Deutsche Bank
Markets Research

Asia
Pan-Asia
Strategy

Periodical
Asia Equities Daily Focus: Asian Edition

Date
5 February 2013

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Today's research headlines Asian Edition

TOP STORIES

RECOMMENDATION CHANGES

ESTIMATE & TARGET PRICE CHANGES

STRATEGY/ECONOMICS

Indexes

EQUITIES	Close	1D Chg	%Chg
SHSZ300	2748.03	0.17	8.92
HSCEI	12156.58	-0.48	6.30
HSI	23685.01	-0.16	4.54
TWSE	7923.16	0.86	2.91
KOSPI	1953.21	-0.23	-2.20
FSSTI	3297.37	0.19	4.11
KLCI	1634.55	0.43	-3.22
SENSEX	19751.19	-0.15	1.67
NIFTY	5987.25	-0.19	1.39
SET	1506.37	0.48	8.22
JCI	4490.57	0.20	4.03
PCOMP	6435.98	1.86	10.72
ASX200	4907.52	-0.28	5.56
FOREX (vs US$)	Close	1D Chg	YTD %Chg
Rmb	6.23	-0.09	-0.03
HK$	7.75	0.05	-0.04
NT$	29.57	0.12	-1.81
Won	1084.78	1.16	-1.88
S$	1.24	0.18	-1.34
M$	3.10	0.69	-1.20
Rupee	53.29	-0.16	3.21
Baht	29.76	0.13	2.79
Rupiah	9664.00	0.65	1.33
Peso	40.62	0.14	0.95
A$	1.04	0.28	0.40

Source: Bloomberg Finance LP

Latest Commodity Prices

COMMODITIES	Close	1D %Chg	YTD %Chg
West Texas	96.30	-1.50	4.88
Brent	115.42	-0.96	3.11
CRB	302.98	-0.69	2.70
Copper	376.85	-0.42	3.18
Gold (Spot)	1674.52	0.42	-0.05
Alum. (LME)	2125.00	1.63	2.51
Baltic Dry	750.00	-1.32	7.30

Source: Bloomberg Finance LP

DB CORPORATE ACCESS

dbAccess India - Mumbai 3/4 - 6
dbAccess Asia - Singapore 5/20 - 22

STRATEGY/ECONOMICS

ADDITIONAL RESEARCH

.

DB CONFERENCE/CORPORATE DAY

dbAccess India - Mumbai 3/4 - 6
dbAccess Asia - Singapore 5/20 - 22

DB ANALYST/SALES ROADSHOWS

Chalinee Congmuang: 2013: Expect Positive Surprise from Retailers due to Robust Consumer Spending - SG 2/ 5, HK 2/6 - 7

Source: Deutsche Bank, Bloomberg Finance LP, BSE

DAILY REVISIONS:

RATING CHANGES

Company	Ticker	Date		New	Previous	Chg (%)
Angang Steel	0347.HK	04-Feb	▲	Buy	Hold	
Central Plaza Hotel	CENT.BK	04-Feb	▼	Hold	Buy	
China Steel	2002.TW	04-Feb	▲	Hold	Sell	
Fraser & Neave Ltd.	FRNM.SI	01-Feb	▼	Hold	Buy	
Hindalco Industries	HALC.BO	03-Feb	▲	Buy	Hold	
Maanshan-H	0323.HK	04-Feb	▲	Buy	Sell	
Realtek Semiconductor	2379.TW	01-Feb	▼	Hold	Buy	
The United Laboratories	3933.HK	03-Feb	▼	Hold	Buy	
WPG Holdings	3702.TW	01-Feb	▼	Hold	Buy	

TARGET PRICE CHANGES

Company	Ticker	Date		New	Previous	Chg (%)
AKR Corporindo [Buy]	AKRA.JK	01-Feb	▼	4,725.00	5,000.00	-5.5
Angang Steel [Buy]	0347.HK	04-Feb	▲	7.30	5.96	22.5
BEWG [Buy]	0371.HK	03-Feb	▲	2.50	2.00	25.0
BHEL [Buy]	BHEL.BO	01-Feb	▼	295.00	300.00	-1.7
Bank of Baroda [Buy]	BOB.BO	04-Feb	▼	1,050.00	1,100.00	-4.5
Central Plaza Hotel [Hold]	CENT.BK	04-Feb	▲	32.00	28.50	12.3
Cheil Industries [Hold]	001300.KS	01-Feb	▼	105,000.00	105,800.00	-0.8
China State Construction [Buy]	3311.HK	01-Feb	▲	12.53	10.00	25.3
China Steel [Hold]	2002.TW	04-Feb	▲	30.40	22.40	35.7
Ctrip [Hold]	CTRP.OQ	01-Feb	▼	16.04	16.24	-1.2
Doosan Heavy Ind & Cons [Buy]	034020.KS	04-Feb	▼	55,000.00	59,000.00	-6.8
Fraser & Neave Ltd. [Hold]	FRNM.SI	01-Feb	▼	9.72	10.23	-5.0
HTC [Hold]	2498.TW	04-Feb	▼	250.00	270.00	-7.4
Hankook Tire [Buy]	161390.KS	01-Feb	▼	55,000.00	56,000.00	-1.8
Hindalco Industries [Buy]	HALC.BO	03-Feb	▲	150.00	120.00	25.0
IDFC [Buy]	IDFC.BO	04-Feb	▼	185.00	200.00	-7.5
Maanshan-H [Buy]	0323.HK	04-Feb	▲	3.40	2.26	50.4
Realtek Semiconductor [Hold]	2379.TW	01-Feb	▲	71.50	61.00	17.2
SM Investments Corporation [Hold]	SM.PS	01-Feb	▲	795.00	790.00	0.6
Siam Cement [Buy]	SCC.BK	01-Feb	▲	526.00	520.00	1.2
The United Laboratories [Hold]	3933.HK	03-Feb	▼	3.35	4.40	-23.9
WPG Holdings [Hold]	3702.TW	01-Feb	▼	40.60	43.00	-5.6
Wing Tai Hldgs [Hold]	WTHS.SI	04-Feb	▲	2.03	1.98	2.5

EPS REVISIONS

Company	Ticker	Date			New	Previous	Chg (%)
AKR Corporindo [Buy]	AKRA.JK	01-Feb	Dec 12	▼	168.82	188.01	-10.2
			Dec 13	▼	189.72	259.88	-27.0
			Dec 14	▼	228.17	357.40	-36.2
Angang Steel [Buy]	0347.HK	04-Feb	Dec 12	▼	-0.57	-0.43	-32.3
			Dec 13	▲	0.13	0.12	9.6
			Dec 14	▲	0.33	0.29	13.5
BANPU [Buy]	BANP.BK	04-Feb	Dec 12	▼	23.54	36.99	-36.4
			Dec 13	▼	31.39	33.55	-6.4
			Dec 14	▼	45.11	45.45	-0.8

EPS REVISIONS

Company	Ticker	Date			New	Previous	Chg (%)
BEWG [Buy]	0371.HK	03-Feb	Dec 12	▼	0.11	0.13	-10.9
			Dec 13	▲	0.17	0.16	5.6
			Dec 14	▲	0.21	0.19	9.7
BHEL [Buy]	BHEL.BO	01-Feb	Mar 13	▲	24.16	23.18	4.2
			Mar 14	▲	15.60	14.21	9.8
			Mar 15	▲	11.00	10.98	0.2
Bank of Baroda [Buy]	BOB.BO	04-Feb	Mar 13	▼	115.86	125.24	-7.5
			Mar 14	▼	133.12	146.07	-8.9
			Mar 15	▼	154.91	165.87	-6.6
Bharti Airtel Limited [Buy]	BRTI.BO	01-Feb	Mar 13	▼	8.50	9.02	-5.8
			Mar 14	▼	14.83	15.94	-7.0
			Mar 15	▼	22.02	22.74	-3.1
Central Plaza Hotel [Hold]	CENT.BK	04-Feb	Dec 12	▲	0.85	0.81	5.4
Cheil Industries [Hold]	001300.KS	01-Feb	Dec 12	▼	3,982.11	4,486.75	-11.2
			Dec 13	▼	5,708.96	6,096.07	-6.4
			Dec 14	▼	7,247.49	7,252.14	-0.1
China State Construction [Buy]	3311.HK	01-Feb	Dec 12	▲	0.56	0.54	2.9
			Dec 13	▲	0.68	0.60	12.0
			Dec 14	▲	0.73	0.71	2.4
China Steel [Hold]	2002.TW	04-Feb	Dec 12	▼	0.36	0.36	-1.4
			Dec 13	▲	0.99	0.82	21.8
			Dec 14	▲	1.22	0.91	33.8
Ctrip [Hold]	CTRP.OQ	01-Feb	Dec 12	▲	4.66	4.20	11.0
			Dec 13	▼	5.06	5.57	-9.0
			Dec 14	▼	5.88	6.68	-11.9
Doosan Heavy Ind & Cons [Buy]	034020.KS	04-Feb	Dec 12	▼	143.34	3,262.63	-95.6
			Dec 13	▼	3,686.09	3,977.96	-7.3
			Dec 14	▼	4,534.34	4,885.25	-7.2
Fraser & Neave Ltd. [Hold]	FRNM.SI	01-Feb	Sep 12	▼	0.13	0.45	-72.0
			Sep 13	▼	0.41	0.54	-23.3
			Sep 14	▼	0.50	0.68	-26.1
			Sep 15		0.61		
HTC [Hold]	2498.TW	04-Feb	Dec 12	▲	19.69	19.39	1.5
			Dec 13	▼	20.41	22.48	-9.2
			Dec 14	▼	22.44	23.68	-5.2
Hankook Tire [Buy]	161390.KS	01-Feb	Dec 12	▼	5,407.20	5,601.48	-3.5
			Dec 13	▼	5,794.42	5,873.59	-1.3
			Dec 14	▼	6,409.39	6,569.61	-2.4
Hindalco Industries [Buy]	HALC.BO	03-Feb	Mar 13	▲	16.20	15.95	1.6
			Mar 14	▼	16.24	16.42	-1.1
			Mar 15	▲	17.37	17.37	0.0
IDFC [Buy]	IDFC.BO	04-Feb	Mar 12		0.00		nm
			Mar 13		0.00		nm
			Mar 14		0.00		nm
			Mar 15		0.00		nm
Maanshan-H [Buy]	0323.HK	04-Feb	Dec 12	▼	-0.49	-0.45	-8.7
			Dec 13		0.05	-0.03	nm
			Dec 14	▲	0.12	0.08	49.7
Marico Limited [Buy]	MRCO.BO	03-Feb	Mar 13	▼	6.86	6.87	-0.2
			Mar 14	▼	8.15	8.37	-2.6

EPS REVISIONS

Company	Ticker	Date			New	Previous	Chg (%)
Realtek Semiconductor [Hold]	2379.TW	01-Feb	Dec 12	▲	4.53	4.50	0.5
			Dec 13	▲	5.11	4.35	17.6
			Dec 14	▲	5.15	4.38	17.8
SM Investments Corporation [Hold]	SM.PS	01-Feb	Dec 12	▼	35.27	35.28	0.0
			Dec 13	▼	38.75	39.94	-3.0
			Dec 14	▼	50.28	51.54	-2.5
Siam Cement [Buy]	SCC.BK	01-Feb	Dec 12	▼	19.65	19.76	-0.6
			Dec 13	▼	29.80	29.85	-0.2
			Dec 14	▼	34.93	35.02	-0.3
			Dec 15		39.76		
The United Laboratories [Hold]	3933.HK	03-Feb	Dec 12	▼	0.15	0.19	-24.4
			Dec 13	▼	0.15	0.24	-36.8
			Dec 14	▼	0.21	0.28	-26.2
WPG Holdings [Hold]	3702.TW	01-Feb	Dec 12	▼	2.71	2.80	-3.2
			Dec 13	▼	3.12	3.32	-6.1
			Dec 14	▼	3.54	3.74	-5.5
Wing Tai Hldgs [Hold]	WTHS.SI	04-Feb	Jun 13	▲	0.23	0.21	9.8
			Jun 14	▲	0.22	0.21	2.9
			Jun 15	▼	0.20	0.20	-2.6

Source: Deutsche Bank

Asia
China
Resources
Metals & Mining

Industry
HK/China Steel Sector

Date
4 February 2013

Recommendation Change

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Boosted by property cycle- turning bullish on steel

Property sales recovery warrants an upgrade for the steel sector

We found property sales growth in China has led the crude steel production cycle well for about 2-3 months. With an ongoing pick-up in property sales growth, we see stronger steel production growth in 2013. We believe market consensus of 4-5% steel demand growth in 2013 will likely be too low and instead forecast 6.4% YoY growth. Together with capacity net additions declining, we believe utilization rate improvement should be stronger than the market expects. Also, we found the share price of steel names seems to track well with steel production. We thus upgrade steel stock ratings: Angang from Hold to Buy, Maanshan from Sell to Buy, and China Steel from Sell to Hold.

Property sales leading crude steel production indicating a good uptrend

Even though property demand only accounts for about one-third of overall steel demand in China, we found that historically, monthly steel production growth tracked well with the growth of monthly floor space sold (commodity property sales). Property sales (floor space area) YoY growth normally leads crude steel production YoY growth by about 2-3 months. Also, the previous two property cycles (based on property sales YoY growth) had an average duration of c.20+ months. As such, the current uptrend in property sales might be indicating that steel production growth can accelerate in 2Q/3Q 2013. We believe the property demand recovery should drive overall steel demand growth up by 6.4% in 2013, higher than the market consensus of 4-5%.

Net capacity addition slowdown faster than we thought

Meanwhile, FAI into the ferrous metal smelting and pressing industry just ended 2012 with negative 2% YoY growth. The slowdown in new capex is faster than our expectation and could indicate a net capacity addition decline into 2013 and potentially 2014. With stronger demand growth and slower net capacity addition, we should be able to see decent utilization rate improvement, from 80.9% in 2012 to 82.3%, similar to 2011. For 2014, we expect the steel utilization rate to reach 84.2%, a similar level to that seen in 2010. Back in 2010, the industry average net margin was about 2.6% and the ROE of Angang and Maanshan was about 4%.

Upgrading earnings forecasts and ratings for steel stocks; major risk: policies

We upgrade our 2013 earnings forecasts for Angang/Maanshan/China Steel. Currently, our 2013 NPATs for Angang/China Steel are 210%/20% above market consensus, and we believe Maanshan can make profit of RMB377m while market consensus is for a net loss of RMB199m in 2013. For Angang/Maanshan, ROAEs will be about 2% in 2013 and about 5% in 2014. We believe the demand improvement will drive share prices up but we don't think they deserve their 2013 book values. We thus set their target PB multiple at 0.9x, the historical average PBx of Maanshan. With target prices at HK$7.3/HK$3.4 and upsides at 32%/47%, respectively, we upgrade Angang (from Hold) and Maanshan (from Sell) to Buy. We prefer Maanshan over Angang as Maanshan has more exposure to construction demand. For China Steel, we adopt its long-term historical average PBx at 1.55x as the target multiple and set the target price at NT$30.4. With 10% upside potential, we upgrade China Steel from Sell to Hold. The major risk to our thesis is Chinese government policies which endeavor to control inflation and property prices.

Top picks	
Angang Steel (0347.HK),HKD5.55	Buy
Maanshan Iron and Steel (0323.HK),HKD2.31	Buy
China Steel (2002.TW),TWD27.75	Hold

Companies Featured

Angang Steel (0347.HK),HKD5.55			Buy
	2011A	2012E	2013E
P/E (x)	nm	nm	34.4
EV/EBITDA (x)	16.4	54.6	10.8
Price/book (x)	0.7	0.7	0.7

Maanshan Iron and Steel (0323.HK),HKD2.31			Buy
	2011A	2012E	2013E
P/E (x)	303.1	nm	37.8
EV/EBITDA (x)	7.5	32.5	7.4
Price/book (x)	0.6	0.6	0.6

China Steel (2002.TW),TWD27.75			Hold
	2011A	2012E	2013E
P/E (x)	23.4	77.6	27.9
EV/EBITDA (x)	11.0	13.7	10.8
Price/book (x)	1.5	1.5	1.4

TP change table

	New TP	Chg%	Upside%
Angang (HKD)	7.3	23%	32%
Maanshan (HKD)	3.4	50%	47%
China Steel (TWD)	30.4	36%	10%

FY13E - DBe vs. Cons.

