

PP14767/09/2012(030761)

Wednesday, April 15, 2015

At a Glance

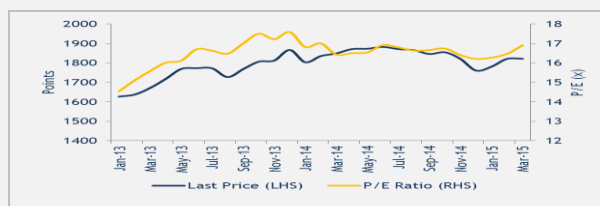
FBMKLCI declined 2.47 points to finish at 1,839.61 on continued profit taking activities(See full report next page)

Corporate Highlights

- **Tenaga, HOLD (TP: RM15.20):** Latest power plant in Manjung starts operations
- **Bumi Armada, BUY (TP: RM1.17):** Get RM1.1bil Malta contract
- **Boustead Holdings (CP: RM4.60):** Forks out more money for Irat
- **Cahaya Mata Sarawak (CP: RM4.81):** in RM308m contract

Economic Update

- **U.S.:** Retail sales rebound, post largest gain in a year
- **U.S.:** Business inventories rise
- **China:** Central Bank aims for "reasonable" credit growth



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	13-Apr	7:50 AM	Machine Orders MoM	-	-1.7%
JP	13-Apr	7:50 AM	PPI MoM	-	0.0%
JP	13-Apr	7:50 AM	PPI YoY	-	0.5%
CN	13-Apr	-	Trade Balance	\$40.55B	\$60.62B
CN	13-Apr	-	Exports YoY	10.0%	48.3%
CN	13-Apr	-	Imports YoY	-10.5%	-20.5%
EU	14-Apr	5:00 PM	Industrial Production SA MoM	-	0.1%
EU	14-Apr	5:00 PM	Industrial Production WDA YoY	-	1.2%
US	14-Apr	8:30 PM	Retail Sales Advance MoM	1.0%	-0.6%
US	14-Apr	8:30 PM	Retail Sales Ex Auto MoM	0.7%	-0.1%
US	14-Apr	8:30 PM	Retail Sales Ex Auto and Gas	-	-0.2%
US	14-Apr	8:30 PM	PPI Final Demand MoM	0.2%	-0.5%
US	14-Apr	8:30 PM	PPI Ex Food and Energy MoM	0.1%	-0.5%
EU	15-Apr	7:45 PM	ECB Main Refinancing Rate	-	0.050%
EU	15-Apr	7:45 PM	ECB Deposit Facility Rate	-	-0.200%
EU	15-Apr	7:45 PM	ECB Marginal Lending Facility Rate	-	0.300%
US	15-Apr	7:00 PM	MBA Mortgage Applications	-	0.4%
US	15-Apr	9:15 PM	Industrial Production MoM	-0.2%	0.1%
US	15-Apr	9:15 PM	Capacity Utilization	78.7%	78.9%
JP	15-Apr	12:30 PM	Industrial Production MoM	-	-3.4%
JP	15-Apr	12:30 PM	Industrial Production YoY	-	-2.6%
JP	15-Apr	12:30 PM	Capacity Utilization MoM	-	3.6%
CN	15-Apr	10:00 AM	Retail Sales YoY	10.9%	7.0%
CN	15-Apr	10:00 AM	Retail Sales YTD YoY	10.7%	10.7%
CN	15-Apr	10:00 AM	Industrial Production YoY	7.0%	-
CN	15-Apr	10:00 AM	Industrial Production YTD YoY	7.0%	6.8%
CN	15-Apr	10:00 AM	GDP YoY	7.0%	7.3%
US	16-Apr	8:30 PM	Housing Starts	1040K	897K
US	16-Apr	8:30 PM	Housing Starts MoM	15.9%	-17.0%
US	16-Apr	8:30 PM	Building Permits	1080K	1092K
US	16-Apr	8:30 PM	Building Permits MoM	-2.0%	3.0%
US	16-Apr	8:30 PM	Initial Jobless Claims	-	-
US	16-Apr	8:30 PM	Continuing Claims	-	-
EU	17-Apr	5:00 PM	CPI MoM	-	0.6%
EU	17-Apr	5:00 PM	CPI YoY	-	-
EU	17-Apr	5:00 PM	CPI Core YoY	-	0.6%
US	17-Apr	8:30 PM	CPI MoM	0.3%	0.2%
US	17-Apr	8:30 PM	CPI Ex Food and Energy MoM	0.2%	0.2%
US	17-Apr	8:30 PM	CPI YoY	0.1%	0.0%
US	17-Apr	10:00 PM	U. of Mich. Sentiment	93.7	93.0
US	17-Apr	10:00 PM	Leading Index	0.3%	0.2%

