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Monday, April 13, 2015

Report of The Day

Sector Update: Plantation - MPOB March 2015:
"March Production Up on Growing Cycle"

At a Glance

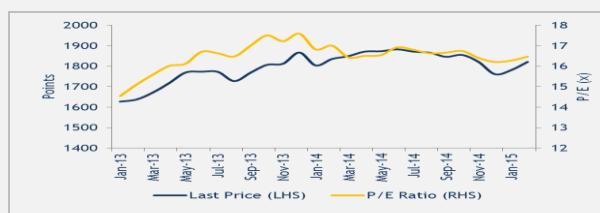
FBMKLCI dropped 5.08 points to finish at 1,844.31 due to the absence of fresh catalyst.(See full report next page)

Corporate Highlights

- **FGV, (TBA):** Graphene plant in Malaysia set to be completed in two years
- **Bumi Armada, BUY (TP: RM1.17):** Expects RM918m from FPSO sale
- **Censof (RM0.43):** Gets RM2.3mil worth of orders

Economic Update

- **Malaysia:** IPI up 5.2%
- **China:** Inflation flat at 1.4% in March
- **China:** Growth Last Quarter Seen as Worst Since Global Recession



Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,844.31	-5.08	-0.27
FBMEMAS	12,662.46	-24.79	-0.20
FBMEMAS SHA	13,215.61	-2.57	-0.02
FBM100	12,348.75	-25.18	-0.20
Volume (mn)	1,855.21	55.58	3.09
Value (RMmn)	1,802.76	11.81	0.66
FBMKLCI YTD Chg			4.72

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	20.0	-26.2
Local Institution	54.6	-31.1
Foreign Investors	25.4	57.3

Top Gainers

	Close	Change+/-	(+/- %)
PPB GROUP	15.74	0.46	3.01
DUTCH LADY MILK	48.00	0.40	0.84
TASCO BHD	3.72	0.23	6.59

Top Losers

	Close	Change+/-	(+/- %)
PANASONIC MAN	23.20	-0.34	-1.44
APM AUTOMOTIV	4.92	-0.23	-4.47
UMS HLDGS BHD	2.65	-0.22	-7.67

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,057.65	98.92	0.55
NASDAQ	4,995.98	21.41	0.43
S&P 500	2,102.06	10.88	0.52
FTSE 100	7,089.77	74.41	1.06
DAX	12,374.73	208.29	1.71
Nikkei 225	19,907.63	-30.09	-0.15
HSI	27,272.39	328.00	1.22
KOSPI	2,087.76	28.89	1.40
STI	3,472.38	12.08	0.35
KLCI Futures	1,832.00	(6.00)	(0.00)
USDMYR 3M	9.74	(0.02)	(0.00)
USDMYR 6M	9.82	(0.03)	(0.00)
USDMYR 12M	9.97	(0.01)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	52	-0.1	-0.2%
Brent (USD/bbl)	57.9	0.0	0.0%
Gold(USD/ounce)	1,208	0.3	0.0%
Coal (USD/mt)	54.7	-0.6	-1.2%
CPO (RM/mt)	2,128	8.0	0.4%
Rubber	165	0.3	0.2%
RM/USD	3.67	0.0352	-0.96%
EUR/USD	0.94	-0.001	-0.11%
YEN/USD	120.20	-0.02	0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 98.92 points to 18,057.65, S&P 500 up by 10.88 points to 2,102.06. Nasdaq surged by 21.41 points to 4,995.98. U.S. stocks ended a strong week with a broad rally on Friday as investors lauded GE's decision to divest most of its high-risk GE Capital business and repurchase up to \$50 billion of its shares.
- With earnings season underway, Wall Street is temporarily putting the U.S. Federal Reserve and macroeconomic policy on the back burner in favor of a focus on individual company results and forecasts for a pulse on the economy's health.

The Local Market

- FBMKLCI dropped 5.08 points to finish at 1,844.31 due to the absence of fresh catalyst. There were 422 gainers and 403 decliners in total value traded of RM1.80 billion.
- Among the losers on Bursa Malaysia were Panasonic Manufacturing down 34 cent to RM23.20, APM Automotive shed 23 sen to RM4.92, UMS Holdings slid 22 cent to RM2.65 and Nestle (M) declined 20 cent to RM75.10.

