

PP14767/09/2012(030761)

Friday, March 27, 2015

## Report of the Day

**Results Review:** Gamuda 2Q15-"PTMP is The Next Catalyst"

## At a Glance

FBMKLCI shed marginally 0.68 points to finish at 1,818.42 due to profit taking activities.....(See full report next page)

## Strategy

**"Another Nerve Wrecking Situation: Wall Street Down 4-Straight Day"**

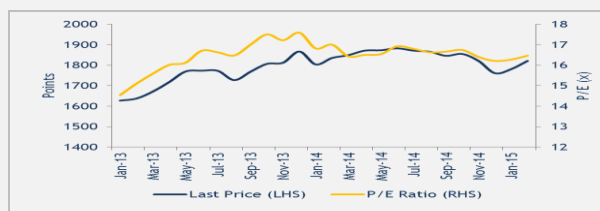
As for today, we foresee the investors jitteriness to prevail.....(See full report next page)

## Corporate Highlights

- **CIMB, HOLD (TP: RM6.10):** Ministry of Finance appoints CIMB as adviser for Edra Global sale
- **SP Setia, (TP: TBD):** To name successor in April
- **Eco World (CP: RM1.93):** To launch £1.2 billion worth of properties in London this year

## Economic Update

- **Philippines:** Holds Benchmark Interest Rate as GDP Growth Rebounds
- **Saudi Arabia:** Oil prices rise 6% as Saudi Arabia bombs Yemen rebels
- **Europe:** ECB's Draghi says money printing already helping recovery



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
US	23-Feb	10:00 PM	Existing Home Sales	4.94M	4.82M
US	23-Feb	10:00 PM	Existing Home Sales MoM	2.5%	-4.9%
EU	23-Mar	11:00 PM	Consumer Confidence	-6.7	-6.7
EU	24-Mar	5:00 PM	Markit Eurozone Manufacturing PMI	-	51.0
EU	24-Mar	5:00 PM	Markit Eurozone Services PMI	-	53.7
EU	24-Mar	5:00 PM	Markit Eurozone composite PMI	-	53.3
CN	24-Mar	9:45 AM	HSBC China Manufacturing PMI	50.5	50.7
JP	24-Mar	9:35 AM	Markit/JMMA Japan Manufacturing PMI	-	51.6
US	24-Mar	8:30 PM	CPI MoM	0.2%	-0.7%
US	24-Mar	8:30 PM	CPI Ex Food and Energy MoM	0.1%	0.2%
US	24-Mar	8:30 PM	CPI YoY	-0.1%	-0.1%
US	24-Mar	9:45 PM	Markit US Manufacturing PMI	55.3	55.1
US	24-Mar	10:00 PM	New Home Sales	475K	481K
US	24-Mar	10:00 PM	New Home Sales MoM	-1.3%	-0.2
JP	25-Mar	7:50 AM	PPI Services YoY	-	3.4%
US	25-Mar	7:00 PM	MBA Mortgage Applications	-	-3.9%
US	25-Mar	8:30 PM	Durable Goods Orders	0.6%	2.8%
US	25-Mar	8:30 PM	Durables Ex Transportation	0.5%	0.3%
US	26-Mar	8:30 PM	Initial Jobless Claims	-	-
US	26-Mar	8:30 PM	Continuing Claims	-	-
US	26-Mar	9:45 PM	Markit US Composite PMI	-	57.2
US	26-Mar	9:45 PM	Markit US Services PMI	-	57.1
JP	27-Mar	7:30 AM	Jobless Rate	3.5%	3.6%
JP	27-Mar	7:50 AM	Retail Trade YoY	-2.1%	-2.0%
JP	27-Mar	7:50 AM	Retail Sales MoM	0.6%	-1.3%
US	27-Mar	8:30 PM	GDP Annualized QoQ	2.4%	2.2%
US	27-Mar	8:30 PM	Personal Consumption	-	4.2%
US	27-Mar	8:30 PM	Core PCE QoQ	-	1.1%
US	27-Mar	10:00 PM	U. of Mich. Sentiment	92.0	91.2

## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,818.42	-0.68	-0.04
FBMEMAS	12,482.28	12.69	0.10
FBMEMAS SHA	13,065.34	6.36	0.05
FBM100	12,171.44	6.33	0.05
Volume (mn)	2,443.39	404.17	19.82
Value (RMmn)	1,955.35	-166.78	-7.86
FBMKLCI YTD Chg			3.25