	DBe	Cons.	DBe/Cons.
Angang (RMBm)	938	300	312%
Maanshan (RMBm)	377	-199	NA
China Steel (TWDm)	14,652	12,511	117%

This report changes ratings, target prices, and estimates for several companies under coverage. For a detailed listing of these changes, see tables above and pages 10-12.

Rating
Hold

Asia
Thailand

Consumer
Hotels / Leisure / Gaming

Company
Central Plaza Hotel

Reuters	Bloomberg	Exchange	Ticker
CENT.BK	CENTEL TB	SET	CENT

Date
4 February 2013

Recommendation Change

Price at 1 Feb 2013 (THB)	32.00
Price target - 12mth (THB)	32.00
52-week range (THB)	32.00 - 11.20
SET	1,499

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Growth has peaked; downgrade to HOLD

Fully valued after share price surge of 217%; downgrade to HOLD

We remain positive on CENTEL's long-term prospects and have revised up our 2012 earnings estimate by 5.4% to reflect strong 4Q12F results. However, the share price has surged by 217% in the last 12 month, outperforming the SET by 179%. We now believe the stock is fully valued and have downgraded our rating to Hold despite revising up our TP to Bt32 to reflect higher EV/EBITDA multiples of its peers.

Expect strong 4Q12 results; 2012F earnings revised up

We expect CENTEL's net profit in 4Q12 to jump by 147% YoY and 232% QoQ to Bt344m, driven by strong revenue growth as well as margin expansion. Revenue in 4Q12F should grow by 41% YoY and 24% QoQ to Bt4.2bn. We expect YoY growth to be driven by consolidation of revenue from Centara Karon Resort following the doubling of the company's equity stake to 100% as well as the strong performance at existing hotels. CENTEL's occupancy rate in 4Q12 (high season) rose to an estimated 74.8% from 64.3% in 3Q12. We forecast ARR growth of 4.3% YoY to Bt3,836 resulting in RevPar growth of 21.4% or Bt2,871. Its QSR business also performed well, with SSSG of 2.9%, TSSG of 20% and an increase in new outlets by 24 to 679.

Growth has peaked; maintain 2013-14 forecasts

We maintain our 2013 earnings forecast and anticipate growth of 36% to Bt1.56bn. This is based on an average occupancy rate of 70.1%, average room rate of Bt3,934 (+4.4% YoY) for hotels in Thailand and Bt4,409 (+17%) for its blend of domestic and overseas properties. Accordingly, we forecast RevPar of Bt2,795 (+4.4% YoY) for domestic only and Bt3,155 (+17.8%) for blended. For CENTEL's QSR business, we maintain our forecasts of SSSG of 6%, TSSG of 16% and 50 new outlets to a total of 728.

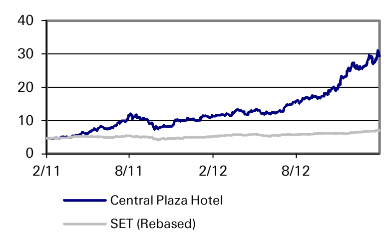
Upgraded target price of Bt32 is based on SOTP method

Our upgraded TP of Bt32 (vs. Bt28.50 previously) is based on the SOTP method whereby we applied a 2013F EV/EBITDA of 15.6x for CENTEL's hotel business and 12x for its food business. Key risks to our call include higher/lower than expected occupancy rates and an increase/slowdown in consumer spending.

Key changes

Rating	Buy to Hold	↓	
Price target	28.50 to 32.00	↑	12.3%
Sales (FYE)	14,567 to 14,611	↑	0.3%
Op prof margin (FYE)	13.1 to 13.6	↑	3.7%
Net profit (FYE)	1,089.6 to 1,148.2	↑	5.4%

Price/price relative



Performance (%)	1m	3m	12m
Absolute	23.1	64.9	183.2
SET	7.7	15.5	38.0

Forecasts And Ratios

Year End Dec 31	2010A	2011A	2012E	2013E	2014E
Sales (THBm)	9,140.9	11,163.2	14,611.0	17,216.8	19,145.2
EBITDA (THBm)	1,659.0	2,260.4	3,142.1	3,767.0	4,198.8
Reported NPAT (THBm)	-54.5	550.4	1,148.2	1,560.6	1,969.6
DB EPS FD(THB)	-0.03	0.46	0.85	1.16	1.46
OLD DB EPS FD(THB)	-0.03	0.46	0.81	1.16	1.46
% Change	-0.0%	0.0%	5.4%	0.0%	0.0%
DB EPS growth (%)	–	–	84.0	35.9	26.2
PER (x)	–	16.8	37.6	27.7	21.9
DPS (net) (THB)	0.05	0.15	0.34	0.46	0.58
Yield (net) (%)	1.1	1.9	1.1	1.4	1.8

Source: Deutsche Bank estimates, company data

Rating
Buy

Asia
Taiwan

Technology
Semiconductor & Equipment

Company
MediaTek

Reuters	Bloomberg	Exchange	Ticker
2454.TW	2454 TT	TAI	2454

Date
5 February 2013

Results

Price at 4 Feb 2013 (TWD)	325.00
Price target - 12mth (TWD)	431.00
52-week range (TWD)	340.50 - 236.50
TWSE	7,856

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Well positioned in upcoming quad-core generation; maintaining Buy

Momentum to resume beginning in March

After going through channel inventory digestion in the past three months with some demand held before seeing how the market accepts the first few new smartphone models adopting MT6589, we believe MediaTek's business is poised to warm up again in March. As a result of its prudently laid-out smartphone chip roadmap to dedicatedly meet local requirements, we expect MediaTek to continue being the major beneficiary of the booming China-made low-cost smartphone demand in 2013. We maintain our Buy rating.

4Q12 results fine vs. latest expectation

Even though MediaTek's opex was higher than we forecasted, its net income was 6.6% above our estimates due to greater-than-expected investment income on the non-operating side. Also, MediaTek managed to increase its GMs by 30bps, to 41.5%, which was slightly stronger than the market's expectation as investors have been concerned about pricing pressure.

1Q13 sales guidance reasonable; GMs resilient

MediaTek guides sales to fall to NT$21.9-24.0bn, down 10-18% QoQ, with GMs of 41-43%. We consider its sales target to be in line with the market's latest lowered expectation given recent EDGE smartphone channel inventory digestion. We see its GMs as better than feared, which suggests MediaTek's cost structure has been enhanced, along with its quad-core product ramps.

Maintaining Buy; risks

We slightly increase our FY13E EPS by 1% to factor in its better near-term GMs outlook. We re-iterate our Buy recommendation with an unchanged target price at NT$431 based on 18x average pro-forma FY13-14E EPS plus cash per share of NT$72. We believe the major share price catalysts in the next three months include: 1) its business prospect after CNY, and 2) potential GM upsides from increasing quad-core sales in light of its six-month lead vs. QCOM's MSM8226 in this equivalent generation. Risks: 1) demand for low-cost Chinese smartphones; 2) competition, and 3) results of its MStar merger.

Forecasts And Ratios

Year End Dec 31	2010A	2011A	2012E	2013E	2014E
Sales (TWDm)	113,522	86,857	99,263	117,047	134,613
Net Income	30,933	13,623	15,687	21,552	25,974
DB EPS FD(TWD)	28.44	12.33	12.79	15.97	19.25
OLD DB EPS FD(TWD)	28.44	12.33	12.57	15.79	19.21
% Change	0.0%	0.0%	1.8%	1.1%	0.2%
DB EPS growth (%)	-16.6	-56.6	3.7	24.9	20.5
PER (x)	16.8	25.6	25.4	20.3	16.9
DPS (net) (TWD)	26.06	19.92	8.42	9.71	12.29
Yield (net) (%)	5.5	6.3	2.6	3.0	3.8
ROE (%)	28.0	11.9	10.7	11.9	13.6

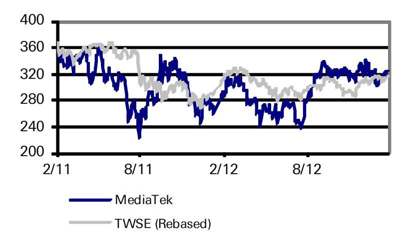
Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Key changes

Sales (FYE)	99,261 to 99,263	↑	0.0%
Op prof margin (FYE)	12.9 to 12.6	↓	-2.2%
Net profit (FYE)	15,386.6 to 15,687.3	↑	2.0%

Price/price relative



Performance (%)	1m	3m	12m
Absolute	6.4	0.0	11.3
TWSE	0.6	9.0	2.4

Stock data

Market cap (TWDm)	398,594
Market cap (USDm)	13,447
Shares outstanding (m)	1,226.4
Free float (%)	82
Avg daily value traded (USDm)	95.0

Key indicators (FY1)

ROE (%)	10.7
Net debt/equity (%)	-43.7
Book value/share (TWD)	143.3
Net interest cover (x)	–
Operating profit margin (%)	12.6

Rating
Hold

Asia
Hong Kong

Health Care
Health Care

Company
The United Laboratories

Reuters	Bloomberg	Exchange	Ticker
3933.HK	3933 HK	HSI	3933

Date
4 February 2013

Recommendation Change

Price at 1 Feb 2013 (HKD)	3.65
Price target - 12mth (HKD)	3.35
52-week range (HKD)	6.16 - 2.78
HANG SENG INDEX	23,722

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Recovery delayed; downgrading to Hold

Downgrading to Hold; reducing target price to HK$3.35

We downgrade United Lab primarily because of slower-than-expected recovery, manifested by anemic growth in the antibiotic drug class due to continuous policy tightening and delayed ramp-up of new capacity in Inner Mongolia. We reduce 2012E/13E non-GAAP EPS to HK$0.08 and HK$0.15, from HK$0.13 and HK$0.24, vs. consensus of HK$0.15 and HK$0.21 respectively. We lower our target price to HK$3.35 from HK$4.4.

Antibiotic growth remains anemic; API pricing unlikely to ramp up significantly

Antibiotic class posted 2% YoY growth YTD November 2012, much lower than we previously expected. While we attribute weak growth to the tightening policy, it is unlikely API prices will go up significantly as demand remains weak. As of January 2013, the 6-APA and 7-ACA price remained nearly flat vs. 2H12. Additionally, the much-anticipated ramp-up of the Inner Mongolia facility is delayed to 2Q13. Management guided approximately 1,000 ton utilization by YE13, vs. previously guided 2,000-3,000 tons. As such, we believe efficiency improvement is unlikely to impact P&L meaningfully until 2014.

We remain cautious on near-term outlook

We reduce our 2012E revenue/non-GAAP profit to HK$7,153m/137m from HK$7,551m/214m respectively. The company indicated that 1) annual suspension of the production facility occurred in August, which affected 3Q12 sales; 2) global budgeting on reimbursement cost control at the hospital level negatively affected sales in November and December. Even given the worst flu season in the past three years and deteriorating air pollution, 6-APA and 7-ACA prices failed to inch up, reflecting a challenging demand situation for antibiotics.

Reduce our target price to HK$3.35 from HK$4.4; risks

We downgrade TUL to Hold, and cut our target price to HK$3.35, by applying the same 22x P/E to FY13E non-GAAP EPS of HK$0.15. The 22x P/E is derived from applying a PEG of 0.9 to 2013-15E EPS CAGR of 24%, which is justified by its commodity nature of the business. Upside risks include faster-than-expected growth recovery; downside risks include stringent restriction on antibiotics usage, ongoing increases in raw material prices and a potential decrease in API prices.

Forecasts And Ratios

Year End Dec 31	2010A	2011A	2012E	2013E	2014E
Sales (HKDm)	6,502.8	6,405.0	7,153.2	7,975.2	9,409.1
DB EPS FD(HKD)	0.78	0.08	0.15	0.15	0.21
OLD DB EPS FD(HKD)	0.78	0.08	0.19	0.24	0.28
% Change	0.0%	0.0%	-24.4%	-36.8%	-26.2%
DB EPS growth (%)	73.3	-89.9	84.2	4.5	36.2
PER (x)	13.8	121.2	25.1	24.0	17.6

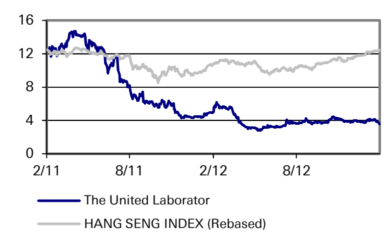
Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Key changes

Rating	Buy to Hold	↓	
Price target	4.40 to 3.35	↓	-23.9%
Sales (FYE)	7,551 to 7,153	↓	-5.3%
Op prof margin (FYE)	7.0 to 6.2	↓	-12.2%
Net profit (FYE)	316.6 to 239.4	↓	-24.4%

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-1.6	-13.7	-26.1
HANG SENG INDEX	4.7	8.7	16.7

Rating
Hold

Asia
Taiwan

Technology
Hardware & Equipment

Company
HTC

Reuters	Bloomberg	Exchange	Ticker
2498.TW	2498 TT	TAI	2498

Date
4 February 2013

Forecast Change

Price at 4 Feb 2013 (TWD)	285.50
Price target - 12mth (TWD)	250.00
52-week range (TWD)	661.00 - 194.00
TWSE	7,856

In transition mode; maintaining Hold

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Cutting estimates and target price to reflect transition/competition risks

Following HTC's 1Q13 earnings call, we lower our target price to NT$250 (from NT$270) and our 13E-14E EPS to NT$20.4-NT$22.4 (from NT$22.5-NT$23.7), to reflect HTC's product transition and more intense competition risks. HTC sees solid demand for Butterfly in Japan/Taiwan and sequential operation improvement in EMEA. However, these positive factors could not offset the weakness from other regions. We suggest investors wait for better clarity on the market's acceptance of HTC's new products. Maintaining Hold.

Below-expectation 1Q13 guidance suggests product transitions

HTC expects 1Q13 sales to reach NT$50bn-NT$60bn (flattish to down 17% QoQ) with OM of 0.5%-1% (flattish to down 50bps QoQ) – below our previous/ Bloomberg consensus sales estimates of NT$78bn/NT$65bn with OM assumptions of 6.4%/4.1%. The company attributes the more conservative guidance to the following: 1) HTC would like to provide guidance that it has a high degree of confidence in achieving; 2) 1Q is a transition period before the new product launch in 2Q; 3) Revenue contributions from popular high-end models (eg. Butterfly) remain limited, on restricted supply in selective markets.

2Q earnings momentum pick-up is largely in the price

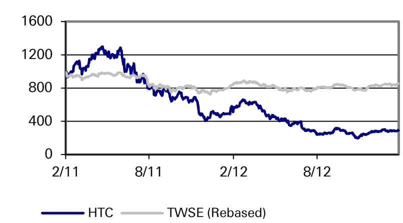
We assume HTC's 2Q13 revenue will rebound to NT$97bn or up 61% QoQ (vs. consensus estimates of NT$76bn) with OM improving to 6.7% (vs. consensus of 6%) on new product launches. We expect HTC to debut its flagship smartphones at the MWC in late February. We believe HTC will emphasize its design and camera/sound features on M7 models with metal casing for its high-end models and plastic casing for mid-end ones. For 2H13, we assume the company's sales will remain stable at NT$93bn/NT$99bn in 3Q13/4Q13, while OM may drop further to 5.8%/5.0% on downward mix shift and intensifying competition. Trading at 14x 13E EPS (vs. mid-cycle of 12x-13x), we think the recovery earnings momentum in 2Q is largely reflected in the price.