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,839.61	-2.47	-0.13
FBMEMAS	12,635.10	-13.00	-0.10
FBMEMAS SHA	13,180.39	4.63	0.04
FBM100	12,315.70	-13.79	-0.11
Volume (mn)	2,016.63	-102.51	-4.84
Value (RMmn)	2,082.21	209.98	11.22
FBMKLCI YTD Chg			4.45

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.6	-23.0
Local Institution	56.4	-10.9
Foreign Investors	25.0	33.9

Top Gainers

	Close	Change+/-	(+/- %)
SYKT TAKAFUL	14.58	0.48	3.40
CARLSBERG	14.24	0.34	2.45
DUTCH LADY MILK	48.18	0.18	0.38

Top Losers

	Close	Change+/-	(+/- %)
RHB CAPITAL BHD	7.96	-0.24	-2.93
AEON CREDIT	13.72	-0.20	-1.44
ORIENTAL FOOD	4.60	-0.20	-4.17

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,036.70	59.66	0.33
NASDAQ	4,977.29	-10.96	-0.22
S&P 500	2,095.84	3.41	0.16
FTSE 100	7,075.26	10.96	0.16
DAX	12,227.60	-111.13	-0.90
Nikkei 225	19,908.68	3.22	0.02
HSI	27,561.49	-454.85	-1.62
KOSPI	2,111.72	12.80	0.61
STI	3,515.36	30.97	0.89
KLCI Futures	1,833.50	1.50	0.00
USDMYR 3M	9.87	0.02	0.00
USDMYR 6M	9.95	0.01	0.00
USDMYR 12M	10.04	0.01	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	54	0.2	0.4%
Brent (USD/bbl)	58.4	0.5	0.9%
Gold(USD/ounce)	1,193	0.4	0.0%
Coal (USD/mt)	55.4	0.4	0.7%
CPO (RM/mt)	2,148	17.0	0.8%
Rubber	165	-1.2	-0.7%
RM/USD	3.70	-0.0083	0.22%
EUR/USD	0.94	0.0004	0.04%
YEN/USD	119.40	0	0.00%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 59.66 points to 18,036.70, S&P 500 up by 3.41 points to 2,095.84. Nasdaq declined by 10.96 points to 4,977.29. Stocks mostly moved higher on Tuesday thanks to a turnaround in the health of the U.S. consumer. After three months of outright declines in retail sales, shoppers returned with a vengeance now that winter's chill has faded.
- Meanwhile, consumers came roaring back in March with growth surging, on a month-over-month basis, by 0.9%, a level not seen since early last year albeit slightly weaker than expected. The gain was led by a massive rebound in auto sales, which were up 2.7% over February. This reflects both consumer confidence as well as relatively easy credit conditions for auto loans and elevated used car prices.

The Local Market

- FBMKLCI declined 2.47 points to finish at 1,839.61 on continued profit taking activities. There were 359 gainers and 339 decliners in total value traded of RM2.08 billion.
- Among the losers on Bursa Malaysia were RHB Capital plunged 24 cent to RM7.96, Aeon Credit and Oriental Food tumbled 20 cent to RM13.72 and RM4.60 respectively, and IHH Healthcare shed 19 cent to RM5.62.