Strategy

- 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

FGV, (TBA): Graphene plant in Malaysia set to be completed in two years

Felda Global Ventures Holdings Bhd's (FGV) high-grade Carbon Nanotube and Graphene production plant is expected to be completed within the next two years. The first of its kind in Malaysia, FGV's graphene plant will cater for the Asian market. "There is high demand from China, Korea and Japan for graphene. In our current operations in Cambridge, UK, we produce up to 9 kg a day," FGV executive vice president Datuk Zakaria Arshad said a press conference to announce the Malaysian Investment Development Authority (MIDA) Seminar on Graphene, here, today. (Source: New Straits Times)

Bumi Armada, BUY (TP: RM1.17): Expects RM918m from FPSO sale

Offshore oilfield services provider Bumi Armada Bhd stands to gain US\$250mil (RM918mil) in revenue from selling a floating, production, storage and offloading vessel (FPSO) to its associate, PT Armada Gema Nusantara (PT AGN). This is based on the vessel's estimated sale price of US\$500mil (RM1.8bil) and

the company's 50% economic interest in the FPSO contract. Its partner in the project is Mumbai-based construction firm Shapoorji Pallonji and Co Pte Ltd (SPCL), through its indirect unit Shapoorji Pallonji International FZE. Bumi Armada told Bursa Malaysia that Armada Madura EPC Ltd, currently owned 100% by Bumi Armada unit Bumi Armada Offshore Holdings Ltd (BAOHL), inked an agreement yesterday to deliver the FPSO to PT AGN. *(Source: The Star)*

Censof (RM0.43): Gets RM2.3mil worth of orders

Censof Holdings Bhd has received orders worth RM2.31mil from Brilliance Information Sdn Bhd for a contract named "Financial Accounting System for the Royal Malaysian Customs Department." The financial management solutions firm told Bursa Malaysia that the contract, which was awarded to its wholly-owned subsidiary Century Software (M) Sdn Bhd, had tenure of 33 months starting this month. It includes nine months of implementation followed by two years of maintenance service. *(Source: The Star)*

Selangor Properties (CP: RM5.52): Plans RM825m launches in 2015

Selangor Properties Bhd is focusing on organic growth and plans to launch two property projects in the Klang Valley with an estimated total gross development value (GDV) of RM825 million in this calendar year. COO Chong Koon San said the first project includes 38 units of semi-detached homes priced above RM1.8 million and 24 units of bungalows priced above RM2 million in Bukit Permata, Gombak with a GDV of RM125 million. The launch of the group's project in Bukit Permata had been delayed due to longer time required for building plan approval which was secured in early 2015. This project is expected to contribute to the group's earnings in 2015 and in the near future. *(Source: The Sun Daily)*

SLP (CP: RM0.87): Upbeat on overseas market

Plastic packaging products manufacturer SLP Resources Bhd will rely on the overseas market for growth this year, as the global plastic packaging market is expected to grow at a compounded annual growth rate (CAGR) of 5.2% from 2014 to 2020. However, demand from the domestic market would continue to soften, said SLP group managing director Kelvin Khaw. He told *StarBiz* that orders from Japan, Australia and New Zealand remained strong in the first quarter of 2015, especially for the thin-gauge packaging materials marketed under Maxinflax brand. *(Source: The Star)*

Sunway (CP: RM3.76): Unit signs share sale pacts with vendors of Winstar Trading, PND

Sunway Holdings Sdn Bhd, a wholly-owned unit of Sunway Bhd, has signed a share sale agreement with eight Winstar Trading Sdn Bhd vendors to acquire 6.72 million ordinary shares of RM1 each worth RM130.95 million. It also signed a share sale agreement with the vendors of a Singapore-based company, PND Hardware & Trading Pte Ltd, for the acquisition of 500,000 ordinary shares of S\$1 each, representing 100 per cent of the total issued and paid-up share capital for approximately S\$2.57 million (RM1=S\$0.37). *(Source: New Straits Times)*