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	22.5	2.0
Local Institution	56.4	7.3
Foreign Investors	21.1	-9.3

## Top Gainers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	74.00	0.40	0.54
SUPER ENT HLDGS	2.58	0.31	13.66
CAN-ONE BHD	2.90	0.26	9.85

## Top Losers

	Close	Change+/-	(+/- %)
BAT	69.38	-0.62	-0.89
KLK	22.52	-0.18	-0.79
INARI AMERTRON	3.22	-0.17	-5.01

## World Indices

	Close	Change+/-	(+/- %)
DJIA	17,678.23	-40.31	-0.23
NASDAQ	4,863.36	-13.16	-0.27
S&P 500	2,056.15	-4.90	-0.24
FTSE 100	6,895.33	-95.64	-1.37
DAX	11,843.68	-21.64	-0.18
Nikkei 225	19,471.12	-275.08	-1.39
HSI	24,497.08	-31.15	-0.13
KOSPI	2,022.56	-20.25	-0.99
STI	3,431.59	12.57	0.37
KLCI Futures	1,807.00	(2.00)	(0.00)
USDMYR 3M	10.15	(0.03)	(0.00)
USDMYR 6M	10.30	(0.01)	(0.00)
USDMYR 12M	10.47	(0.01)	(0.00)

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	51	-0.3	-0.6%
Brent (USD/bbl)	59.2	2.7	4.8%
Gold(USD/ounce)	1,205	0.3	0.0%
Coal (USD/mt)	63.4	0.1	0.2%
CPO (RM/mt)	2,192	25.0	1.2%
Rubber	173	0.9	0.5%
RM/USD	3.66	-0.004	0.11%
EUR/USD	0.92	0.0003	0.03%
YEN/USD	119.17	-0.02	0.02%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average shed 40.31 points to 17,678.23, S&P 500 tumble by 4.90 points to 2,056.15. Nasdaq decline by 13.16 points to 4,863.36. U.S. stocks closed mildly lower on Thursday as equities failed to shake off the losses of the last three days and investors weighed geopolitical events ahead of earnings season.
- Stocks attempted to hold slight gains in afternoon trade, recovering from an initial drop in the open that sent the Dow Jones industrial average more than 100 points lower and the Nasdaq off 1 percent.

### The Local Market

- FBMKLCI shed marginally 0.68 points to finish at 1,818.42 due to profit taking activities. There were 426 gainers and 397 decliners in total value traded of RM1.96 billion.
- Among the losers on Bursa Malaysia were BAT shed 62 cent to RM69.38, KLK dropped 18 cent to RM22.52, Inari Amertron decline 17 cent to RM3.22 and Tasco tumbled 16 cent to RM3.74.

### Strategy

- **“Another Nerve Wrecking Situation: Wall Street Down 4-Straight Day”**  
Wall Street booked its 4-straight day of decline after USD rallied at the back of rising geopolitical tension in the Middle East (ME). S&P 500 and DJIA unloaded 4.90 (-0.24%) and 40.31 (-0.23%) points to end at 2,056.15 and 17,678.23 respectively. As widely reported, Saudi Arabia and its allies have bombed military installation Yemen, in an effort to clamp Shiite rebel, pushing oil price to head north, giving a reprieve to global oil producing country. WTI ended above the crucial USD50 per barrel as a result. Nonetheless, we think that the underlying landscape in oil market is still unchanged with weak demand, make worst by supply glut. The geopolitical tension in the ME could dissipate as fast as it emerges and we don't think that oil price may escalate so heftily more so when lack of catalyst could continue to weigh on its outlook. The strength of USD, in anticipation of US policy rate hike, could also cap its upside potential. At this juncture, we think that most investors would give watchful eyes on the development in ME over the weekend before deciding on the next course of action. Also, the schedule release of US March unemployment level next Friday may also stoke a sense of cautiousness in their risk taking. As for today, we foresee the investors jitteriness to prevail.
- 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

