the 19-nation eurozone have been exhausted through rate cuts that have brought borrowing costs to nearly zero. (Source: *The Star*)

U.K.: Finance minister plans 'diverted profits tax'

Britain's Finance Minister George Osborne (pic) is planning to introduce a new "diverted profits tax" targeting multinational companies judged to have shifted profits overseas to avoid tax, the Sunday Times newspaper reported, citing government sources. The 25% levy, more than corporation tax which is set at 20%, would be part of the annual budget due to be presented to parliament by Osborne on March 18, the newspaper reported. (Source: *Reuters*)

U.S.: Pressure rises for a June rate hike

Stronger-than-forecast U.S. payrolls report strengthens the argument for the Federal Reserve to begin raising interest rates in June, after the jobless rate reached the range that officials view as full employment. The jobs report looks “unambiguously strong” said Neil Dutta, head of U.S. economics at Renaissance Macro Research LLC. “June is still the base case” for rates to rise, he said. “The probability of September is falling rapidly.” Fed Chair Janet Yellen last week began to prepare investors for an increase this year, without saying that a move was imminent. She signaled in testimony to Congress that the Fed may drop its pledge to be “patient,” which would mean that rates could be raised at any meeting. (Source: MSN Money)

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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