

PP14767/09/2012(030761)

Tuesday, July 14, 2015

Report of The Day

Results Review: Digi 2Q15, BUY (TP: RM6.60) - "Slower but of no Concern"

Company Update: TNB, BUY (RM15.20) - "A look into Debt"

Strategy Report: 3Q15 China Economic Outlook - "Embracing Slower Economic Growth"

Strategy Report: BIMB Holdings BUY, (TP: RM4.48) - "Entering Defensive Mode"

At a Glance

FBMKLCI gained 0.53 points to finish at 1,716.11 on Greek's optimism to agree on bailout package(See full report next page)

Strategy

"Cheer for Greece Cheer for Global Equity Market"

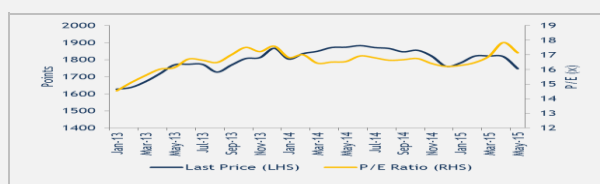
The deal will be a deal maker for global equity market today. Hence, expect risk taking and buying momentum to resume.(See full report next page)

Corporate Highlights

- **DiGi.Com, BUY (TP: RM6.60):** 2Q net profit falls 6.9%, declares 5.9 sen dividend
- **SapuraKencana, BUY (TP: RM2.95):** Wins RM1bil job
- **Mega First (CP: RM2.24):** In talks for Sabah power plant renewal

Economic Update

- **China:** June trade data beats forecasts, but imports shrink again
- **China:** June coal imports fall 34% on year
- **Indonesia:** Central bank to keep rates steady on inflation



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
CN	10-15 Jul	-	New Yuan Loans CNY	10.50B	900.8B
CN	10-15 Jul	-	Money Supply M2 YoY	0.1	0.1
CN	13-Jul	-	Trade Balance	\$56.35B	\$59.49B
CN	13-Jul	-	Export YoY	1.0%	-2.5%
CN	13-Jul	-	Import YoY	-15.0%	-17.6%
JP	13-Jul	12:30 PM	Industrial Production MoM	-	-2.2%
JP	13-Jul	12:30 PM	Industrial Production YoY	-	-4.0%
JP	13-Jul	12:30 PM	Capacity Utilization MoM	-	-0.4%
EU	14-Jul	5:00 PM	Industrial Production SA MoM	-	0.1%
US	14-Jul	8:30 PM	Retail Sales Advance MoM	0.3%	1.2%
US	14-Jul	8:30 PM	Retail Sales Ex Auto MoM	0.6%	1.0%
US	14-Jul	8:30 PM	Retail Sales Ex Auto and Gas	0.5%	0.7%
US	15-Jul	7:00 PM	MBA Mortgage Applicants	-	4.6%
US	15-Jul	8:30 PM	PPI Final Demand MoM	0.2%	0.5%
US	15-Jul	8:30 PM	PPI Ex Food and Energy MoM	0.1%	-0.1%
US	15-Jul	9:15 PM	Industrial Production MoM	0.2%	-0.2%
US	15-Jul	9:15 PM	Capacity Utilization	78.1%	78.1%
CN	15-Jul	10:00 AM	Retail Sales YoY	10.2%	10.1%
CN	15-Jul	10:00 AM	Retail Sales YTD YoY	10.3%	10.4%
CN	15-Jul	10:00 AM	Industrial Production YoY	6.0%	-
CN	15-Jul	10:00 AM	Industrial Production YTD YoY	6.2%	-
CN	15-Jul	10:00 AM	GDP YoY	6.8%	7.0%
CN	15-Jul	10:00 AM	GDP YTD YoY	6.9%	7.0%
MY	15-Jul	12:00 PM	CPI YoY	-	2.1%
EU	16-Jul	5:00 PM	CPI MoM	-	0.2%
EU	16-Jul	5:00 PM	CPI YoY	-	0.2%
EU	16-Jul	7:45 PM	ECB Main Refinancing Rate	-	0.1%
EU	16-Jul	7:45 PM	ECB Deposit Facility Rate	-	-0.2%
EU	16-Jul	7:45 PM	ECB Marginal Lending Facility	-	0.3%
US	16-Jul	8:30 PM	Initial Jobless Claims	-	-
US	16-Jul	8:30 PM	Continuing Claims	-	-
US	17-Jul	8:30 PM	Housing Starts	1100K	1036K
US	17-Jul	8:30 PM	Building Permits	1104K	1275K
US	17-Jul	8:30 PM	CPI MoM	0.3%	0.4%
US	17-Jul	8:30 PM	CPI Ex Food and Energy MoM	0.2%	0.1%
US	17-Jul	8:30 PM	CPI YoY	0.1%	0.0%
US	17-Jul	10:00 PM	U of Mich. Sentiment	96.5	96.1