Cutting target price to NT$250 (from NT$270); risks

We revise down HTC's 13E-14E EPS by 9%-5% to reflect the company's product transitions and competition risks. Our new target price of NT$250 is based on 12x target 2013E PE (in line with a mid-cycle valuation). Key risks are related to the end-demand outlook and competition.

Key changes			
Price target	270.00 to 250.00	↓	-7.4%
Sales (FYE)	289,729 to 289,033	↓	-0.2%
Op prof margin (FYE)	6.5 to 6.5	↓	-0.3%
Net profit (FYE)	16,518.7 to 16,774.0	↑	1.5%

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-0.5	44.9	-50.9
TWSE	0.6	9.0	2.4

Forecasts And Ratios					
Year End Dec 31	2010A	2011A	2012E	2013E	2014E
Sales (TWDm)	278,154.9	465,796.9	289,033.5	349,450.5	371,070.3
DB EPS FD(TWD)	46.57	74.84	19.69	20.41	22.44
OLD DB EPS FD(TWD)	46.57	74.84	19.39	22.48	23.68
% Change	0.0%	0.0%	1.5%	-9.2%	-5.2%
ROE (%)	56.3	70.0	15.0	13.3	13.1
Yield (net) (%)	6.7	4.5	3.8	3.9	4.3

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Rating
Buy

Asia
South Korea

Industrials
Manufacturing

Company
Doosan Heavy Ind & Cons

Reuters	Bloomberg	Exchange	Ticker
034020.KS	034020 KS	KSC	034020

Date
4 February 2013

Forecast Change

Price at 4 Feb 2013 (KRW)	42,850
Price target - 12mth (KRW)	55,000
52-week range (KRW)	77,100 - 40,150
KOSPI	1,957.79

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4Q12 in line, to inject W877bn into Doosan E&C

Doosan E&C issue well reflected in stock price, concerns could linger on

Doosan Heavy's (DHI) decision to participate in the rights issuance by Doosan E&C (DEC) was a disappointment, although not entirely unexpected. DHI will inject W877bn into DEC: W305bn in subscription to the rights issue and the rest in the form of "investment in kind", whereby it will transfer its HRSG business (including cash and valued at W572bn) to DEC. While DEC's core business might remain weak in 2013, we believe capital injection should remove a key discount factor for DHI. The capital injection would reduce DHI's liquidity from W2.1tn to W1.7tn, but we view this as a manageable level.

4Q12 operating results largely in line, net loss on higher provisions at E&C

Doosan Heavy's 4Q revenue and OP were broadly in line with consensus, up 4% and 9% YoY with an OP margin of 5.8%. However, DHI made a loss at the net level because of a W383bn equity method loss from affiliates. In particular, the equity method loss from Doosan E&C was W436bn due to W750bn of construction-related provisions. All business segments except power showed a QoQ improvement in OP margin. OP margin of the power business was still robust at 8.1% vs 8.5% in 3Q12. The total order intake in 2012 was W5.8tn, 45% lower than DHI's initial guidance issued at the start of the year as several expected orders were delayed.

Guiding for 80% YoY order recovery in 2013, no more support for DEC

DHI is guiding for an 80% YoY order recovery in 2013 (W10.4tn including HRSG) from a low base and has good visibility on W4.4tn of orders. Despite the low order intake in 2012, it expects revenue and OP to remain largely flat in 2013 with an OPM of 6.3%. Thanks to a sharp recovery in equity method gains due to no additional provisions at DEC, it expects net income to recover to W260bn vs W15bn in 2012. DHI believes the capital injection of W877bn into DEC takes into account the worst-case scenario and there will be no need for further capital injection. DHI's transfer of HRSG business (valued at W572bn by DHI) to DEC will impact its annual revenue and OP by W300bn and W25bn.

Maintaining Buy on cheap valuation, target price revised down to W55,000

We lower our 2013-14E EPS forecast by 7% and cut our SOTP-based target price by 7% to W55,000. We think market concerns about DEC will ease after the capital injection and DHI's share price is reflecting most negatives at the current valuation level. Key risk: lower-than-expected orders.

Forecasts And Ratios

Year End Dec 31	2010A	2011A	2012E	2013E	2014E
Sales (KRWbn)	7,929	8,496	9,627	9,531	10,293
Reported NPAT (KRWbn)	1,362.5	261.7	15.2	390.0	479.8
DB EPS FD(KRW)	12,876	2,473	143	3,686	4,534
DB EPS growth (%)	–	-80.8	-94.2	2,471.5	23.0
PER (x)	6.3	25.7	298.9	11.6	9.5

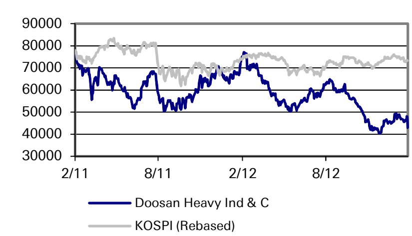
Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Key changes

Price target	59,000.00 to 55,000.00	↓	-6.8%

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-12.7	-6.2	-40.8
KOSPI	-2.7	2.0	-0.7

Stock data

Market cap (KRWbn)	4,531
Market cap (USDm)	4,129
Shares outstanding (m)	105.8
Major shareholders	Doosan Corp. (41.17%)
Free float (%)	45
Avg daily value traded (USDm)	19.886

Rating
Hold

Asia
Singapore

Property
Property Trust

Company
Wing Tai Hldgs Alert

Reuters	Bloomberg	Exchange	Ticker
WTHS.SI	WINGT SP	SES	WTHS

Date
4 February 2013

Results

Price at 4 Feb 2013 (SGD)	1.90
Price target - 12mth (SGD)	2.03
52-week range (SGD)	2.08 - 1.16
Straits Times Index	3,291

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Robust 2Q but deteriorating visibility

Record quarterly core profit
Wing Tai reported 2QFY13 PATMI of S$88.7m (+159% YoY, +23% QoQ), ahead of consensus and DBe on stronger than expected profit recognition and contribution from Wing Tai Properties HK (profit from associates/ JV +56% YoY to S$40m). Earnings were underpinned by progressive recognition from Foresque (89% sold) and L'VIV (95% sold) and additional units sold in Helios and Belle Vue. Balance sheet remains firm with net gearing of 0.15x.

Steady sales in the quarter, exploring investment opportunities
Excluding its completed projects, Wing Tai sold an estimated 95 units in the quarter (+116% YoY, -29% QoQ) dominated by Foresque. Sales in L'VIV have also been progressing steadily and is now 95% sold. While no guidance on launch timelines was provided, we expect mgmt to launch its Tampines site this year with the Ardmore projects likely to be deferred. The Group was awarded the tender for the site in Shanghai Baoshan District last Nov and will continue to explore investment opportunities in the markets it operates.

Revising up earnings; sales likely to decelerate; declining earnings visibility
We have revised our FY13/14/15e PATMI by 10%/3%/-3% as we calibrate our sales and recognition schedule. With most of its launched projects almost fully sold, FY14-15 earnings would be increasingly dependent on new launches with downside risk to sales volume and prices post-measures. The extension fee for Helios has already been paid and the two Ardmore sites are on track to complete within the stipulated QC deadlines (Nouvel 18 in end-13, Le Nouvel Ardmore in mid-14).

Maintain Hold; undemanding valuation but re-rating catalysts elusive
We have revised down our ASP assumptions by 3-4% on the back of the latest round of measures (we now assume 0-6% decline in prices). This is more than offset by the re-rating of Wing Tai Properties HK (+25% in the past 3mths) and accretion from its recent acquisition in Shanghai, resulting in a 3% increase in RNAV to S$3.13. Our TP of S$2.03 (from S$1.98) is pegged to an unchanged 35% discount to RNAV. At 0.65x P/B and 39% discount to RNAV, valuations are undemanding but near-term re-rating catalysts look elusive with the high-end segment likely to remain subdued following the latest round of measures.

Figure 1: Wing Tai 2QFY13 results summary

(S$m)	2Q13	2Q12	% YoY	1Q13	% QoQ	1H13	1H12	% YoY
Revenue	321.8	185.6	73.4%	247.1	30.2%	568.9	294.6	93.1%
Gross Profit	124.6	81.5	52.9%	107.3	16.1%	232.0	140.5	65.1%
Operating profit	78.7	33.2	136.9%	65.1	21.0%	143.8	50.0	187.8%
PATMI	88.7	34.2	159.5%	72.1	23.0%	160.7	59.3	171.1%

Source: Deutsche Bank, Company data

Key changes

Price target	1.98 to 2.03	↑	2.5%
Sales (FYE)	816 to 863	↑	5.8%
Op prof margin (FYE)	30.2 to 30.9	↑	2.2%
Net profit (FYE)	169.8 to 186.4	↑	9.8%

Stock data

Market cap (SGDm)	1,512
Market cap (USDm)	1,218
Shares outstanding (m)	793.9
Major shareholders	Wing Tai (38%)
Free float (%)	40
Avg daily value traded (USDm)	2.1

Key data

FYE 6/30	2012A	2013E	2014E
Sales (SGDm)	625	863	841
Net Profit (SGDm)	242.2	186.4	171.0
DB EPS (SGD)	0.19	0.23	0.22
PER (x)	6.5	8.1	8.8
Yield (net) (%)	5.6	3.7	3.7

Rating
Buy

Asia
India

Banking / Finance
Other Financial Services

Company
IDFC Alert

Reuters	Bloomberg	Exchange	Ticker
IDFC.BO	IDFC IN	BSE	IDFC

Date
4 February 2013

Company Update

Price at 4 Feb 2013 (INR)	158.65
Price target - 12mth (INR)	185.00
52-week range (INR)	183.45 - 113.45
BSE 30	19,781

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Near term moderation in growth likely; spreads should remain elevated

Loan growth likely to be 15 to 20%, driven largely by refinance

Loan growth for IDFC has moderated from ~34% YoY in previous two quarters to 22% in 3QFY13. IDFC expects to grow at 15 to 20% in FY13 and FY14. For 9MFY13, ~50% of incremental loan growth has been driven by refinancing and the company expects this trend to continue over the next 12 months. Cumulative outstanding approvals at INR 740bn are 1.4x outstanding loans.

Lower funding costs should support spread

On a 12-month rolling basis spreads for IDFC have remained at 2.4% and NIM at 4.3% for most of the last two years. With wholesale funding rates coming down and credit spreads remaining elevated, we expect spreads to remain stable or improve. This could support NII growth in case of weak loan growth.

Fee income could provide positive surprise; adequate NPL provision cushion

Currently asset management fee is the only fee income stream which is growing at a healthy pace. If capital markets revive in 2013 then investment banking and broking could provide upside to fee income. While NPLs are likely to rise from current low levels (GNPL 0.26%), IDFC has built a healthy provision cushion at 1.6% of loans which can be used if asset quality worsens.

Valuations inexpensive post recent underperformance, maintain Buy

We have lowered our FY13E/FY14E net profit estimates by 8%/6% respectively to factor in lower loan growth. We also lower the target price by 8% to INR 185. We believe that IDFC is among the better placed companies to leverage on any revival in infrastructure and capital markets activity and current valuations at 1.6x FY14E P/B appear inexpensive. Maintain Buy.

Figure 1: Sum-of-parts valuation

Businesses	Value to IDFC	Per share value	% of total	Comments
	INR mn	INR	%	
IDFC Standalone	247,661	163.8	88.8%	Two stage residual income valuation translating to 1.8x FY14E P/B
Asset Management	12,722	8.4	4.6%	5% of AuM
NSE & ARCIL stakes	10,022	6.6	3.6%	Based on past transactions
Private equity	5,778	3.8	2.1%	12% of AuM
Project equity	2,844	1.9	1.0%	7% of AuM
IB and broking	1,920	1.3	0.7%	16x FY14E earnings
Target price		**185**		

Source: Deutsche Bank

Key changes			
Price target	200.00 to 185.00	↓	-7.5%
Provisioning (FYE)	1,497.8 to 1,222.4	↓	-18.4%
Net int margin (FYE)	4.14 to 3.89	↓	-5.9%
Net profit (FYE)	18,783.1 to 18,100.0	↓	-3.6%

Stock data	
Market cap (INRm)	239,936
Market cap (USDm)	4,501
Shares outstanding (m)	1,517.1
Major shareholders	GoI & IDBI (23%)
Free float (%)	77.0
Avg daily value traded (USDm)	17.9

Key data			
FYE 3/31	2012A	2013E	2014E
Provisioning (INRm)	1,569.3	1,222.4	2,220.7
Pre-prov profit (INRm)	23,295	27,034	32,905
EPS (INR)	10.54	11.93	14.58
PER (x)	12.0	13.3	10.9
Yield (net) (%)	1.8	1.6	2.0

Asia South Korea

4 February 2013

Asia Economics Special

Riding out a weaker yen

Economics

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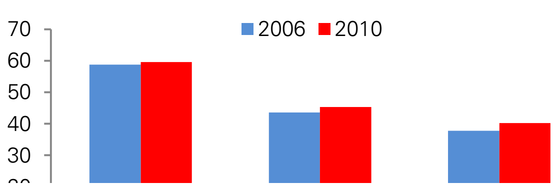
Late last year, the won's relatively rapid appreciation against the yen coincided with market expectation that the (new) government would tolerate a stronger won. Now, only a month later, fears about a weaker yen dominate the won outlook – fear that it will undo all the gains in branding (differentiation), productivity and FTAs that South Korea has achieved. Structural improvement stories that supported investments in Korean Inc have all been silenced recently with the continued depreciation of the yen. While we do not belittle this concern, as South Korean exporters share similarities and have similar areas of comparative advantage with their Japanese counterparts, we think income effects on Korean merchandize exports are likely to dominate price effects this year, given our expectation of rebound in G2 growth in 2H and limited depreciation of the yen (95 at end-2013). On the other hand, the possible ipmpact of yen depreciation goes beyond the manufacturing sector. We think that perhaps a weak yen poses greater risks to travel services balance. Meanwhile, we continue to expect the Bank of Korea will allow the won to act as an automatic stabilizer – appreciating or depreciating as conditions warrant. That is, we maintain our view that the won’s relative appreciation will be limited until there are signs of meaningful improvement in fundamentals – rebound in Korean exports – while regulatory risks against speculative flows loom.

Export similarity increases



Sources: UN, Deutsche Bank

Asia
4 February 2013

Asia FX Strategy Notes

Are last year's winners set to be this year's losers?

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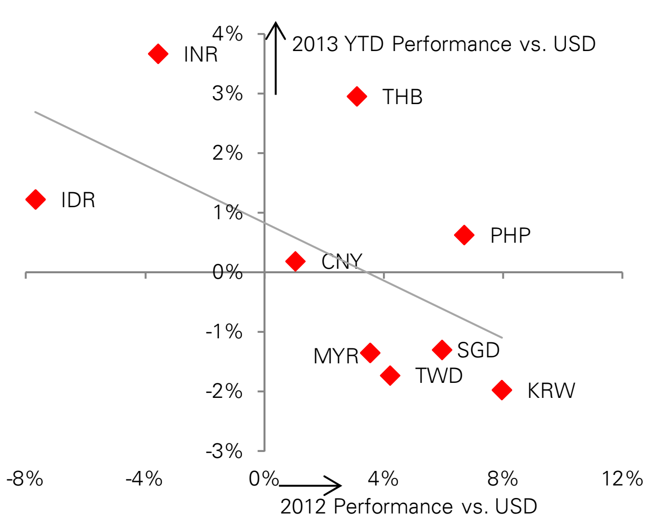
The start to the year might suggest so. Last year's best performers (KRW, SGD) have been among the worst thus far this year, while 2012's deficit currency laggards (INR, IDR) and the underperforming THB have come out on top in 2013 (first chart). To be sure, there are fundamental reasons for these moves, from India's domestic reform story to Korea's exposure to a weak yen. But there could be an element of a simpler "catch-up/down" convergence argument at work here.