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

Tenaga, HOLD (TP: RM15.20): Latest power plant in Manjung starts operations
Tenaga Nasional Bhd's (TNB) latest ultra-supercritical coal-fired power plant in Manjung, Perak has begun its commercial operations, transmitting an additional 1,000MW into the national grid. "The plant was commissioned merely five hours upon receiving the commissioning test certificate from the Energy Commission at 7pm on April 13," the utility giant said in a statement yesterday. It began commercial operations one minute after the stroke of midnight yesterday. The power supplied by the Manjung 4 plant raised the generating capacity of TNB Janamanjung Sdn Bhd (TNB's wholly-owned subsidiary) to 3,100MW, turning it into peninsular Malaysia's largest independent power producer to date. (Source: The Star)

Bumi Armada, BUY (TP: RM1.17): Get RM1.1bil Malta contract
Offshore oilfield services provider Bumi Armada Bhd's wholly owned subsidiaries, Armada Floating Gas Storage Malta Ltd (AFG Storage) and Armada Floating Gas Services Malta Ltd (AFG Services) have entered into agreements

with ElectroGas Malta Ltd for the conversion, supply, and operations as well as maintenance of one floating storage unit (FSU) for US\$300mil (RM1.1bil). The company said in a Bursa Malaysia announcement that the project was related to the construction and operation of a liquefied natural gas (LNG) receiving terminal located at Delimara, Malta. The contract has a duration of 18 years and two months with the FSU expected to commence operations in Delimara, Malta in 2016. (Source: *The Star*)

Boustead Holdings (CP: RM4.60): Forks out more money for Irat

Boustead Holdings Bhd has made a capital injection of RM199mil for its proposed acquisition of 50% or 93.33 million shares in Irat Properties Sdn Bhd, which controls the automated traffic enforcement system (AES). Boustead's parent Lembaga Tabung Angkatan Tentera (LTAT) and Irat Holdings Sdn Bhd already hold 49.17% and 0.83% stakes in Irat Properties respectively. Boustead said in a stock exchange filing that its stake would be made via the capital injection into Irat Properties, whose two subsidiaries, ATES Sdn Bhd and Beta Tegas Sdn Bhd, jointly manage the AES. (Source: *The Star*)

Cahya Mata Sarawak (CP: RM4.81): in RM308m contract

Cahya Mata Sarawak Bhd's (CMSB) sub-subsidiary PPES Works (Sarawak) Sdn Bhd has entered into a design and build and negotiated contract with the government of Sarawak for the proposed Sarawak Museum Campus and Heritage Trail in Kuching for RM308 million. PPES is subsidiary company of CMS Works Sdn Bhd, which in turn is a wholly owned subsidiary of CMSB. The project comprises the design, construction, fitting out and exhibitory for a new world class museum and an adjoining annexe building with a combined total floor space of 30,000 m². This annexe building will incorporate both an administration area and storage and conservation facilities up to international museum standards. (Source: *The Sun Daily*)

Benalec (CP: RM0.81), Pestech (CP: RM5.00): MoU for Tanjung Piai power supply infrastructure

Benalec Holdings Bhd, which is reclaiming land in Johor which will be developed into an integrated petroleum and petrochemical hub, has signed a memorandum of understanding (MoU) with Pestech International Bhd for the power supply infrastructure. The marine construction firm told Bursa Malaysia on Tuesday that Benalec Sdn Bhd, via its unit Tanjung Piai Maritime Industries Sdn Bhd (TPMISB), had entered into an MoU with Pestech International's unit Pestech Sdn Bhd (PSB) for exclusive exploratory efforts to establish power supply infrastructure to the Tanjung Piai Integrated Petroleum and Maritime Industrial Park. (Source: *The Star*)