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,716.11	0.53	0.03
FBMEMAS	11,807.73	5.65	0.05
FBMEMAS SHA	12,288.88	10.81	0.09
FBM100	11,501.24	4.59	0.04
Volume (mn)	1,498.48	-175.31	-10.47
Value (RMmn)	1,456.33	-203.37	-12.25
FBMKLCI YTD Chg			-2.56

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	23.6	-20.6
Local Institution	58.8	106
Foreign Investors	17.6	-85.4

Top Gainers

	Close	Change+/-	(+/- %)
BAT	63.40	0.70	1.12
VS INDUSTRY BHD	5.20	0.49	10.40
SAM ENGINEERIN	5.88	0.26	4.63

Top Losers

	Close	Change+/-	(+/- %)
UNITED PLANT	26.50	-0.74	-2.72
CHIN TECK PLANT	9.00	-0.20	-2.17
GENTING PLANT	10.04	-0.16	-1.57

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,977.68	217.27	1.22
NASDAQ	5,071.51	73.82	1.48
S&P 500	2,099.60	22.98	1.11
FTSE 100	6,737.95	64.57	0.97
DAX	11,484.38	168.75	1.49
Nikkei 225	20,089.77	309.94	1.57
HSI	25,224.01	322.73	1.30
KOSPI	2,061.52	30.35	1.49
STI	3,311.22	31.34	0.96
KLCI Futures	1,699.50	(2.50)	(0.00)
USDMYR 3M	10.35	(0.02)	(0.00)
USDMYR 6M	10.41	(0.01)	(0.00)
USDMYR 12M	10.47	(0.00)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	52	-0.3	-0.5%
Brent (USD/bbl)	57.9	0.0	0.0%
Gold(USD/ounce)	1,157	-1.1	-0.1%
Coal (USD/mt)	60.4	0.0	0.0%
CPO (USD/mt)	2,198	4.0	0.2%
Rubber	164	-0.5	-0.3%
RM/USD	3.80	0.009	-0.24%
EUR/USD	0.91	0.0004	0.04%
YEN/USD	123.56	0.13	-0.11%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 217.27 points to 17,977.68; S&P 500 up 22.98 points to 2,099.98. Nasdaq soared by 73.82 points to 5,071.51. Stocks soared in ebullient fashion on Monday as an 11th hour deal between Greece and its European creditors was finally happened out after three weeks of brinkmanship. The deal amounts to a full surrender by Athens, just one week after its people voted “Oxi” against more austerity in a surprise referendum.
- In exchange for merely the consideration of a new bailout package worth about \$100 billion (this is the third deal since the Greek debt crisis started in late 2009, for those keeping track at home), Greece must submit and pass a long list of measures by Wednesday including, embarrassingly, \$55 billion worth of state assets into a privatization fund. In other words, Greece is getting a visit from the repo man.

The Local Market

- FBMKLCI gained 0.53 points to finish at 1,716.11 on Greek’s optimism to agree on bailout package. There were 357 gainers and 360 decliners in total value traded of RM1.49 billion.
- Among the gainers on Bursa Malaysia were BAT gained 70 cent to RM63.40, VS Industry jumped 49 cent to RM5.20, Sam Engineering grew 26 cent RM5.88, and Li Hen soared 23 cent to RM5.08.

Strategy

- **“Cheer for Greece Cheer for Global Equity Market”**
Wall Street vaulted on Monday in cheer over latest approved bailout plan for Greece, averting the most damaging calamity if Greece get booted out from Eurozone. **S&P 500** and **DJIA** added **22.98 (1.11%)** and **217.27 (1.22%)** points to end at **2,099.60** and **17,977.68** respectively. In short, Greece was able to secure its latest bailout deal from its creditors which include tax increase and wage cut. Although we think that Greece is merely buying time as the bailout programme is too onerous to be fulfilled but the deal will be successful in averting global financial market calamity if the opposite takes place, i.e. Greece opt out of Eurozone. Greece banking system is now up and running and the global equity market can now bury the pain in the neck caused by Greece likely default. In sum, the deal will be a deal maker for global equity market today. Hence, expect risk taking and buying momentum to resume.
- Our 2015 year-end target is **1,660** based on PER of 15.6x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on auto, construction, and telco respectively. We predict Malaysia to grow by 5.0% in 2015.