Calendar years provide a framework - albeit arbitrary - to analyze whether this "catch-up" principle has historical validity. The table below looks at the performance ranking of 9 Asian currencies each year from 2001-12. Green shading means the currency was in the top performing half that year, red shading means it was in the bottom half. Alternating colors along the column would suggest that winners and losers indeed swap places, and so would a higher standard deviation of the ranking.

The "winners-to-losers-to-winners" theme is most clearly present in CNY and IDR, and to a lesser extent in KRW, THB and INR. China outperforms in Asian-FX blow-up years (2008, 2011) but then gives back relative gains through no/minimal appreciation in the coming year. THB actively manages its currency in line with regional peers, and has tended to impose capital control measures in years of strong outperformance (2006, 2010). SGD is used to outperforming, spending 10 out of the last 12 years in the top half (though interestingly never at #1). TWD on the other hand is biased to underperform, reflective of CBC's interventionist policy. Meanwhile, the structural up-shift in Philippines' CA surplus and potential growth rate has enabled the PHP to have a run of strong performance in recent years.

On this simple analytical metric, recent INR, THB and IDR outperformance looks justified. Fundamentals too are supportive of the former two at this stage. After three years of underperformance and a currency-negative policy backdrop, INR deserves a better year, with the government and central bank using the (possibly narrow) window of opportunity to push through reforms and cut rates. The THB will be subject to more official management than INR, but exports recovery and an improving current account should enable another leg higher. We are wary of SGD and KRW, but think the PHP can retain a top 3 position on its structural story. MYR may be the best play post-elections. We are expecting slightly greater, back-loaded appreciation of up to 3% in the RMB in 2013.

2013 gains are coming in 2012 laggards; this is historically fairly common



Annual FX Spot Performance Rank (vs. USD) 1 = Best Performer

	CNY	MYR	INR	IDR	KRW	PHP	SGD	TWD	THB
2012	7	5	8	9	1	2	3	4	6
2011	1	7	9	3	5	2	4	6	8
2010	9	1	7	6	8	5	3	4	2
2009	9	8	3	1	2	5	7	6	4
2008	1	5	8	7	9	6	2	3	4
2007	3	5	2	9	8	1	4	7	6
2006	7	6	8	2	3	4	5	9	1
2005	2	4	7	9	3	1	5	6	8
2004			3	7	1	6	4	2	5
2003			3	2	6	7	4	5	1
2002			6	1	2	7	3	5	4
2001			3	7	4	2	6	5	1
Stan. Dev.	3.5	2.1	2.6	3.2	2.8	2.3	1.4	1.9	2.6

Green = Top Half Performer, Red = Bottom Half Performer
Note: MYR & CNY were pegged before July 2005

Source: Deutsche Bank Research, Bloomberg Finance LLP, Note: Above only accounts for spot, not carry returns

Asia

4 February 2013

Asia Credit Strategy

WAVE - Weekly Asia Valuation Express

Periodical

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Asia

Strategy Update

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Asia Credit Strategy

Still on the front foot

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Asian IG and HY spreads were off to a flying start in January with IG and HY credit having reached our Q1 spread targets of 220bp and 500bp just after two weeks into the year. However, January was a month of two halves as credit spreads widened during the later part of the month. Total returns for IG and HY were -0.2% and +0.5% respectively although we note that excess credit returns were still positive for the month. New issue indigestion and the rise in US Treasury yields have been cited as the main drivers by market commentators. We remain constructive for Q1 and believe credit spreads still have room to narrow from here despite the recent market weakness.

We expect new issue to become a technical tailwind for spread in the near term. First, following a glut of new issues in January we believe supply should start to taper off, at least over the next few weeks, due to the upcoming Chinese New Year holiday and earnings blackout in Asia. Second, February also seems poised to be the biggest redemptions month of 2013 with nearly $5.6bn in scheduled coupon and principal redemptions. Third, whilst fund flows into EM Hard Currency (HC) debt funds seem to have slowed in recent weeks total inflows in January were very robust at $1.83bn. All these technical factors should help the market digest what has been the largest monthly volume on record ($21.6bn).

Higher core government bond yields have prompted more discussion about the 'great rotation trade' away from Credit to Equities. Whilst we do think it makes sense for investors to be demanding for more growth sensitive assets amid an improving outlook, we are somewhat less convinced that a wholesale and sudden shift away from FI will be a 2013 story. We find no direct correlation that higher UST yields have historically resulted in weaker demand for EM Debt funds and outflows. We also find no positive relationship between higher UST yields and wider Asian credit spreads. So there is little evidence to show that the demand for Asian credit has historically been particularly sensitive to UST yield moves. In fact there is some evidence that the reverse is true as higher UST yield is often associated with a better growth outlook and therefore tighter credit spreads.

In summary, given our constructive view on credit spreads we recommend investors to stay invested in cash credit but take necessary steps to shorten duration amid DB's cautious view on rates. Within the IG space we still prefer shorter-dated BBB names and paper that offers sufficient spread to cushion a spike in rates. Within HY space we continue to believe single name selection will be a key factor in returns.

Key risk to our view: While we continue to believe that the value in credit lies in the spread not the yield (ie. we believe in positive credit excess returns) a continued and sharper-than-expected rise in core government bond yields will still adversely affect fixed income products (credit included) as negative total returns, particularly on lower beta credit, may start to trigger significant outflows.

Global
4 February 2013

Global Commodities Daily

Risk sentiment improves

The Day Ahead

Time(GMT)	Country	Event	Previous	Market View
15:00	US	Factory orders (December)	0%	2%

Overview

Commodities rallied across the board supported by 'risk-on' sentiment after positive US ISM and mixed labour market data last Friday. Despite an upward revision in December's non-farm payrolls and a relatively healthy January number (albeit slightly lower than expectation), gold initially advanced strongly as unemployment rate rose to 7.9%, extending worries in the labour market. Given the current Fed's policy in linking QE to labour market conditions, the Fed is likely to continue its ultra-accommodative bias in our view. It is also worth noting that gold failed to break its recent range (USD1650-1690/oz) due to heavy call selling around USD1680/oz levels. Meanwhile, we believe that elevated unemployment levels have eliminated some downside risks for gold and expect gold to trade within the upper range over the next couple of days. Due to a lack of obvious catalysts in the near term, high frequency US employment data such as weekly jobless claims will continue to be watched closely. In contrast to the sluggish labour market, the US manufacturing sector grew strongly in January. Gold pared some gains on the back of the strongest ISM (53.1) since April 2012. We note that the S&P indicates that the ISM needs to rise to 55 in order to justify the optimism in the US equity market. We expect silver to continue to outperform gold as long as the US ISM remains above 50, Figure 1.

In agriculture, focus continues to be directed toward South American weather. Late last week, the USDA's Foreign Agricultural Service reduced its Argentine soybean production estimate 1 MMT to 53 MMT due to the dryness. Should current weather conditions persist, we see downside to sub-50 MMT. In the US, the latest drought monitor showed the biggest change in the Southeast, which was worse vs. last week and has deteriorated since September (Figure 2). Texas and Oklahoma saw slightly worsening trends. Dryness in the High Plains and the South remains a concern with minimal change in the current outlook, which does not bode well for winter wheat. There has been substantial improvement in the Eastern Corn Belt, but dryness persists in the Western Belt. Even with normal rainfall over most of the next few months, subsoil moisture will still be at a deficit. Hence, while spring planting can go well, crops (particularly west of the Mississippi) will be vulnerable to heat waves, which should add volatility to corn and soybean futures.

The semi-annual US Cattle inventory reported showed all cattle & calves down 1.6% (vs. consensus of -1.8%). This is the lowest Jan 1 inventory since 1952. However, with substantially higher weights, the impact to beef availability has been much less dramatic. Indeed, weak beef prices of late are showing that supply is overwhelming demand, despite a tighter cattle supply. Heifers (females) held for beef cow replacement increased 1.9% vs. consensus of -0.4%. Therefore, despite drought conditions and high feed costs, the herd is starting to rebuild. Offspring from these animals will not hit feedlots (thus adding to corn demand) for at least two years, but the build is encouraging for longer-term demand.

Commodities & Global Markets

Commodities News In Brief

- Southern Copper Corp. said its copper production rose 1.5% to 163,799 tonnes in the fourth quarter of 2012.
- Iraq's crude oil exports fell to 2.3 million barrels a day and crude production capacity declined to 3.3 million barrels a day in January, the Oil Ministry said.
- According to the U.S. Department of Energy, the country's coal production fell 10.6% YoY to 18,590.4 tonnes in the week ending January 26, 2013.
- Copper stockpiles at the Shanghai Futures Exchange fell 8,029 tonnes to 197,091 tonnes last week, the exchange said.
- According to the Russian Energy Ministry, the country's oil production rose to 10.47 million barrels a day in Jan 2013 from 10.35 million barrels a day a year ago.

Global Markets News In Brief

- Germany PMI manufacturing for Jan rose to 49.8 from 48.8 in Dec.
- EZ PMI manufacturing marginally increased to 47.9 in Jan from 47.5 in Dec.
- EZ CPI estimate (YoY) for Jan came in at 2% from 2.2% previously.
- EZ unemployment rate for Dec reduced slightly to 11.7% from 11.8% in Nov.
- US non farm payrolls rose to 157K in Jan from 155K in Dec.
- US unemployment rate for Jan increased to 7.9% in Jan from 7.8% in Dec.
- US U. of Michigan confidence for Jan rose to 73.8 from 71.3 in Dec.
- US ISM manufacturing grew at a fast pace in Jan to 53.1 from 50.7 in Dec.

Event Risks

- ECB governing council meeting on Feb 07.
- Euro Area finance ministers meet in Brussels on Feb11.
- OPEC OMR on February 12.
- G20 central bank and financial ministers meeting in Moscow Feb14-15.
- US Minutes of FOMC meeting on February 20.

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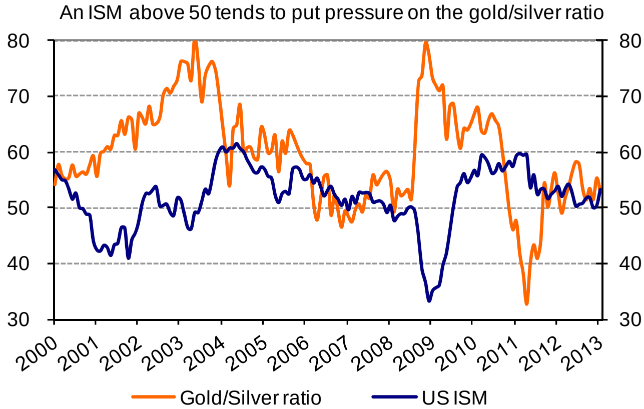
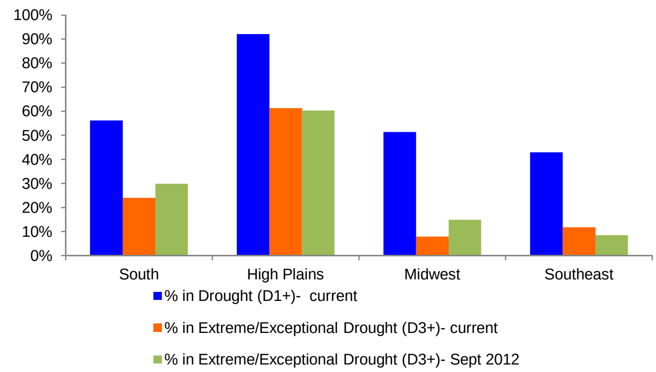
Figure 1: US ISM vs gold to silver ratio



Source: Deutsche Bank, Bloomberg Finance LP

Figure 2: US drought conditions – concern about the High Plains builds



Source: US Drought Monitor

Commodity Price Summary

Energy	WTI (bbl)	Brent (bbl)	Nat Gas (mmBtu)	RBOB Gas (g)	Heating Oil (g)	API 4 (t)
Close (USD)	97.77	116.76	3.30	3.05	3.16	86.75
Daily price change	0.3%	1.0%	-1.1%	0.9%	1.0%	0.0%
YTD price change	6.5%	5.1%	-1.5%	8.6%	3.8%	-1.8%
Precious Metals & FX	Comex Gold	Comex Silver	Nymex Platinum	Nymex Palladium	EURUSD	USDJPY
Close (USD/oz) (level)	1669.40	31.96	1687.70	756.40	1.36	92.77
Daily price change	0.5%	1.9%	0.7%	1.4%	0.4%	1.2%
YTD price change	-0.4%	5.9%	9.7%	7.5%	3.4%	6.9%
Industrial Metals	Aluminium	Copper	Lead	Nickel	Tin	Zinc
LME close 3M (USD/t)	2125	8290	2451	18625	24900	2176
LME close 3M (USc/lb)	96.4	376.0	111.2	844.8	1129.4	98.7
Daily price change	1.6%	1.5%	0.8%	1.6%	0.5%	1.4%
YTD price change	2.5%	4.5%	5.2%	9.2%	6.4%	4.6%
LME Stocks (t)	5,155,300	376,000	290,125	150,900	13,625	1,205,275
Daily change (t)	-1,675	4,250	-725	888	205	-3,450
Agriculture & Livestock	Corn (bsh)	Cotton (lb)	Live Cattle (lb)	Soybeans (bsh)	Sugar (lb)	Wheat (bsh)
NY close (USc)	736.00	82.98	127.10	1474.25	18.89	765.00
Daily price change	-0.6%	0.0%	-0.4%	0.4%	0.6%	-1.9%
YTD price change	5.4%	10.4%	-2.2%	3.9%	-3.2%	-1.7%
Other prices	Baltic Dry Index	Iron Ore	Steel US HRC	Ethanol	EUA (CO2) Dec13 (Euro)	U3O8 USD/lb
Close (level)	750	153.2	616	2.47	4.34	43.90
Daily change	-1.3%	0.5%	0.0%	0.4%	26.9%	0.3%
YTD change	7.3%	5.7%	-4.5%	12.7%	-34.9%	0.9%
Indices	DBLCI-OY	DBLCI-MRE	DB Harvest	SPGSCI	DJUBS	SPWCI
NY close (level)	1323	327	286	5130	284	406
Daily change	0.4%	0.0%	0.0%	0.5%	-1.0%	1.0%
YTD change	3.0%	2.0%	-1.0%	4.9%	1.4%	5.0%

Source: Reuters, Bloomberg Finance LP, UxC, Metals Bulletin, Deutsche Bank-+

Japan

4 February 2013

Monetary Policy Watch

Selection of new BoJ leadership

Economics

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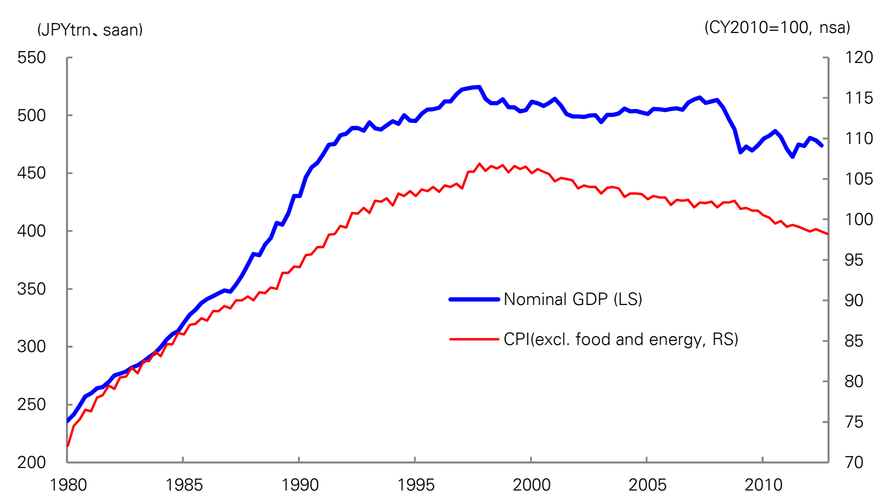
The BoJ's two deputy governors will reach the end of their tenures on 19 March, followed by the governor on 8 April. We believe the Abe government could announce its three proposed successors and the Diet begin its approval process as early as the middle of February. The biggest question regarding the new candidates will be whether they can bring about a genuine transformation of the monetary policy regime. Key points will be whether they understand clearly the following four issues in monetary policy in their policy speech and Q&A session in the Diet and press conferences, and whether they can elucidate logically the effects and risks of a regime change.