Asia Poly (CP: RM0.41): Gets new owner

The single largest shareholder in Asia Poly Holdings Bhd, Tan Sri Lim Tong Yong, has ceased to be a shareholder in the manufacturer of cast acrylic sheets after selling his entire stake of 27.61% in the company for some RM12mil. Market data show that 25 million shares or 27.61% were crossed at 43 sen each on Monday and according to a source familiar with the transaction, the shares which belonged to Lim, a former chief executive officer of hospital group Pantai Holdings, were sold to businessman Datuk Yeo Boon Leong. Yeo is known to be

involved in a myriad of business activities including once helping Bandar Kinrara Properties Sdn Bhd as managing director. (Source: *The Star*)

Petronas: Petronas Carigali cuts salaries by 20%

Petronas Carigali Sdn Bhd has asked its staff to take a 20% pay cut in view of the challenging market conditions caused by low global oil prices, a source told *SunBiz*. According to a memo obtained by *SunBiz*, Petronas Carigali indicated that a 20% reduction in current salaries would be required effective May 1, 2015. The company said in the memo that it intends to continue investing to sustain production levels despite the low oil price environment affecting its expenditure and projects feasibility. However, it would be challenging to do so at the current cost structure and as part of its cost optimisation efforts, the company has decided to revise salary rates. (Source: *The Sun Daily*)

EPF: Sells London property to British Land for over RM1b

British Land has completed the acquisition of the One Sheldon Square in Paddington Central for £210mil from the Employees Provident Fund (EPF). The UK-based company said on Tuesday One Sheldon Square comprises nearly 200,000 sq ft of freehold office space over nine floors. British Land said this brings its total investment at Paddington Central to 800,000 sq ft with a further 146,000 sq ft under construction at 4 Kingdom Street and 210,000 sq ft of consented future development at 5 Kingdom Street. (Source: *The Star*)

Utilities Sector: Govt may introduce two power tariff rates at end of 2015

The government is looking to introduce the enhanced time of use (eTOU) mechanism by end of 2015 or early 2016 for electricity usage in Peninsular Malaysia and Sabah, said Energy, Green Technology and Water Ministry deputy secretary general Datuk Dr Nadzri Yahaya. He said the concept is similar to the mechanism adopted in Japan, which has two tariff rates. The concept in Japan has seen some industries changing work processes to utilise lower tariff rates at night. Nadzri said tentatively, the ministry is looking at maintaining day time rates and lower night time rates but the exact rates have not been determined yet. (Source: *The Sun Daily*)

Property Sector: Number of property transactions fall 4.6% in 1Q

Despite expectations of many that there will be a rush of pre-goods and services taxes (GST) purchases of properties before April 1 due to fears of increase in property prices after the implementation of the consumption tax, deputy finance minister Datuk Chua Tee Yong said this was not the case. The volume of residential property transactions in the country for the first quarter ended March 31, 2015 (1Q2015), declined year-on-year by 4.6% to 88,600 transactions, as compared to 92,900 transactions in 1Q2014, and had fallen 6.2% quarter-on-quarter from 94,500 transactions in the fourth quarter of 2014 4Q14. (Source: *The Edge*)

ECONOMIC UPDATES

U.S.: Retail sales rebound, post largest gain in a year

U.S. retail sales rose in March for the first time since November as consumers stepped up purchases of automobiles and other goods, suggesting a sharp slowdown in economic growth in the first quarter was temporary. The Commerce Department's fairly sturdy report on Tuesday together with other data showing producer inflation crept up last month should keep the Federal Reserve on track to start raising interest rates later this year. Retail sales increased 0.9 percent in March. That was the largest gain since the same month last year and snapped three straight months of declines that had been blamed on harsh winter weather. (Source: *The Edge*)

U.S.: Business inventories rise

U.S. business inventories rose slightly more than expected in February as sales remained weak, a trend that could leave businesses with little appetite to accumulate more stock. The Commerce Department said on Tuesday business inventories increased 0.3 percent after being unchanged in January. Economists polled by *Reuters* had forecast inventories rising 0.2 percent in February. Inventories are a key component of gross domestic product. Retail inventories excluding autos, which go into the calculation of GDP, increased 0.5 percent in February. They rose 0.2 percent in January. (Source: *The Edge*)