CORPORATE HIGHLIGHTS

DiGi.Com, BUY (TP: RM6.60): 2Q net profit falls 6.9%, declares 5.9 sen dividend
 DiGi.Com Bhd saw its net profit fall 6.9% to RM464.36 million or 5.97 sen a share for the second quarter ended June 30, 2015 (2QFY15) from RM498.91 million or 6.42 sen a share a year ago, due to higher depreciation and amortisation charges as well as higher tax expenses. In a filing with Bursa Malaysia today, the mobile service provider said revenue for the quarter also dropped by a marginal 1.3% to RM1.72 billion from RM1.75 billion in 2QFY14 due to competition intensity in international direct dial (IDD) services as well as post-goods and services tax (GST) implementation confusion. Nevertheless, DiGi.Com declared a second interim dividend of 5.9 sen totalling RM459 million for the financial year ending Dec 31, 2015 (FY15), payable on Sept 4, 2015. This brings its total dividend to 12.14 sen per share for the year. (Source: The Edge)

SapuraKencana, BUY (TP: RM2.95): Wins RM1bil job

SapuraKencana Petroleum Bhd has been awarded with a lump sum contract worth US\$273mil (RM1.038bil) by Oil and Natural Gas Corp Ltd for the Mumbai High South Redevelopment Phase III Project on a turnkey basis. In a filing with Bursa Malaysia, SapKen said its wholly-owned subsidiary, Kencana HL Sdn Bhd, had secured the contract. The oil and gas services heavyweight added that the scope of work included surveys, design, engineering, procurement, fabrication, transport and installation, hook-up and commissioning of three new well head platforms, around 116km of submarine pipelines, around 7.5km of submarine cables, modification works on existing platforms including clamp-on works on two platforms, subsea repair works on three jackets and D1C pile remedial works. (Source: The Star)

Mega First (CP: RM2.24): in talks for Sabah power plant renewal

It is no secret that the 21-year power purchase agreement for Mega First Corp Bhd's 51%-owned Serudong Power Sdn Bhd in Tawau, Sabah, with Sabah Electricity Sdn Bhd is up for renewal in November 2017, so investors may be interested to know that the group is now engaging the authorities ahead of the renewal deadline. We are in discussion with the authorities for renewal. We are waiting for a reply from them, but I will have to get back to you once we get full clarity of this matter," Mega First executive chairman Goh Nan Kioh, 62, told The Edge Financial Daily in a recent interview. Eyes are on the concession renewal as its power generation business which is contributed by both the Sabah plant and its 60%-owned Shaoxing Mega Heat & Power Co Ltd in China makes up the bulk of the group's revenue. For the financial year ended Dec 31, 2014 (FY14), the power generation business contributed a hefty 79%. (Source: The Edge)

Muhibbah (CP: RM2.23): Wins RM143mil port jobs

Construction firm Muhibbah Engineering (M) Bhd has secured a contracts totalling RM143.1mil from Northport (M) Bhd for the upgrading of a wharf. Muhibbah has secured RM138.8mil worth of work for the design and build for the upgrading of Wharf 8 and associated works at container terminal four (CT4) of Northport, and an additional provisional sum for dredging works of about RM4.3mil, inclusive of the government service tax. Upon completion of the upgrading of Wharf 8, it will place Northport in a better position to handle the

Triple E-Class Container vessels. This will offer Northport improved connectivities for shipping routes to service Europe, America, China and Japan. (Source: The Star)

Hua Yang (CP: RM1.90): Net profit up 25%

Property developer Hua Yang Bhd posted a nearly 25% jump in net profit to RM29.9mil for the first quarter ended June 30 compared with the same quarter a year ago due to steady contribution from ongoing projects. The company said in a filing with Bursa Malaysia that revenue for the quarter was up 4.5% to RM142.57mil compared with the same quarter a year ago. Earnings per share stood at 11.32 sen against 9.07 sen a year ago. Hua Yang said earnings also came from other operations, mainly rental income sourced from commercial properties under the "build, operate and transfer" concession with local authorities. (Source: The Star)

CYL Corp (CP: RM0.73): To set aside RM8m for FY16 capex

CYL Corp Bhd, a plastics packaging player, will set aside RM8 million as capital expenditure for financial year ending Jan 31, 2016 (FY16). CYL's managing director Chen Yat Lee said the group will be utilising its capex to invest in new machinery. We believe investing in new machinery will enhance our automation efforts, moving forward," he told reporters, after the group's annual general meeting today. The group acknowledges FY16 would be a challenging year for operations, with the weakening ringgit. As we import most of our raw materials from Singapore, the weak ringgit would impact our purchases. However, we have an arrangement with our customers who have been with us for many years on our pricing strategy said Chen. (Source: The Edge)