1) Strong forward guidance: Necessity of price level or nominal GDP level targeting;
2) Choice of policy instrument: APP balance target has been a decoy (pretense);
3) Need for greater diversity in security purchases; and
4) Need for priority on continued easing even in economic recovery phase.

Potential candidates being bandied about in the media are without exception more dovish than the current Governor, Masaaki Shirakawa. Prime Minister Shinzo Abe and the LDP have shown less interest in candidates' backgrounds (former affiliation) than in whether they agree with Abe's ideas and have the ability to realize them. While these reported names recognize the need for monetary easing, few have commented explicitly on practical easing measures. Details may not be forthcoming even after the candidates are announced, questioned in the Diet and give their post-approval press conferences. We suspect that long-term policy and specific methodology will not be discussed until the governor and deputy governors attend their first Monetary Policy Meeting (MPM) on 26 April. That said, there may be scant time for such topics at that MPM: the meeting will be only one day rather than the usual two, and the bank will release its semi-annual Outlook for Economic Activity and Prices (Outlook Report) the same day. There will be almost no time to discuss long-term policy and monetary easing details. As such, these crucial topics may be put off until the next MPM on 21-22 May.

Figure 1: Nominal GDP and CPI



Sources: Cabinet Office, MIC, DB Global Markets Research

North America United States

4 February 2013

US Daily Economic Notes

Revisions cast the labor market in a better light

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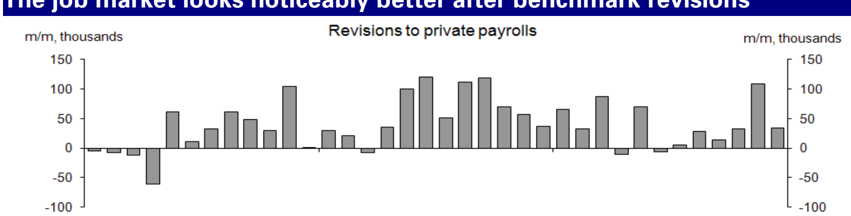
Tuesday	Release	Forecast	Previous	Consensus
10:00 am	Non-manufacturing ISM (Jan):	57.0	55.7	55.0

Source: Deutsche Bank, Bloomberg Finance LP

Commentary for Tuesday: Last week, the BLS revised nonfarm payroll employment significantly higher when they released their annual revisions. The tendency for employment to be revised higher during the course of an economic expansion is a shopworn theme in our research, but we need to point out its importance because it means that **underlying growth is stronger than what market participants perceive in real time**. It also means that the economy may be better able to withstand exogenous shocks such as sovereign credit market concerns, fiscal uncertainty, or natural disasters, which have all weighed on output over the past two years. Large upward revisions bode well for the current quarter and beyond, because an improving labor market implies that it will be easier for households to absorb higher tax rates. As we can see from the chart below, there has been a consistent pattern of upward revisions since 2010, the first full year of economic recovery. The cumulative upward revision to 2010 private employment was +263k. In 2011, the upward revision was +746k and for last year, it was +462k. This is fairly typical for the early stages of a business cycle. For example, from 1992 to 1994, the cumulative upward revision to employment was almost +3 million. Additionally, the revised 2011 private payroll figures no longer show a midyear slowdown, although the 2012 monthly hiring breakdown still does.

For example, **the three-month moving average on private payrolls was +182k as of March 2011 and the trend actually accelerated to +221k by June 2011**. We wonder whether the Fed would have embarked on "operation twist" had policymakers seen these updated numbers at the time—we doubt it. Last year, the three-month moving average on private payrolls was +265k in March, but then it slowed to +117k by June. This may cause investors to think a similar slowdown could unfold again this year. The one factor they may want to consider is housing—it is currently much stronger relative to last year; this is evident from rising homebuilders' sentiment, housing starts, home sales and home prices. Construction (along with financial services and government) has been one of the primary drags on the labor market, at least until recently. Hence, the job market should have a powerful prop that it did not have over the last few years. In point of fact, construction employment has increased for eight consecutive months, but the gains have accelerated over the last three months, averaging +27k per month—the fastest rate since April 2006. Moreover, **construction hiring should get an added lift from the rebuilding efforts associated with Hurricane Sandy**. Consequently, we do not believe payrolls will weaken much from their current +200k moving average. As such, the Fed may have to consider slowing the pace of its monthly bond purchases, currently $85 billion per month, at some point later this year. —*JL*

The job market looks noticeably better after benchmark revisions



Source: BLS, Haver Analytics & DB Global Markets Research

Policy Speeches

8:30 am Fed Governor Duke speaks on Community Banks at the Southeastern Bank Management and Directors Conference in Duluth, GA.

Year End Targets

Real GDP growth: +2.2% Q4/Q4
Core CPI: +2.6% Q4/Q4
Unemployment rate: 7.3%
Fed Funds: 0.15%
10 Yr Treasury: 3.00%

Fed Policy

We expect the Fed to continue mortgage and treasury purchases through at least mid-2013.

Post Employment Conference Call

Replay #: (855) 859-205;
(404) 537-3406 International
Conference ID: 82005225

Asia
China
Technology

Periodical
China TMT Daily

Date
4 February 2013

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Baidu's website development report; also, 0941.HK, 0700.HK

(Please click through to the .pdf version of this document for a full overview of today's news and views.)

FEATURE:

Baidu's Webmaster Platform releases China website report
Baidu Webmaster Platform recently released a report on the development of China's website operations. In today's daily, we profile some key findings from the report. According to the report, roughly 54% of websites in China were PC-based in 2012, up 29% YoY. Some 40% of websites offers both PC-based and mobile versions, while mobile-only websites represented only 6% of overall websites.

"High-quality" websites relatively scarce in China
The report revealed that in 2012 only 25% of overall websites were of "high-quality" (referring to those sites which offered users high-quality content, unique value, decent user experience, and are "well accepted" by users and webmasters). Roughly 33% of these "high quality" websites were SNS-focused, followed by product transaction-oriented websites (~14%), comprehensive online communities (~12%), image-oriented sites (~7%), news portal (~7%), online literature sites (~7%), online video platforms (~5%), etc.

With regard to that content proactively searched for by users, product-oriented websites (representing ~12% of overall websites being searched) and video sites (~12%) took the lead, followed by news websites (~8%), image-based sites (~8%), game sites (~8%) and literature-related sites (~6%), etc. This suggests the relatively strong demand for product information and high-quality video/image content among China's online population.

Search engine friendliness of websites
Baidu scored the friendliness of websites to search engines in its report, based on various standards including recognition, capture friendliness, capture anomalies, IP bans, etc. Only ~28% of websites scored over 80 points in 2012, suggesting that a majority of websites were not "search engine-friendly" in 2012. Factors influencing a search engine's capture capabilities included "404 Pages" (suggesting the website is missing or does not exist, ~68%), abnormal redirects (~31%) and other anomalies (~1%). As such, Baidu's Webmaster Platform offers various tools, e.g. Data Submission Tools, Site Analysis Tools, etc, to help webmasters to construct and optimize websites.

Search engine optimization
According to the report, Baidu's website tools more or less improved the traffic, quality and/or search engine friendliness of websites. For example, Baidu's Sitemap Tool had helped introduce ~3b high-quality web pages in 2012, ~230m of them having already brought traffic to related websites. Baidu's Sharing Tool enhanced the monthly sharing volume of websites by 20% in 2012. The report meanwhile revealed that roughly 14% of total sharing volumes came from SNS platforms or online communities, followed by those sharing volumes from entertainment-oriented sites (~10%), game sites (~10%), news/media sites (~8%),

Continued on the next page

TOP CHINA TMT PICKS

Company	Rating	Target Price
China Unicom	Buy	HKD 17.50
Tencent	Buy	HKD 290.00
Sina	Buy	USD 57.70

RATING, TP, EPS CHANGES

TARGET PRICE CHANGES					
Ctrip [Hold]		▼	16.04	16.24	-1.2
EPS CHANGE					
Ctrip [Hold]	Dec 12	▲	4.66	4.20	11.0
	Dec 13	▼	5.06	5.57	-9.0
	Dec 14	▼	5.88	6.68	-11.9

CHINA TMT STOCKS

Company	Rating	Close	1D%	3M%
		as of 01/02		
TELCOS				
China Comm Service	Buy	4.8	0.6	9.2
China Mobile	Hold	85.0	-0.3	-3.2
China Telecom	Buy	4.3	0.7	-5.3
China Unicom	Buy	12.6	1.0	1.1
INTERNET/ONLINE GAMING				
Baidu	Hold	108.6	0.3	1.8
Ctrip.com Int'l	Hold	20.5	3.2	0.8
Netease.com	Hold	47.1	1.5	-13.8
Phoenix New Media	Hold	3.6	0.6	-3.0
RenRen	Hold	3.4	0.3	1.2
Shanda Games	Hold	3.0	-1.9	-10.6
Sina Corp	Buy	56.5	2.9	2.8
Sohu.com	Hold	49.2	2.8	23.1
SouFun	Buy	26.6	3.0	40.1
Taomee	Hold	4.7	12.7	34.3
Tencent	Buy	268.6	-1.0	-3.5
TECHNOLOGY				
AsiaInfo-Linkage	Hold	11.1	0.9	4.0
AutoNavi	Buy	11.8	-1.2	6.9
Foxconn Int'l Hldgs	Hold	3.3	2.2	19.0
Lenovo Group	Hold	8.2	2.1	28.1
Synnex Technology	Buy	60.7	1.3	9.8
Youku	Buy	23.3	2.2	14.8
ZTE	Hold	14.9	-0.4	31.3

Indices	Close	1D%	3M%
		as of 01/02	
HSI	23822.06	0.706	10.074
HSCEI	12172.24	0.781	15.027
Nasdaq	3142.308	-0.36	5.166

Sources: DB, Bloomberg Finance LP

Asia
China
Property
Property

Industry
China Prop Weekly

Date
4 February 2013

Industry Update

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Strong YoY growth continues, but need to monitor ASP movements

Total volume down 4.7% WoW

Total volume in the 40 major cities was down 4.7% WoW to 6.167m sqm during the week of 28 January to 3 February – not unexpected as we are getting closer to the Chinese New Year. On a YoY comparison, however, the strong momentum in sales volume continued, on the back of a better outlook for both the economy and the property market. Moreover, affordability and inventory levels continued to improve. Overall, five-week volume was up 219% YoY but down 8% MoM, and only 19% lower than the October 2010 peak.

Volume in Tier-1 cities down 16% WoW

Sales volume in Tier-1 cities during the week of 28 January-3 February was down 16% WoW (five-week volume up 215% YoY and down 5% MoM). Beijing was down 9% WoW and Shanghai down 11% WoW, while Shenzhen was down 59% WoW and Guangzhou down 1% WoW. Though there was a mild weekly decrease, all Tier-1 cities have continued a stable recovery in January 2013. Volume was down 40% from the October 2010 peak. Tier-1 cities accounted for 15.2% of the total volume of the 40 major cities.

Volume in Tier-2/3 cities down 2.4% WoW

Sales volume in Tier-2/3 cities during the week of 28 January-3 February was down 2.4% WoW (five-week volume up 219% YoY and down 8% MoM). Volume was 14% lower than the October 2010 peak. Ningbo, Nanchang, and Nanchong recorded the highest WoW increases in transaction volume during the week, up 47%, 29% and 25% to 133ksqm, 124ksqm and 103ksqm, respectively.

Sector fundamentals best since 2010 but we need to monitor ASP movements

In 2H09-10, new supply in the commodity residential market fell, due to tight financing for Chinese developers. We expect this falling-supply scenario to be repeated in 2013 as a result of: 1) lower inventory levels, 2) falling new construction starts in 2012, and 3) the continually-declining land sales (in the top-300 cities) in 2011 and 2012. With the likely fall in new supply, we expect pricing power to return for developers and property prices to rise 5-10% in 2013. Under this scenario, we believe that overlooked, quality small-cap developers should see stronger valuation re-ratings ahead. That said, we need to closely monitor ASP movements, especially in the Tier-1 cities, as too-fast a property price increase would likely attract comments or actual policy actions by the central government, in our view. This, in turn, could lead to policy overhang for the China property sector. Nevertheless, we believe that most of the Tier-2 cities and the Tier-3/4 cities should be relatively free of new policy risks, as we do not expect sharp rises in property prices for those cities in 2013.

2013 should be a strong year for China property; add more beta

We see a more favourable supply and demand picture, with stronger pricing power for the Chinese developers in 2013. Our mid- and small-cap top picks are R&F, Greentown, CC Land, Kaisa, Sunac, Central China Real Estate, Minmetals Land. Among the large cap leaders, our top picks are COLI and COGO. We recommend selling Sino Ocean and Yanlord as a hedge. We derive our target prices from NAV and DCF. Key risks: widespread financial distress and a sharp deterioration in the economy.

Top picks	
COLI (0688.HK),HKD23.20	Buy
China Ovs Grand Oceans (0081.HK),HKD11.12	Buy
China Resources Land (1109.HK),HKD22.75	Buy
Guangzhou R&F Prop (2777.HK),HKD13.94	Buy
Evergrande (3333.HK),HKD4.06	Buy

Companies Featured	
COLI (0688.HK),HKD23.20	Buy
China Ovs Grand Oceans (0081.HK),HKD11.12	Buy
China Resources Land (1109.HK),HKD22.75	Buy
Sunac (1918.HK),HKD6.14	Buy
Guangzhou R&F Prop (2777.HK),HKD13.94	Buy
C C Land (1224.HK),HKD2.80	Buy
Minmetals Land Limited (0230.HK),HKD1.40	Buy
Central China Real Estate (0832.HK),HKD2.86	Buy
Kaisa (1638.HK),HKD2.54	Buy
Sino Ocean (3377.HK),HKD6.04	Sell
Yanlord Land (YNLG.SI),SGD1.62	Sell
Greentown China (3900.HK),HKD14.98	Buy
Evergrande (3333.HK),HKD4.06	Buy

Rating
Hold

Asia
China

Technology
Software & Services

Company
Sohu.com Inc Alert

Reuters	Bloomberg	Exchange	Ticker
SOHU.OQ	SOHU US	NSM	SOHU

Date
5 February 2013

Results

Price at 1 Feb 2013 (USD)	49.22
Price target - 12mth (USD)	45.99
52-week range (USD)	63.05 - 33.91
HANG SENG INDEX	23,722

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4Q results first blush

4Q beat on gaming performance.
4Q GAAP EPS came in 25% higher than our forecast and 21% higher than Bloomberg consensus. The earnings surprise was mainly due to stronger-than-expected games performance, including TLBB and web games.

Gaming growth was fueled by web games
Monetization focus continued to shift to high end gamers, which is evidenced by 1) a declining active paying account (APA) and 2) a higher ARPU. Webgames developed by 7Road (including DDTank and Wartune) continued to perform well and contributed ~20% of total gaming revenue in 4Q vs. ~15% in 3Q12. A mobile version of Wartune is under development. For game pipeline, the company plans to launch three MMOs, as well as a couple of web games and mobile games in 2013.