China: Central Bank aims for "reasonable" credit growth

China central bank said on Tuesday that it will use a variety of policy tools to keep liquidity conditions appropriate and maintain "reasonable" growth in credit and social financing. The central bank, which made the comment after data showed March new loans beat market expectations but money supply growth slowed, also said borrowing costs for companies continued to fall and financing conditions were improving. The proportion of direct financing in the country's total social financing has increased while trusts and high-cost borrowing fell, it added. (Source: *The Edge*)

India: Govt invites M'sian builders to participate in highway projects

India's Road Transport and Highways Ministry has invited Malaysian construction firms to participate in the country's highway building projects under a new Private-Public Partnership scheme -- Hybrid Annuity. Secretary of Ministry of Road Transport and Highways, Vijay Chhibber, said under the scheme, the Indian government would bear 40 per cent of the building cost and the developers will invest the rest through equity and debt financing. "Under the new hybrid annuity model, not only the government will support 40 per cent of the project cost in five equal instalments, it will also bear the revenue risk in projects with a low anticipation of traffic flow," he said at the one-day workshop on the Hybrid Annuity Model here today. (Source: *The Star*)

India: IMF, India economy to hit 7.5 pct, outpacing China

India's economy will grow much faster than forecast this year and next and outpace rival China, the International Monetary Fund (IMF) said Tuesday, citing falling oil prices and a reform drive by the government of Prime Minister Narendra Modi. The IMF said in its World Economic Outlook update that Asia's

number three economy would expand 7.5% in 2015, up from a 6.3% prediction made in January, and remain the same next year. It had previously tipped 6.5% expansion in 2016. Modi has lifted the cap on foreign investment in the defence and insurance sectors and announced a series of other initiatives since winning last year's general election on a pledge to reform and revive the economy. (Source: *The Star*)

Indonesia: Holds Interest Rate as Inflation Pressures Re-Emerge

Indonesia's central bank kept its main interest rate unchanged for a second month, refraining from easing policy as inflationary pressures reappear. Governor Agus Martowardojo and his board kept the reference rate at 7.5 percent, Bank Indonesia said in Jakarta on Tuesday. Twenty out of 21 economists surveyed by Bloomberg News had predicted the decision, while one forecast a cut. The authority also held the rate it pays lenders on overnight deposits, known as the Fasbi, at 5.5 percent. (Source: *Bloomberg*)

Greece: Greek Officials Return to Work as Economic Reform Deadline Looms

Greek government officials are returning to work on Tuesday after the Orthodox Easter break to face the daily grind of negotiations to unlock financing and keep the country afloat. The most indebted state in the euro should be targeting having a list of reform proposals by about April 20, EU Commission Vice President Valdis Dombrovskis said in Bloomberg Television interview yesterday. European Union finance ministers are planning to meet to discuss the matter on April 24 in Riga, Latvia. (Source: *Bloomberg*)

Singapore: Central Bank denies heavy FX intervention to support currency

The Monetary Authority of Singapore (MAS) on Tuesday denied market talks that it has been intervening "heavily" to support the local currency, which is the third-worst performing Asian currency this year. The MAS manages monetary policy by letting the Singapore dollar rise or fall against the currencies of its main trading partners within an undisclosed trading band based on its nominal effective exchange rate (NEER). It said the drop in OFR over the past nine months till end-March 2015 was due to currency translation effects rather than the central bank's intervention operations. (Source: *The Edge*)

U.K.: BOE to Reprice Banks' Trading Books in 2015 Stress Test

The U.K. stress test reveals the Bank of England's growing concern about lenders being stuck with losing trades when markets get choppy. The regulator will reprice lenders' trading books to test how much capital they eat into when faced with losses and periods of reduced market liquidity. The BOE used a Feb. 20 snapshot of the financial-instrument portfolios as the basis for the 2015 exam. Traders weren't told in advance so the test couldn't be gamed, according to a person with knowledge of the matter. (Source: *Bloomberg*)

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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