**Gamuda, BUY (TP: RM5.87): Profit rises 7%**

Gamuda Bhd recorded a 7% increase in net profit to RM182.18mil and a 26% growth in revenue to RM653.24mil for its second quarter ended Jan 31, 2015, boosted by strong contribution from the Klang Valley Mass Rapid Transit (KVMRT) project and the Gamuda City development in Vietnam. The group's higher stake in Kesy Sdn Bhd contributed to the increase in revenue. Analysts said that Gamuda was the best proxy to the construction sector, given the company's dominant role in the RM73bil KVMRT project. The stock was last traded at RM5.20 yesterday, or 16 times its projected earnings for the current financial year ending July 31, 2015. While the company's involvement in the KVMRT project had been priced in, delays in concluding the sale of its water assets continue to hang over the stock. (Source: The Star)

**CIMB, HOLD (TP: RM6.10): Ministry of Finance appoints CIMB as adviser for Edra Global sale**

CIMB Group announced yesterday that it has been appointed to act as adviser to the Ministry of Finance (MoF) for the sale of 1Malaysia Development Bhd's (1MDB) power arm, Edra Global Energy Bhd to strategic investors. CIMB said it received the letter of appointment yesterday, whereby its role will include "identifying potential buyers and running a competitive process for Edra to derive an optimal outcome for MoF." CIMB's appointment came a day after Second Finance Minister Datuk Seri Ahmad Husni Hanadzlah said in Parliament that the government had asked the country's second largest banking group to be a third party to assist the evaluation of 1MDB's proposed initial public offering (IPO). (Source: The Sun)

**SP Setia, (TP: TBD): To name successor in April**

SP Setia Bhd's major shareholders will make a decision on the succession of the company in their board meeting. The matter will be decided in a board meeting that is slated to be held in April, it's acting president Datuk Khor Chap Jen said at a press conference here on Thursday after its AGM. It is not for me to comment any further on this issue he added. Earlier, Khor said SP Setia is looking at RM4.6bil in sales for the current financial year ending Oct 31, 2015. Of this, it has already achieved RM1.2bil and expects sales to pick up. He said of the 4.6bil, about 40% of the sales would be from overseas projects while the 60% will be from local sales. Khor said focus would be in the three key areas of Penang, Klang Valley and Johor. He added there was a great need for affordable homes. (Source: The Star)

**Eco World (CP: RM1.93): To launch £1.2 billion worth of properties in London this year**

Eco World Investment Co Ltd (EWI), a private vehicle owned by Tan Sri Liew Kee Sin and Datuk Voon Tin Yow, will launch up to £1.2 billion worth of properties in London this year. EWI has a 75 per cent stake in Eco World Ballymore Holding Co Ltd (EcoWorld-Ballymore), which is acquiring three sites in London from the Ballymore Group for £428.7 million. The three large-scale residential projects will comprise as many as 2,900 units with a total gross development value (GDV)

of £2.3 billion. UK-based Ballymore Group owns the remaining 25 per cent in EcoWorld-Ballymore. (Source: BTimes)

**Integrax (CP: RM3.17): Battle for Integrax: Amin planning VGO?**

Integrax Bhd's major shareholder Amin Halim Rasip is said to be planning a voluntary general offer (VGO) for the shares he does not own in the port operator for at least RM3.66 apiece. A source familiar with the Integrax saga told SunBiz that Amin, who holds a 24.61% stake, intends to rope in local parties to help trigger the VGO. The source said Amin is likely to announce his plans at Perak Corporation Bhd's (PCB) EGM today. On Wednesday, Amin, who is also a PCB shareholder, gave notice to add on a resolution at the EGM to seek alternative offers for the port operator at minimum of RM3.66 per share. Amin is battling head on with Tenaga Nasional Bhd (TNB) which is trying to wrest control of Integrax, a company Amin co-founded. Both Amin and TNB has steadily accumulating Integrax shares ever since the latter made an offer to take over the Lumut ports operator in January for RM2.75 and later revised at RM3.25 a share. (Source: The Sun)

**Bina Puri (CP: RM0.59): To build massive sewerage treatment plant in KL**

Bina Puri Sdn Bhd, a wholly-owned subsidiary of Bina Puri Holdings Bhd has won a massive sewage treatment plant project to provide for the expected increase of urban dwellers in Setapak for the next 20 years. This award to expand and upgrade the existing Bunas Regional Sewage Treatment Plant at Jalan Chan Chin Mooi, Titiwangsa, will increase its treatment loading capacity of sewage discharges by three times of 1.1 million residents expected by 2035. Green technology will utilize the byproduct, biosolids, to generate electricity and this regional treatment plant will free up land of smaller treatment plants for commercial and residential uses, green lungs and gardens. It will also relieve nuisances suffered by residents who have complained of foul smells and clogged sewage pipes. (Source: The Star)