Brand advertising benefited from video ads recovery
Auto, video and real estate sectors led the growth of brand ads in 4Q. Impact from Japanese auto advertisers cutting back spend was largely offset by non-Japanese automakers. Sohu introduced more non-FMCG clients in 4Q. Total number of advertisers increased by 18% QoQ. Communications with advertisers suggested an encouraging advertising outlook in 2013, according to mgmt. The completion of video sales team restructure has improved the monetization capability of online video business. According to mgmt, Sohu will spend US$70-80m in video content in 2013, vs. US$60m in 2012. In our view, Sohu has adopted a more concentrated content strategy and focus on relatively smaller number of potential hit content on exclusive basis.

Search revenue growth was strong but remained loss-making
Sogou made continued product innovations on both PC and mobile platforms. The launch of intelligent Sogou Pinyin improved daily active users by ~23% YoY. Sogou boasts over 400m users and over 100m mobile users. As of 4Q12, Sogou boasted roughly 39.8k advertisers, up 10% QoQ and 37% YoY.

Strong 1Q guidance
1Q revenue guidance is ~8% higher than our forecast of USD273m due to 1) gaming and 2) brand ads. Mgmt guided 1Q brand ads to drop by 2-5%. The sequential drop is slower than the past 4 years, indicating a strong recovery of video ads. Mgmt expect video ads revenue to grow double-digit QoQ in 1Q13. In addition, video ads pricing could increase by 30-50% in 2013. On the margin front, 1Q guidance implies a further decline of non-gaming profitability, which mgmt attributed to 1) bandwidth cost and 2) personnel cost. For the gaming business, margins could also gradually decrease over the rest of 2013 due to new investment in mobile products.

Stock data	
Market cap (USDm)	1,895
Market cap (USDm)	1,895
Shares outstanding (m)	38.1
Major shareholders	Dr. Charles Zhang (26.1%)
Free float (%)	54
Avg daily value traded (USDm)	25.0

Key data			
FYE 12/31	2011A	2012E	2013E
Sales (USDm)	852	1,060	1,237
Net Profit (USDm)	160.9	79.2	90.1
DB EPS (USD)	4.88	2.34	2.79
PER (x)	15.0	21.0	17.7
Yield (net) (%)	0.0	0.0	0.0

Deutsche Bank AG/Hong Kong

Asia
Hong Kong
Energy
Chemicals

Industry
Chemicals Alert

Date
4 February 2013

Industry Update

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Plans and policies - all seem positive

Focus stocks
Sinofert (0297.HK),HKD1.95 Buy Price Target HKD2.38

No. 1 Central document for 2013

On 31st January, China released its tenth annual No. 1 Central Document for agriculture development. While grain security, food safety, improvements in farmer income and land protection remained an ongoing theme; the 2013 document seems to emphasize on the development of modern agriculture and acceleration of land reforms. The current lack of rural land ownership registration has resulted in agricultural land expropriated for urban development and the 2013 blueprint aims to complete a basic system for administering rural land rights in five years time. For reference, the 2012 document focused on technology innovation in agriculture while the 2011 document centered on accelerating water conservancy reforms.

State council approves fertilizer export tax policies for 2013

The state council has approved plans to ease restrictions on nitrogen and phosphates exports in 2013. For urea, the off-season export tax will be reduced to 2% from 7% 2012 and the rate for phosphates (MAP / DAP) will be lowered to 5% from 7%. The off-season export window for phosphates has been extended by one month (from Jun-Sept in 2012 to 16 May- 15 Oct) while that for urea remains unchanged. Exports for the above products will no longer be subjected to the "peak-season" tax rate of 35%, although the 75% special tax remains unchanged. The base prices for the export urea, MAP and DAP during the off-season has also been raised to RMB2,260/ton (+RMB160), RMB3,200/ton (+RMB300) and RMB3,500/ton (+RMB100) respectively. Above these base prices, the export tax rates will be increased according to 1.02-(base price/export price) x 100% for urea and 1.05-(base price/export price) x 100% for phosphates. While a relaxation in export policy my ease the oversupply situation in urea / phosphates and potentially give producers slightly more pricing power, it remains to be seen if Chinese exports will be competitive in light of 1) new lower-cost, gas-based urea capacities stemming from North Africa / Middle East 2) rising cost of domestic phosphate rock.

NDRC raises the minimum purchase price of rice for 2013

On 30th January, the NDRC announced raises to the 2013 minimum purchase prices (MPP) of the three main rice types - Indica, late Indica and Japonica - by 10%, 8% and 7.1% respectively. The announcement of the MPP on key crops is usually made prior to the planting season in order to encourage farmers to boost outputs. For reference, the MPP received by Chinese farmers for wheat are 6-35% for higher than the price received by US farmers between 2009-11. Chinese farmers are also relatively shielded from volatility in global food prices, which tends to determine fertilizer demand across most developed countries.

Rating
Buy

Asia
Hong Kong

Property
Property

Company
Evergrande Alert

Reuters	Bloomberg	Exchange	Ticker
3333.HK	3333 HK	HSI	3333

Date
4 February 2013

Company Update

Price at 4 Feb 2013 (HKD)	4.06
Price target - 12mth (HKD)	6.16
52-week range (HKD)	4.94 - 2.81
HANG SENG INDEX	23,722

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Stock data	
Market cap (HKDm)	60,451
Market cap (USDm)	7,793
Shares outstanding (m)	14,889.4
Major shareholders	Hui Ka Yan (68%)
Free float (%)	36
Avg daily value traded (USDm)	69.1

Key data

FYE 12/31	2011A	2012E	2013E
Sales (CNYm)	61,918	78,610	100,202
Net Profit (CNYm)	11,381.7	9,036.7	11,263.7
DB EPS (CNY)	0.57	0.60	0.74
PER (x)	6.2	5.5	4.4
Yield (net)	6.5	7.3	9.2

Strong start in the year with Jan sales at Rmb7.25bn

January 2013 contracted sales at RMB7.25bn, up 227% YoY

Evergrande reported a strong start in 2013 with Jan contracted sales +227% YoY (down 5% MoM) to Rmb7.25bn. Meanwhile, monthly contracted GFA sold was recorded at 1.168msqm, up 213% YoY and down 4% MoM. Contracted ASP sold in Jan stood at Rmb6,207psm, up 4% YoY and down 1% MoM.

The company had achieved 7% of its 2013 contracted sales target of RMB100bn, this is a 4ppt improvement over January 2012 when the company only achieved around 3% of its 2012 contracted sales target of RMB80bn.

In January 2013, the company had commenced sales of 9 new projects, and its total number of projects currently on sale was increased to 188 projects.

ASP to improve YoY in 2013 on launches of projects in better locations

In our DB Access China conference, management expects contracted ASP to increase YoY in 2013, following a 10% YoY decline in 2012 to Rmb5,962psm.

The expected increase in contracted ASP is mainly due to product mix changes, where there will be more better-located projects in 2013's saleable resources.

Moreover, management expects sell-through rate will improve on the back of the better location and in light of a recovering market in 2013.

Financial position to improve as it controls its landbanking, top-up placement

The company's net gearing by end-12 is expected to improve to mid-80% (from 96.1% at end-1H12), as the company has far exceeded its original contracted sales target and a slowdown in the pace of land acquisitions in 2H12. In addition, after its recent 1bn shares top-up placement (raising HK$4.35bn) we expect its net gearing to lower further. For 2013, management is hinting for a more moderate landbanking pace comparing to 2012.

Target price at a 30% discount to our NAV estimate of HK$8.8/share

The company is currently trading at 54% discount to our estimated NAV, at 4.4x 13E P/E and 1.1x 13E P/B. Our target price is based on a 30% discount to our NAV estimate of HK$8.8/share, which implies a 2012/13E PER of 8.6x/7x. Our target discount reflects the slower contracted sales momentum, which has been a key share price catalyst for the re-rating of the stock over the past two years. Our target discount is also higher than that of industry leaders due to its shorter listing history. The key risk is further tightening policies aimed at the property sector.

Asia
Taiwan
Technology
Semiconductor & Equipment

Industry
Taiwan Semi Strategy

Date
4 February 2013

Industry Update

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2Q13 outlook is shaping up

Mobility theme to drive upside risks for 2Q13

We expect strong demand for 28nm mobility chips to be the major growth drivers for the foundry/OSAT sectors in 2Q13, which should exceed consensus estimates. We expect TSMC and ASE to be the major beneficiaries of this uptrend in 2Q13. We reiterate Buy on TSMC and our target price of NT$123, implying 22% upside potential (including a 2012 dividend yield). We expect TSMC to outperform the MSCI Emerging and TWSE indices and experience a further re-rating in 2013, driven by 1) robust 28nm demand, 2) a bigger 20nm addressable market vs. 28nm, 3) increased technology dominance in 28/20nm, and 4) higher earnings/return profiles vs. the historical average.

Foundry – TSMC should beat consensus and gain more market share in 2Q13

We expect TSMC's sales to grow 13-14% QoQ in 2Q13, higher than consensus estimate of 10-11% QoQ growth. This is attributable to solid demand for 1) 28nm 4G LTE baseband in smartphones, 2) 28nm quad-core application processors (AP) in non-Apple smartphones, and 3) 28nm single-chip solutions (AP/baseband) in smartphones. In addition, we project demand for 45nm 3G baseband in mid-end smartphones to remain robust in 2Q13, driven by the rising penetration of mid-end smartphones. We estimate these 45/28nm products to account for 20-23% of TSMC's sales in 2Q13. The improved sales through of non-Apple smartphones should benefit TSMC most. However, we forecast UMC's sales to rise by 10% QoQ in 2Q13, in line with consensus estimate of 10-11% but lower than TSMC's sales growth rate. We believe UMC will continue losing more market share to TSMC in 2Q13 and 2H13 stemming from its challenging 28nm progress.

OSAT – ASE's wireless expertise should pay off

We expect 14-15% QoQ sales growth for ASE in 2Q13, vs. consensus estimate of 12-13% increase, as a result of its high exposure to wireless. We believe the company should benefit from smartphone and tablet PC chip vendors' rapid ramp-up of 28nm solutions. We forecast Qualcomm and MediaTek to account for 22-25% of ASE's sales in 2Q13. In addition, we estimate sales for Apple's back-end orders to grow to NT$100m in June (1% of ASE back-end sales). This proves ASE's strong capability for wireless products and we view this as an incremental positive. We also expect 14-15% QoQ sales expansion for SPIL in 2Q13 given a low base in 1Q13 (14% QoQ sales decline). However, we are still concerned about its high PC exposure given continued PC demand weakness.

Valuation and risks

We use P/B multiples to derive our target prices. Sector risks relate to trends in demand, currency, ASP and capex. (See page 4 for details.)

Top picks	
TSMC (2330.TW),TWD103.00	Buy
MediaTek (2454.TW),TWD325.00	Buy

Companies Featured

TSMC (2330.TW),TWD103.00			Buy
	2012A	2013E	2014E
P/E (x)	13.1	13.7	11.4
EV/EBITDA (x)	6.9	6.8	5.5
Price/book (x)	3.5	3.1	2.7

United Microelectronics (2303.TW),TWD11.65			Hold
	2011A	2012E	2013E
P/E (x)	16.3	18.1	16.7
EV/EBITDA (x)	4.1	3.8	4.0
Price/book (x)	0.8	0.7	0.7

ASE (2311.TW),TWD24.30			Buy
	2012A	2013E	2014E
P/E (x)	14.6	12.7	11.1
EV/EBITDA (x)	4.5	4.3	3.9
Price/book (x)	1.7	1.6	1.5

Siliconware Precision (2325.TW),TWD31.80			Hold
	2012A	2013E	2014E
P/E (x)	17.6	16.9	14.3
EV/EBITDA (x)	6.3	5.7	5.0
Price/book (x)	1.6	1.6	1.6

Related recent research	Date
Taiwan Semi Strategy - FX sensitivity analysis Michael Chou & Jessica Chang	29 Jan 2013
Taiwan Semi Strategy - Near-term inventory headwinds should provide entry points Michael Chou & Jessica Chang	11 Jan 2013
Taiwan Semi Strategy - UTR should bottom earlier than expected Michael Chou & Jessica Chang	11 Dec 2012

Rating
Buy

Asia
South Korea

Consumer
Retail / Wholesale Trade

Company
HDS Alert

Reuters	Bloomberg	Exchange	Ticker
069960.KS	069960 KP	KSC	069960

Date
4 February 2013

Results

Price at 4 Feb 2013 (KRW)	158,500
Price target - 12mth (KRW)	195,000
52-week range (KRW)	184,500 - 119,000
KOSPI	1,957.79

4Q12 results met our expectation

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4Q12 results in line with our expectation

HDS reported 4Q12 results, which met our expectation. Gross sales grew 3.1% YoY to W1.26tr with slow SSS growth of 1.0% YoY. Renovation of main store and COEX store also disrupted HDS' decent SSS growth, while newly opened Choong-cheong store contributed W64bn gross sales in 4Q12. HDS delivered 3.8% YoY growth in operating profit at W120.9bn in 4Q12, thanks to the company's efforts to reduce labor costs and A&P spend. Recurring profit declined to W124.7bn (-2.0% YoY), due to lower-than-expected equity method gains from Hyundai HS. Net profit surged 31.9% YoY to W91.8bn in 4Q12, as corporate tax rate normalized from effective tax rate adjustment in 4Q11.

Positive implications on 2013 outlook

We found a couple of notable implications from the 4Q results, which supports our positive view on HDS' 2013 earnings outlook. First, we expect Choong-cheong store (opened in Aug 2012) to contribute to HDS' OP positively from 2013. Choong-cheong store turned to black in OP level only a month after the opening, and posted 2.3% OP margin in 4Q12 with W64bn gross sales. Second, Daegu store (opened in Aug 2011) keeps improving profitability in 4Q12. It recorded 7.7% OP margin with W130bn gross sales, and is expected to improve profitability with better economies of scale. Third, operating profit from COEX store, which is currently under renovation, declined by W6bn in 4Q12 (W16-17bn total in 2012). We believe earnings contraction from COEX store will revert to solid earnings growth from 2H13, once the renovation is completed, even considering additional depreciation costs. Lastly, HDS has no new store opening plan in 2013, and will fully focus on improving operational capability of recently opened stores and renovated major stores.