Plantation Sector (Neutral): March CPO stocks fall by 4.5pc to 907,555 tonnes

Malaysia's crude palm oil stocks (CPO) stocks fell by 4.5 per cent to 907,555 tonnes at end-March 2015 against 950,362 tonnes recorded in the previous

month. In a statement on Friday, the Malaysian Palm Oil Board (MPOB) said processed palm oil grew by 20.83 per cent to 958,156 tonnes for the month under review. It said palm kernel stocks increased by 0.43 per cent to 136,083 tonnes and crude palm kernel oil surged by 30.20 per cent to 133,995 tonnes. Processed palm kernel oil stocks fell by seven per cent to 104,418 tonnes in March and palm kernel cake stocks was 10.46 per cent lower at 230,703 tonnes, it said. MPOB said the CPO production in March improved 33.27 per cent to 1.49 million tonnes against 1.12 million tonnes the previous month. Palm kernel production rose 35.78 per cent to 379,249 tonnes, while crude palm kernel oil output was 53.09 per cent better at 176,111 tonnes and palm kernel cake production increased 51.10 per cent to 194,236 tonnes, it said. *(Source: New Straits Times)*

EPF: Contribution RM57.2 billion in 2014

Employees Provident Fund recorded total annual contribution of RM57.2 billion last year. Total annual amount withdrawn during the year was RM33.8 billion, resulting in net inflows of RM23.4 billion, says its chief executive officer, Datuk Shahril Ridzuan. *(Source: New Straits Times)*

ECONOMIC UPDATES

Malaysia: IPI up 5.2%

Malaysia's Industrial Production Index (IPI) grew 5.2% in February 2015 compared with the same month a year ago, driven by growth in the indices of manufacturing, mining and electricity components. In a statement on Friday, the Statistics Department said manufacturing rose 4%, mining increased by 9.2% and electricity went up by 1.9%. It also said the IPI in January 2015 remained unchanged at 7% year-on-year. On a month-on-month basis, in seasonally adjusted terms, the IPI in February 2015 decreased by 0.1% following the decline in the indices for manufacturing (0.3%), mining (0.3%) and electricity (2.6%). The department said manufacturing output recorded a strong growth of 4% year-on-year in February 2015 after an increase of 6.6% in the previous month. *(Source: The Star)*

China: Inflation flat at 1.4% in March

China's inflation stayed at 1.4% in March, unchanged from February, said the National Bureau of Statistics (NBS). On a month-on-month basis, the bureau said the Consumer Price Index (CPI), however, fell to 0.5% from February's 1.2%. NBS senior economist, Yu Qiumei, attributed the decline in March to the price adjustments after the Chinese New Year celebration. Food prices had dropped following the low demand of fresh food after the Spring Festival. Also the warmer weather after the holiday has resulted in a sufficient food supply, which lowered the vegetable prices by 8.9% from a month earlier. *(Source: The Star)*

China: Growth Last Quarter Seen as Worst Since Global Recession

Gross domestic product data scheduled for Wednesday will probably show the economy expanded 7 percent in the first quarter from a year earlier, according to the median estimate of 38 economists in a Bloomberg survey as of April 10.

That would be the slowest pace since the first quarter of 2009, when China was hit by the global financial crisis, prompting then Premier Wen Jiabao to unleash a massive stimulus package that featured a record credit boom. To achieve this year's growth target of about 7 percent, current Premier Li Keqiang may need to add policy support, something he flagged last month he stood ready to do. The consumer-prices index held steady at a 1.4 percent increase in March from a year earlier, giving room to act. *(Source: Bloomberg)*

U.S.: Blackstone and GE in biggest real estate contract since the financial crisis
It took Blackstone Group LP less than four weeks after an approach from General Electric Co to clinch the biggest real estate deal since the financial crisis. Yet the seeds of that deal were planted seven years ago, during the crisis. After the Wall Street meltdown, US regulators slapped rules on banks and other financial institutions aimed at curbing their risk taking. These requirements, including more burdensome capital requirements and the hiring of additional compliance staff, have raised the costs of real estate investing, driving some out of the business and prompting others to cut back.

U.S.: Treasuries Drop as Jobs Scare Gives Way to Measured Confidence
The worst jobs report in more than a year was a warning shot across the economy's bow and not a direct hit, the Treasury market decided. U.S. 10-year notes dropped the most in a month this week as a decline in jobless claims and a jump in oil prices renewed confidence in the resilience of the U.S. economy. Reports next week are forecast to show retail sales and core inflation rose last month, adding further evidence that the payrolls miss on April 3 was an outlier. As oil has gained, inflation has picked up. The difference between yields on Treasury Inflation Protected Securities and 10-year Treasury nominal yields, an outlook for inflation expectations, rose to 1.82 percentage points from a 2015 low of 1.49 percentage points on Jan. 14. The Fed's goal is 2 percent. *(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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