HeiTech (CP: RM0.66): Gets RM1.1mil job

HeiTech Padu Bhd has accepted a job from Koperasi Angkatan Tentera Malaysia Bhd for a proposed disaster recovery centre and wide area network managed services. In a filing with Bursa Malaysia, it said the contract is worth RM1.1mil, with a recurring cost of RM2.7mil per annum. The three-year project would contribute positively to earnings. HeiTech provides information and communications technology solutions in the national security, transportation, healthcare, financial services, defence, manufacturing, oil and gas, education and utilities industries. (Source: The Star)

Construction (Overweight): MMC Gamuda KVMRT inks agreement with MRT Corp

MMC Gamuda KVMRT (PDP SSP) Sdn Bhd has inked the project delivery partner agreement with Mass Rapid Transit Corporation Sdn Bhd to implement the Klang Valley Mass Rapid Transit Line 2 Project Sungai Buloh- Serdang- Putrajaya. Gamuda said on Monday that the salient points of the agreement for the KVMRT Line 2 project, would see the JV construct and commission the project within the time and cost allocated. "The completion date for Phase 1 of the KVMRT Line 2 Project is scheduled on July 31, 2021, while the completion date for the whole of the KVMRT Line 2 project is scheduled on July 31, 2022," it said. (Source: The Star)

ECONOMIC UPDATES

China: June trade data beats forecasts, but imports shrink again

China's exports picked up unexpectedly in June but imports tumbled again, reinforcing expectations that the government may further loosen policy to lift the Chinese economy after a recent stock market rout. However, imports slid much less than analysts had forecast, leading some to see a silver lining in the latest data. China's June exports exceeded analyst expectations, rising 2.8% from a year earlier, while imports fell by 6.1%. That left the country with a trade surplus of \$46.54 billion for the month, the General Administration of Customs said on Monday. *(Source: The Star)*

China: June coal imports fall 34% on year

China's coal imports slumped 33.7% in June from a year earlier to 16.6 million tonnes, as rising summer power use failed to drive a recovery in sluggish demand, customs data showed on Monday. Imports rose 16.5% on a month earlier as power plants began to rebuild stockpiles ahead of the summer consumption peak, but first-half imports were still down 37.5% at 99.9 million tonnes, according to figures from the General Administration of Customs. With coal in plentiful supply, China has been urging local producers to scale back operations and has imposed strict quality restrictions on imported coal that have seen deliveries delayed and even turned away. *(Source: The Star)*

Indonesia: Central bank to keep rates steady on inflation

Indonesia's central bank is expected to keep its benchmark interest rate unchanged at a policy meeting today, as it guards against inflation and potentially more weakness in the rupiah. While exports and consumption in South-East Asia's largest economy remains sluggish, all 14 analysts in a *Reuters* poll expect Bank Indonesia to refrain from addressing weak economic momentum with a rate cut. The central bank's key rate has been kept at 7.5% since its unexpected 25-basis-point cut in February as inflation has crept up and the rupiah remains under pressure. *(Source: The Star)*

Thailand: 2015 GDP growth seen at 3% despite drought

Thailand's economy is expected to grow 3% in 2015 despite drought in the country, Finance Minister Sommai Phasae said on Monday. "This year, if we can grow 3% that would not be too bad. If we can get 3% we wouldn't be worse off than other countries," He reaffirmed an earlier statement that drought could cut GDP growth by 0.5 percentage point. Thailand is contending with drought conditions in six out of 67 provinces, according to the National Disaster Warning Center. *(Source: Reuters)*

Global: IMF says ready to help resolve Greek debt crisis

The International Monetary Fund said on Monday it was prepared to work with Athens and its European creditors to help resolve Greece's debt crisis now that a conditional agreement has been reached on a new bailout. IMF spokesman Gerry Rice said the Fund's managing director, Christine Lagarde, had briefed the global lender's board on the outcome of weekend talks. "The IMF stands ready to work with the Greek authorities and the European partners to help move this important effort forward," he said in a brief statement. *(Source: Reuters)*

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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(A wholly-owned subsidiary of INSAS BERHAD)
A Participating Organisation of Bursa Malaysia Securities Berhad

Level 1,2,3 No.45-47 & 43-6
The Boulevard, Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur
Tel: +603 – 2282 1820 Fax: +603 – 2283 1893
Website: www.mnaonline.com.my

Head Of Research



Rosnani Rasul
M&A Securities