Figure 1: HDS – 4Q12 results

(W bn)	4Q11	3Q12	4Q12	% YoY	% QoQ	DBe	% Diff	Cons	% Diff
Gross sales	1,220.4	993.0	1,257.9	3.1	26.7	1,263.2	-0.4	NA	NA
Net sales	414.3	346.2	420.3	1.4	21.4	437.6	-4.0	437.7	-4.0
Gross profit	350.2	282.3	362.4	3.5	28.4	362.0	0.1	NA	NA
Operating profit	116.5	71.2	120.9	3.8	69.8	119.0	1.6	124.7	-3.1
Recurring profit	127.2	90.3	124.7	-2.0	38.0	132.0	-5.6	130.9	-4.7
Net profit	69.6	65.7	91.8	31.9	39.7	96.4	-4.7	91.8	0.0
% margin to gross sales									
Gross profit margin	28.7	28.4	28.8			28.7			
Operating margin	9.5	7.2	9.6			9.4			
Recurring margin	10.4	9.1	9.9			10.5			
Net margin	5.7	6.6	7.3			7.6			

Source: Company data, Bloomberg Finance LP, Deutsche Bank estimates

Stock data	
Market cap (KRWbn)	3,709
Market cap (USDm)	3,380
Shares outstanding (m)	23.4
Major shareholders	Chung, Jisun (15.7%)
Free float (%)	62
Avg daily value traded (USDm)	12.745

Key data			
FYE 12/31	2011A	2012E	2013E
Sales (KRWbn)	1,439	1,537	1,639
Net Profit (KRWbn)	346.4	326.7	366.2
DB EPS (KRW)	12,254	13,958	15,648
PER (x)	13.0	11.4	10.1
Yield (net) (%)	0.4	0.4	0.4

Rating
Buy

Asia
South Korea
Resources
Metals & Mining

Company
POSCO

Reuters	Bloomberg	Exchange	Ticker
005490.KS	005490 KS	KSC	005490

Date
4 February 2013

Company Update

Price at 4 Feb 2013 (KRW)	359,500
Price target - 12mth (KRW)	412,000
52-week range (KRW)	424,000 - 308,000
KOSPI	1,957.79

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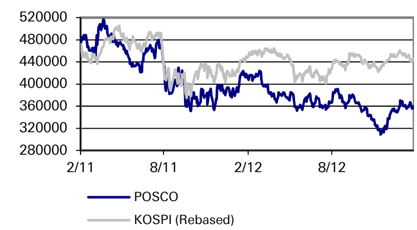
Price/price relative



Performance (%)	1m	3m	12m
Absolute	-2.0	6.5	-13.8
KOSPI	-2.7	2.0	-0.7

Asia NDR takeaways; growing interest in non-steel business

Positive long-term growth outlook provided

During our Asia NDR with POSCO's management, investors' questions focused on: 1) the impact of a weak JPY, 2) domestic oversupply, 3) negative sentiment from Hyundai-Kia, 4) non-steel business growth, 5) overseas project developments, and 6) the near-term steel price. While the company admitted a tough steel industry outlook in the short term, it reaffirmed the long-term growth story through the non-steel business and raw material developments.

Focus 1: weak JPY/domestic oversupply/Hyundai-Kia impact

1) The company believes a weak JPY may not result in significant competitive edge for Japanese steel mills due to US$-based raw materials. However, it acknowledges that strong auto/appliances demand in Japan could drive up their utilization rate. 2) Regarding 8m tonnes of domestic capacity increase in 2014 (11% of 2012 production), POSCO sees limited impact on domestic prices, given only 2m tonnes is being added to the domestic market. 3) Although POSCO admitted price pressure from Hyundai-Kia facing a tough environment, it explained that Hyundai-Kia only accounts for 3.4% of total sales volume.

Focus 2: non-steel business/overseas projects/near-term steel prices

1) Most of the investors asked questions about the outlook for the non-steel business, which comprises 26% of consolidated OP in 2012. POSCO reaffirmed 20-30% profit growth from non-steel this year with improvement in the E&C, Trading, and Energy divisions. 2) While the company did not provide details of the benefit from raw material investments, it hinted at a possible discount in purchasing prices. Meanwhile, POSCO remains confident on Indonesian steel mills' operation from this year. 3) The company expects gradual improvement in the steel price, with both export and domestic prices moving up MoM.

Valuation and risks

Although near-term momentum may remain weak without further improvement in the Chinese steel industry turnaround, we believe its return from non-steel and raw materials will provide good momentum for long-term investors. We derive our target price using the GGM (P/B=ROE/g-COE-g). Downside risks: a hike in raw material costs, substantial production increases in China, and a weaker-than-expected global macroeconomic environment.

Forecasts And Ratios

Year End Dec 31	2010A	2011A	2012E	2013E	2014E
Sales (KRWbn)	32,582	39,172	35,665	34,670	35,396
EBITDA (KRWbn)	7,351	6,069	4,618	4,996	5,439
EBIT(KRWbn)	5,047	4,330	2,790	3,060	3,375
DB EPS growth (%)	58.2	-24.5	-33.7	11.4	17.4
PER (x)	10.0	11.3	14.1	12.6	10.8
EV/EBITDA (x)	4.6	5.1	4.8	4.2	3.7
Yield (net) (%)	2.0	2.3	2.8	2.8	2.8

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Rating
Buy

Asia
South Korea

Telecommunications
Fixed Line

Company
SK Broadband Alert

Reuters	Bloomberg	Exchange	Ticker
033630.KQ	033630 KS	KSC	033630

Date
4 February 2013

Results

Price at 4 Feb 2013 (KRW)	5,100
Price target - 12mth (KRW)	5,200
52-week range (KRW)	5,140 - 2,805
KOSPI	1,957.79

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Stock data	
Market cap (KRWbn)	1,509
Market cap (USDm)	1,375
Shares outstanding (m)	296.0
Major shareholders	SKT (50.6%)
Free float (%)	49
Avg daily value traded (USDm)	6.380

Key data			
FYE 12/31	2011A	2012E	2013E
Sales (KRWbn)	2,313	2,495	2,711
Net Profit (KRWbn)	-16.0	23.3	86.2
DB EPS (KRW)	-53	77	286
PER (x)	–	66.4	17.8
Yield (net) (%)	0.0	0.0	0.0

4Q12 in-line; turn-to-black for first time in 7 years

SKBB 4Q12 results in-line with estimates

SKBB reported 4Q12 results which were in-line with our estimates. Revenues were W688bn (+6.2% QoQ), OP W30bn (+52% QoQ), and NP W12bn (+85.9% QoQ). The large QoQ increase arose from a mix of growth in corporate business revenues, decrease in interconnection expenses, and low-base effect. In annual terms the company successfully turned-to-black on a consolidated basis for the first time in 7 years, with management expecting additional growth in both revenues and profit during 2013. We plan to revisit our assumptions post earnings season.

Key highlights from 4Q12 results

First, with the 2013 business plan yet to be confirmed, the company gave several bits of directional guidance: 1)capex will increase YoY due to additional network investments, 2)IPTV subscriber net adds will increase YoY, 3)broadband subscriber net adds will remain at a similar level, and 4)corporate business revenues will compose 40% of total revenues in 2013. Second, SKBB revealed that its churn rates decreased for both broadband and IPTV services, which is in-line with our view on the broadcasting industry. Meanwhile, although exact figures were not provided, management forecasted that home shopping commissions may see a hike on the back of increasing home shopping sales via SKBB.

Maintaining Buy; await home shopping commission negotiations

We maintain our Buy rating on the stock with a TP of W5,200. While the stock has rallied over the past few weeks along with the increase in trading volume, we advise investors to keep an eye on SKBB as another potential beneficiary from the upcoming home shopping commission negotiations.

Figure 1: 4Q12 earnings summary

SKBB (Wbn)	4Q11	3Q12	4Q12P	QoQ	YoY	4Q12DBe	Diff	2012P
Revenue	652	648	688	6.2%	5.6%	679	1.4%	2,492
EBITDA	132	138	148	7.5%	12.3%	148	0.3%	556
EBIT	11	20	30	52.0%	168.5%	19	52.8%	82
NP	-8	6	12	85.9%	TTB	12	-4.0%	23
EBITDA margin	*20.2%*	*21.3%*	*21.5%*			*21.8%*		*22.3%*
EBIT margin	*1.7%*	*3.0%*	*4.3%*			*2.9%*		*3.3%*
NP margin	*-1.2%*	*1.0%*	*1.7%*			*1.8%*		*0.9%*

Source: Deutsche Bank, company data

Rating
Buy

Asia
Singapore

Property

Company
Keppel Land Alert

Reuters	Bloomberg	Exchange	Ticker
KLAN.SI	KPLD SP	SES	KLAN

Date
4 February 2013

Company Update

Price at 4 Feb 2013 (SGD)	4.23
Price target - 12mth (SGD)	4.36
52-week range (SGD)	4.31 - 2.80
Straits Times Index	3,291

Highlights from HK investor meetings

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We recently hosted a non-deal roadshow for Keppel Land in Hong Kong. Notably, this is the first NDR led by its new CEO, Mr Ang Wee Gee who was appointed on Jan 1st. Questions from investors focused on the management's strategy and thoughts on asset allocation, as well as operating dynamics and key trends in core markets of Singapore and China.

Streamlining the structure, focusing on core markets

Management views Singapore and China as core markets (accounting for the bulk of earnings), while Vietnam and Indonesia are growth markets which would contribute more meaningfully longer term. In China, Keppel Land intends to grow its residential presence in five cities, i.e. Shanghai, Beijing, Wuxi, Chengdu and Tianjin in order to gain scale and critical mass (it operates in 10 cities now). Keppel Land aims to significantly deepen its presence in these markets from 3-4 projects currently. While the Singapore market is competitive with low entry barriers, management believes that opportunities still exist in specific micro markets for differentiated products when the company is able to get a first mover advantage. Management will remain opportunistic for the other smaller markets. The company also announced a streamlining management structure reflecting this focus which will facilitate more efficient decision making. Hospitality assets (hotels, resorts and serviced apartment etc) have also been reorganised under a single unit to enhance efficiency.

China sales momentum firms; Singapore projects well taken up

Keppel Land remains positive on its Chinese projects, and notes that sales momentum has accelerated, selling c.670 units in 4Q12 vs. c.290 in 3Q12. Major mid-market projects such Botanica in Chengdu, Central Park City in Wuxi and Springdale in Shanghai continue perform well, and management aims to launch > 2000 units from these existing projects in 2013. In Shanghai, the 8 Park Avenue project is already under construction and could be launched subject to market conditions. Following its acquisition of a commercial project in Beijing in 2012, management will continue to look to grow its commercial footprint in China's gateway cities, which will enable the company to leverage off its tenant network and commercial development expertise. In Singapore, Keppel Land's existing residential projects are nearly sold out and will look to launch its Tanah Merah project as well as Keppel Bay plot 3 in 2013. The company also stated that it is reviewing plans for Keppel Towers, and may keep the asset as an office or convert it into either a residential or SOHO development.

Stock data	
Market cap (SGDm)	6,532
Market cap (USDm)	5,261
Shares outstanding (m)	1,544.3
Major shareholders	Keppel Corp (53.7%)
Free float (%)	45
Avg daily value traded (USDm)	10.0

Key data

FYE 12/31	2012A	2013E	2014E
Sales (SGDm)	939	1,442	2,059
Net Profit (SGDm)	838.4	417.0	422.4
DB EPS (SGD)	0.28	0.27	0.27
PER (x)	11.6	15.7	15.5
Yield (net) (%)	3.7	1.9	1.9

Rating
Buy

Asia
Indonesia

Banking / Finance

Company
BNI Alert

Reuters	Bloomberg	Exchange	Ticker
BBNI.JK	BBNI IJ	JKT	BBNI

Date
4 February 2013

Company Update

Price at 1 Feb 2013 (IDR)	4,250
Price target - 12mth (IDR)	5,850
52-week range (IDR)	4,250 - 3,400
Jakarta Comp. Index	4,481.63

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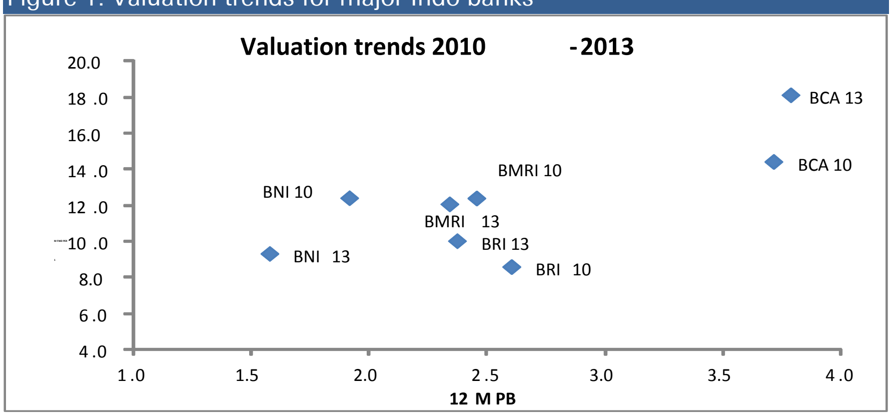
High earnings visibility

De-rated most despite delivering results. Despite the stock's recent run, we continue to like BBNI and maintain our target price of Rp5,850 (implying target 13F PB of 2.2x and 13F PER of 13.2x). Over the past two years (since 2010), the stock is the only major bank that has de-rated in valuations despite delivering highest profit growth amongst major Indo banks with a projected 5-yr earnings CAGR of 24% (10-15F).

Higher loan growth and moderate cost growth. Into 2013, the bank has higher loan growth guidance of 23-25% (up from 20-22% previously). This is ahead of DB13F loan growth projection of 20%. We think these would come from Rp-based based as well as moderating FX loan growth (a swing from negative growth in 9M12). This should support BBNI's earnings projections which we project to rise by approx 20%. On cost front, BBNI sees moderate increase of 10-11% as most of its expansions have been executed in 2010-12. In 2013, the bank only aims for 500 net new hiring (approx 2% inc), while branch openings are projected to be 100 units (down from 176 in 2012).

BNI Life deal adding a cream on top. At present, BBNI is in negotiation to invite a new partner in its life insurance business. Getting the right partner could significantly enhance BNI Life values given BNI's extensive distribution reach and substantial customer base of over 10m. Mandiri is a case in point, where its joint venture in AXA Mandiri has resulted into valuation of US$3.3bn for the insurance biz.

Figure 1: Valuation trends for major Indo banks



Source: Deutsche Bank and company data

Stock data	
Market cap (IDRbn)	79,261
Market cap (USDm)	8,113
Shares outstanding (m)	18,649.7
Major shareholders	Government of Indo (60%)
Free float (%)	40
Avg daily value traded (USDm)	7.696

Key data

FYE 12/31	2011A	2012E	2013E
Provisioning (IDRbn)	2,420.7	3,149.0	4,319.8
Pre-prov profit (IDRbn)	9,882	11,663	14,578
EPS (IDR)	312.39	366.15	440.99
PER (x)	12.2	11.6	9.6
Yield (net) (%)	2.0	2.1	2.5

Rating
Hold

Asia
Indonesia

Telecommunications
Wireless

Company
XL Axiata Alert

Reuters	Bloomberg	Exchange	Ticker
EXCL.JK	EXCL IJ	JKT	EXCL

Date
4 February 2013

Results

Overall slightly below than expected

* EXCL's FY12 results came in slightly below our expectation. Hence we don't expect aggressive pricing policies from it; suggesting limited pricing risks.
* EBITDA of Rp9.7tr (+4% yoy), represents 97% of DB12F. FY12 margin dipped to 46% (vs. 51% in FY11). On QoQ, 4Q12 EBITDA was down 210bps qoq to 42.8% reflecting impacts from the introduction of SMS interconnection, higher infra costs for data investment and revenue mix changes shifting to data.
* Revenue reached Rp21tr (+15% yoy), while the faster growth in expenses led to lower than expected operating profit of Rp4.7tr (flat yoy), or 93% of DB FY12F. Headline net profit (-2% yoy) was dragged down by FX losses, while if we exclude the FX losses, adjusted net profit would be c.Rp2.99tr (+2% yoy; 94% of DB FY12F). See the table below for summary of the FY12 results.
* At operational level, data remain a key growth driver, with data revenue growing a material 50% yoy in FY12 (including VAS; +32% yoy and +10% qoq). With data subscriber and traffic more than doubling in FY12 to 22.6 petabyte, data revenue contribution is now 20% (vs. 15% in FY11).
* In 4Q12, EXCL was also able to reverse the declining subs trend in pre-paid customers by adding 3.5m new subs, thanks to its product initiatives. This brings total subs to 45.8mn (-1.3% yoy) in FY12.
* For FY13, management guides for revenue growth to be at least in-line with the market (we think approx. 10%), and EBITDA margin to decline by 200-300bps from FY12 to 42-43%, a level close to 4Q12 margin as they see this as a more sustainable level on the back of increasing data revenue contribution. This implies estimated EBITDA growth of 5-6% yoy. In near term, positive/negative catalyst would be getting/not getting additional 3G freq.