**TRC Synergy (CP: RM0.40): Bags RM53.9m Putrajaya housing contract**

TRC Synergy Bhd has secured a RM53.93mil contract to build houses in Precinct 8, Putrajaya. It said on Thursday its unit Trans Resources Corporation Sdn Bhd had accepted the award from Putrajaya Homes Sdn Bhd to build 50 three-storey semidetached houses. TRC expects the project will contribute positively to the earnings and earnings per share of the group in the future. (Source: The Star)

**AirAsia X (CP: RM0.46): Seeks nod for RM395m cash call on Friday**

Shareholders of AirAsia X Bhd (AAX), the long-haul low-cost affiliate of AirAsia Bhd, will vote on Friday on its cash call to raise up to RM395mil under its recovery plan. The cash call involves a proposed renounceable rights issue with free detachable warrants. This is the first major corporate exercise taken by the company since the management revamp in late January. Questions in the minds of the minority shareholders are the concrete plans to turn around the company before they agree to the rights issue. Essentially, they want to know the timeframe, fuel hedging policies and whether there would be a reduction in the number of flights amid the very competitive operating environment. (Source: The Star)

**Econpile (CP: RM0.99): Order book hits RM500m with IOI Rio City job**

Econpile Holdings Bhd's order book has exceeded RM500m, which will be recognised until 2016, with the new RM54.5mil contract to undertake the sub-structure for IOI Rio City in Puchong, Selangor. The piling and foundation specialist said on Thursday the contract, awarded by Flora Development Sdn Bhd, was to undertake the piling and related works for the IOI Rio City mixed development. The contract is part of the IOI Rio City integrated development in Bandar Puteri Puchong which has an estimated gross development value of RM6bil over 72 acres. Econpile executive director and group CEO Raymond Pang said with this new contract, the group's total order book to date exceeds RM500mil. (Source: *The Star*)

**Cahaya Mata Sarawak (CP: RM4.47): Raises stake in smelting project for US\$18.45m**

Cahaya Mata Sarawak Bhd (CMSB) is upping its stake in the ferrosilicon and manganese alloys smelting project in Samalaju Industrial Park (SIP) by another 5% for US\$18.45 million (RM67.53 million). Its wholly-owned subsidiary, Samalaju Industries Sdn Bhd (SISB), yesterday entered into a share sale agreement with OM Materials (S) Pte Ltd (OMS), a unit of OM Holdings Ltd (OMH), to purchase the 5% stake. Upon its successful completion, SISB's effective interest in the Sarawak project will be 25% and OMS's effective interest will be 75%. (Source: *The Sun*)

**1MDB: Has over RM5b in debts with local banks as of January 2015: Najib**

Prime Minister Datuk Seri Najib Abdul Razak said 1Malaysia Development Bhd (1MDB) has RM5.037 billion in debts with local banks as of January 2015. As of January 2015, 1MDB has RM5.037 billion in debts with local banks," he said in a written reply to Mohd Rafizi Ramli (PKR-Pandan) which was released at Parliament lobby here yesterday. In his question, Mohd Rafizi had asked Najib, who is also finance minister, to list every debt 1MDB had with local banks as of January this year and to reveal the latest annual audit results conducted by Bank Negara Malaysia for each debt. (Source: *The Sun*)

**Construction Sector: MRT Line 2 tender exercise to start in Q3**

Pre-qualification exercises to shortlist prospective tenderers for the elevated works, stations and underground works for the RM23bil Sungai Buloh-Serdang-Putrajaya MRT line (MRT Line 2) are expected to start by the third quarter of this year, said Gamuda Bhd. A joint venture between MMC Corp Bhd and Gamuda Bhd has been appointed the project delivery partner (PDP) to implement the MRT Line 2 project. Announcing its second quarter (Q2) results to Bursa Malaysia on Thursday, it said the PDP agreement was expected to be concluded in the second quarter of 2015. The detailed environmental impact assessment (EIA) study is ongoing and is targeted to be completed by April 15. The public display for the railway scheme will commence in mid-May 2015," it added. (Source: *The Star*)

**IPO: Bioalpha to raise RM20m from IPO**

Bioalpha Holdings Bhd, an integrated health supplements company, will offer 100 million new shares at 20 sen each to raise RM20 million from its initial public offering slated for March 26. Bioalpha will offer 100 million new shares,



of which, 80 million units will be placed to selected investors. The remaining 20 million shares will be offered to the public. A major portion of the proceeds will be used for research and development (R&D) expenditures, capital expenditures (capex), repayment of bank borrowings as well as working capital to finance its business expansion. It will set aside RM3 million for capex to be used for the setting up of a primary processing plant with a built-up area of about 10,000 sq ft in Pasir Raja, Terengganu. (Source: The Sun)

#### ECONOMIC UPDATES

##### **Philippines: Holds Benchmark Interest Rate as GDP Growth Rebounds**

The Philippines held its benchmark interest rate for a fourth straight meeting as an anticipated acceleration in economic growth reduces the need for stimulus. Bangko Sentral ng Pilipinas kept the rate it pays lenders for overnight deposits at 4 percent, it said in Manila Thursday, as predicted by all 13 economists surveyed by Bloomberg. Policy makers also held the rate on so-called special deposit accounts at 2.5 percent, as forecast by all five analysts. The Philippines is one of the few holdouts this year amid more than two dozen central banks from Canada to China that have eased monetary policy as price pressure wanes. The Southeast Asian government's economic growth target of 7 percent to 8 percent is attainable, BSP Governor Amando Tetangco said this week. (Source: Bloomberg)

##### **Saudi Arabia: Oil prices rise 6% as Saudi Arabia bombs Yemen rebels**

Oil prices rose by almost 6% after Saudi Arabia, the world's biggest crude exporter, and its allies launched in Yemen. The move has raised concerns that the conflict could spread in the oil-rich Middle East and possibly disrupt supplies from the region. West Texas Intermediate crude futures, the US benchmark, rallied to about \$51 (£34) a barrel before falling back. Brent crude climbed to \$59.71 a barrel, but has since dipped to \$56.50. Pressure on the oil price eased slightly as it became clear there was no immediate threat to Middle East oil shipments. However, fears remain that Iran could be drawn into the conflict. Yemen is located along an important international shipping route for global energy producers. But the country is sliding towards civil war. (Source: BBC)

##### **Europe: ECB's Draghi says money printing already helping recovery**

Bond-buying by the European Central Bank will reinforce the euro zone's economic recovery, its president, Mario Draghi, said on Thursday, adding that there was already evidence that the scheme was taking effect. Monetary policy is reinforcing the cyclical recovery. I insist in saying 'cyclical' because this recovery is not structural," he told a parliamentary committee hearing, in a reference to long-term problems such as unemployment. Draghi told lawmakers in Italy's parliament that recent data releases "are comforting about the contribution that monetary policy is supplying to reinforce the cyclical recovery". He said there has been a particularly noticeable effect in lowering the level of the euro against other currencies. (Source: The Edge)

##### **Greece: Optimistic on deal with euro zone next week**

Greece is optimistic about reaching a deal on economic reforms with its euro zone peers early next week, unblocking urgently needed funding, its economy

minister said on Thursday. After talks with EU leaders including German Chancellor Angela Merkel in the past week, Athens said it would present a package of reforms to its euro zone partners by Monday in the hope of unlocking aid and avoiding bankruptcy. The reforms are a sensitive issue for Prime Minister Alexis Tsipras's leftwing government, which came to power in January pledging to end austerity. It is not clear whether they will include measures agreed by the previous conservative-led government, such as privatisations and pension reforms. *(Source: The Edge)*.

**U.S.: Lower U.S. jobless claims suggest solidly improving labor market**

The number of Americans filing new claims for unemployment benefits fell more than expected last week, pointing to a healthy and expanding labor market. The sustained jobs market strength underscores the economy's solid fundamentals and suggests a recent slowdown in economic activity will be temporary. Initial claims for state unemployment benefits dropped 9,000 to a seasonally adjusted 282,000 for the week ended March 21, the Labor Department said on Thursday. That was the lowest level since mid-February and was better than economists' expectations for a dip to 290,000. A Labor Department analyst said there was nothing unusual in the state-level data. *(Source: The Edge)*

# 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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