Figure 1: EXCL FY12 results summary (Rpbn)

	FY11	FY12	yoy %	FY12F	% FY	1Q12	2Q12	3Q12	4Q12	qoq %
Gross revenue	**18,468**	**21,278**	**15%**	**20,617**	**103%**	**4,952**	**5,337**	**5,615**	**5,374**	**-4%**
Voice	7,864	8,308	6%	7,800	107%	2,032	2,100	2,125	2,051	-3%
SMS	4,077	4,729	16%	4,813	98%	1,146	1,164	1,271	1,148	-10%
Data and VAS	2,817	3,718	32%	4,000	93%	857	955	907	999	10%
Operating expenses	**13,595**	**16,291**	**20%**	**15,566**	**105%**	**3,738**	**3,983**	**4,291**	**4,279**	**0%**
Operating income	**4,665**	**4,678**	**0%**	**5,051**	**93%**	**1,155**	**1,295**	**1,234**	**995**	**-19%**
Op. margin	25.3%	22.0%		24.5%		23.3%	24.3%	22.0%	18.5%	
EBITDA	**9,348**	**9,745**	**4%**	**10,069**	**97%**	**2,368**	**2,551**	**2,522**	**2,303**	**-9%**
EBITDA margin	50.6%	45.8%		48.8%		47.8%	47.8%	44.9%	42.8%	
PBT	**3,864**	**3,751**	**-3%**	**4,232**	**89%**	**918**	**1,055**	**992**	**786**	**-21%**
PBT margin	20.9%	17.6%		20.5%		18.5%	19.8%	17.7%	14.6%	
Net profit	**2,830**	**2,764**	**-2%**	**3,174**	**87%**	**667**	**794**	**735**	**569**	**-23%**
NP margin	15.3%	13.0%		15.4%		13.5%	14.9%	13.1%	10.6%	
NP excl FX (DB estimate)	**2,935**	**2,985**	**2%**	**3,174**	**94%**	**743**	**861**	**750**	**631**	**-16%**

Source: Deutsche Bank and Company data

Price at 1 Feb 2013 (IDR)	5,300
Price target - 12mth (IDR)	7,250
52-week range (IDR)	7,300 - 4,425
Jakarta Comp. Index	4,481.63

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Stock data	
Market cap (IDRbn)	45,092
Market cap (USDm)	4,615
Shares outstanding (m)	8,508.0
Major shareholders	Indocel Holdings (66.7%)
Free float (%)	20
Avg daily value traded (USDm)	3.706

Key data			
FYE 12/31	2011A	2012E	2013E
Sales (IDRbn)	18,921	20,617	22,069
Net Profit (IDRbn)	2,830.1	3,174.0	3,503.3
DB EPS (IDR)	340	373	412
PER (x)	16.1	14.2	12.9
Yield (net) (%)	2.4	2.8	3.1

Rating
Buy

Asia
Thailand

Resources
Metals & Mining

Company
BANPU

Reuters	Bloomberg	Exchange	Ticker
BANP.BK	BANPU TB	SET	BANP

Date
4 February 2013

Forecast Change

Price at 1 Feb 2013 (THB)	390.00
Price target - 12mth (THB)	495.00
52-week range (THB)	688.00 - 355.00
SET	1,499

Lower 2012-13 earnings

Weak earnings trend already reflected in share price
Despite the downward trend in earnings in the last six quarters, we expect a steady improvement in the coal price and the successful lodging of its appeal case to the Court to unlock near-term drags on the share price. Banpu is still trading at 12x 2013-P/E vs. the 17x of regional peers, despite its better earnings outlook (-10% YoY vs. -28% YoY). Buy on valuation.

Expect weak 4Q12 earnings on lower ASP and Australian sales volume
We expect 4Q12 earnings of Bt1.7bn, down 23% QoQ and 51% YoY, as a result of lower Indonesian ASP and Australian sales volume. However, we expect Indonesian operations to steady from 3Q12 onwards, supported by the highest sales volume since 3Q06. We also expect the company to realize another Bt360m in coal swap gain.

Cutting 2012-13 earnings estimates by 5-6%
We cut our 2012 earnings by 5% to reflect lower ASP in 4Q12. We also revise down 2013 earnings by 6% to reflect the higher depreciation cost trend. However, we are keeping 2014 intact to reflect improvement in the Deutsche Bank coal price forecast.

Our Bt495 target price is based on SOTP
Our Bt495 target price is based on SOTP (see page 4). Our target price is unchanged despite our 2012 earnings cut, as the revision is in non-cash items. Key risks: declining coal prices; regulations affecting pricing and ownership; and transport disruptions.

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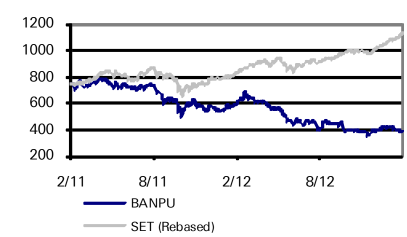
Key changes

Sales (FYE)	113,332 to 114,715	↑	1.2%
Op prof margin (FYE)	16.7 to 16.3	↓	-2.1%
Net profit (FYE)	10,051.3 to 9,511.0	↓	-5.4%

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-5.3	-0.3	-34.1
SET	7.7	15.5	38.0

Forecasts And Ratios

Year End Dec 31	2010A	2011A	2012E	2013E	2014E
Sales (THBm)	65,285.3	112,404.1	114,714.7	101,889.0	115,736.2
EBITDA (THBm)	13,184.4	29,625.2	24,790.5	21,049.4	29,365.7
EBIT(THBm)	10,481	23,395	18,737	14,904	22,408
Reported EPS FD(THB)	91.56	73.82	35.00	31.39	45.11
Reported NPAT (THBm)	24,880.2	20,059.8	9,511.0	8,530.6	12,257.9
DB EPS growth (%)	-18.3	-7.6	-25.2	33.4	43.7
DB EPS FD(THB)	34.09	31.49	23.54	31.39	45.11
OLD DB EPS FD(THB)	34.09	31.49	36.99	33.55	45.45
% Change	0.0%	0.0%	-36.4%	-6.4%	-0.8%
PER (x)	19.0	21.7	16.6	12.4	8.6
EV/EBITDA (x)	20.1	8.5	6.9	7.8	5.3
DPS (net) (THB)	20.83	36.91	15.75	14.13	20.30
Yield (net) (%)	3.2	5.4	4.0	3.6	5.2

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Rating
Buy

Asia
India

Banking / Finance
Banks

Company
Bank of Baroda

Reuters	Bloomberg	Exchange	Ticker
BOB.BO	BOB IN	BSE	BOB

Date
4 February 2013

Forecast Change

3QFY13 - a quarter to forget; retaining Buy on attractive valuations

Weak trend on asset quality continues; attractive valuations
Bank of Baroda reported yet another quarter of weak earnings, emanating from higher slippages and in turn resulting in higher provisioning. While we expected some of it, the pace of addition was still higher than our expectation. However, with a somewhat better macro outlook, we believe that NPLs are near their peak. Also, despite the weakness, asset quality is amongst the best compared to its peers. The stock has already corrected 8% post the results and valuations, at 0.9xFY14E PBR, remain attractive. We retain our Buy with a target price of INR1,050. Likely weakness in the stock price should be used to increase exposure.

3QFY13 – disappointments on all fronts
Net profit was down 22% YoY, as provisioning continued to rise. NII growth, at 7% YoY and flat QoQ, was due to lower NIM and was lower than expected. Global NIM declined 6bps QoQ to 2.65% while domestic NIM, at 3.08%, was down 15bps QoQ. Loan growth of 15% YoY was largely driven by international loans. Asset quality deterioration was higher than expected. Gross NPL rose 25% QoQ. Slippages, at 2.74% of opening loans, increased 36% QoQ, while restructured loans were 6% of total loans.

Looking for a better future; new CMD highlights priorities
The new CMD highlighted that the NPL pain may continue for another 1-2 quarters and would likely improve from there on. The new CMD also spelt out the key priorities over the next few quarters: 1) a big focus on recoveries, where he believes that BOB lags its peers. 2) a focus on margins by shedding wholesale deposits, improving the CD ratio and being willing to grow more slowly. 3) enhanced focus on fee income, which has stagnated in recent times. 4) Overall, management expects improving ROAs and ROEs over the next year.

Two-stage residual income valuation; slippage from restructured book risk
We value Bank of Baroda on a two-stage residual income model (page 8). The key downside risk is a deterioration in asset quality.

Forecasts And Ratios

Year End Mar 31	2011A	2012A	2013E	2014E	2015E
Provisioning (INRm)	10,506	18,652	31,154	36,377	44,439
Pre-prov profit (INRm)	67,009	78,910	90,877	109,573	131,950
Net profit (INRm)	42,417	50,070	47,778	54,898	63,883
EPS (INR)	111.87	124.37	115.86	133.12	154.91
EPS growth (%)	33.7	11.2	-6.8	14.9	16.4
PER (x)	7.4	6.5	6.9	6.0	5.2
Price/book (x)	1.80	1.19	1.05	0.92	0.80
DPS (net) (INR)	16.50	19.72	17.82	20.48	23.83
Yield (net) (%)	2.0	2.4	2.2	2.6	3.0
ROE (%)	23.5	20.6	16.2	16.3	16.6

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Price at 4 Feb 2013 (INR)	802.10
Price target - 12mth (INR)	1,050.00
52-week range (INR)	888.65 - 610.50
BSE 30	19,781

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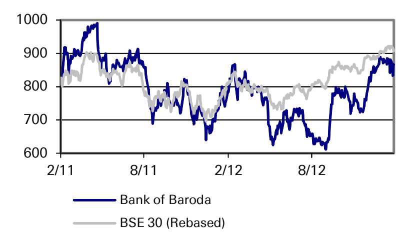
Key changes			
Price target	1,100.00 to 1,050.00	↓	-4.5%
Provisioning (FYE)	26,640.7 to 31,153.8	↑	16.9%
Net int margin (FYE)	2.59 to 2.45	↓	-5.6%
Net profit (FYE)	51,646.5 to 47,778.3	↓	-7.5%

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-9.3	7.9	5.1
BSE 30	0.0	5.5	12.4

Stock data	
Market cap (INRm)	330,774
Market cap (USDm)	6,205
Shares outstanding (m)	412.4
Major shareholders	Govt of India (53.8%)
Free float (%)	46
Avg daily value traded (USDm)	11.3

Asia
India
Resources
Construction Materials

Industry
Construction Materials Alert

Date
4 February 2013

Industry Update

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Focus stocks
UltraTech Cement (ULTC.BO),INR1,860.85 Buy Price Target INR2,600.00
Jaiprakash Associates (JAIA.BO),INR83.30 Hold Price Target INR76.00

UltraTech perhaps in talks with ABG Cement to buy 5.8 mnt Gujarat unit

Event
Press reports (Economic Times dated 4 Feb 2013) suggest that UltraTech, India's largest cement maker, is now in talks with ABG Cement to buy their 5.8 mn tonne slag based cement unit (with 3.3 mn tonne clinker capacity) in Gujarat. The valuations, as per the news article, could be in the range of USD 148/t to USD 160/t.

Would this be negative on UltraTech Stock?
Probably yes, as markets typically tend to buy the target company rather than the one that is acquiring. The only argument we can offer for a positive move in UltraTech stock is that, if the deal does happen at around the replacement cost (a) firstly, UltraTech has successfully turned around acquisitions in the past, (b) it would provide volumes heading into an upturn - thereby lowering the payback period and (c) lower the time for commissioning.

Would the conclusion of this deal put the proposed sale of JPA's cement assets in the back-burner?
Historically, we have never seen back-to-back acquisitions for two cement assets in the same state – barring cases of transactions arising from family disputes. The question is that, so far JPA management had guided for interests of three prospective buyers of their cement assets in Gujarat; If UltraTech, one of the interested parties, were to find another target to buy – would that mean a reduction in bargaining power of the seller? Time will tell.

Background of ABG Cement
ABG Cement (unlisted) promoted by ABG Cement Holdco Pvt Ltd (ABGHPL, 92.4%, Unlisted) and IFCI Limited (7.6%, Not rated) is currently implementing the 5.8 mn tonne slag based cement plant in Gujarat. Their clinker unit in Kutch (3.3 mn tonne) is likely to be commissioned by Feb 2013 while the split grinding unit in Surat (5.8 mn tonne) is slated for commissioning by Mar 2013. The company has access to large limestone reserves of 254 mn tonnes to support the clinker facility and it has plans to move clinker to its grinding facility in Surat through its jetty. It has firm tie-up for slag from Essar Steel (unlisted), tie-up with group company PFS Shipping (unlisted) for logistics movement through sea. For captive power, it has tie-up with with its 73.7% subsidiary ABG Energy (unlisted, owns a lignite based captive power plant of 100 MW). The estimated project cost for ABG including captive power was INR 35 bn.

Rating
Buy

Asia
India

Banking / Finance
Other Financial Services

Company
Rural Electrification Corp Alert

Reuters	Bloomberg	Exchange	Ticker
RURL.BO	RECL IN	BSE	RURL

Date
4 February 2013

Company Update

3QFY13: T&D segment boosts loan growth; sharp NIM expansion

Strong NIM and loan growth drive profitability
Net profit of INR 10.3bn, +33% YoY and +7.6% QoQ was 7% above DB estimate. NII was 8% ahead of estimates driven by NIM expansion of 25bps QoQ to 5.01%, while spreads were up 32bps QoQ to 32%. NIM expansion was driven by strong 28bps QoQ expansion in loan yields and marginal decline in funding costs. The company made a provision of INR 250m in 3Q towards NPL provisioning as compared to nil in 2Q.

Sanctions moderate, loans and disbursements remain robust
After two strong quarters in a row sanctions moderated to INR 124bn, +41% YoY and -53% QoQ on account of lower sanctions to T&D segments. Disbursements to T&D segment were almost double (90%) sequentially and 3X YoY – large part of it is likely to be towards transitional finance. Thus disbursements were robust at INR 104bn, +65% YoY and 37% QoQ.

Asset quality stable, higher NIMs to support earnings growth
Asset quality remained stable with GNPLs flat (GNPL ratio at 0.41%). We believe declining wholesale funding costs should support margins. Outstanding sanctions should lead to a healthy loan growth of ~22% for next two years. Ongoing reforms for improving health of state distribution companies should be very positive for REC.

Current valuations at 1.15x FY14E P/B and 5.3x FY14E P/E is attractive given average RoE of 22% over next two years and earnings CAGR of 18%. Maintain Buy with target price of INR 305 (1.4x FY14E P/B).

Figure 1: 3QFY13 – Key data

INR m	3QFY12	4QFY12	1QFY13	2QFY13	3QFY13	YoY	QoQ
Net Interest Income	10,052	10,207	11,654	12,802	14,303	42.3%	11.7%
Operating profit	10,461	9,679	11,542	12,591	13,899	32.9%	10.4%
Profit after tax	7,695	7,627	8,767	9,539	10,267	33.4%	7.6%
Sanctions	88,120	100,660	217,890	265,310	124,610	41.4%	-53.0%
Disbursements	63,420	98,760	68,640	76,290	104,250	64.4%	36.6%
Loans o/s (INR bn)	949	1,014	1,066	1,119	1,186	25.0%	6.0%
Spread	3.04%	3.21%	3.42%	3.46%	3.78%	0.74%	0.32%
NIM	4.34%	4.26%	4.53%	4.76%	5.01%	0.67%	0.25%
Gross NPL	0.52%	0.48%	0.46%	0.44%	0.41%	-0.11%	-0.03%
Net NPL	0.45%	0.42%	0.40%	0.38%	0.34%	-0.11%	-0.04%
NPL coverage	13.59%	13.06%	13.06%	13.06%	18.16%	4.57%	5.10%

Source: Company data, Deutsche Bank

Price at 4 Feb 2013 (INR)	247.95
Price target - 12mth (INR)	305.00
52-week range (INR)	265.20 - 158.80
BSE 30	19,781

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Key changes			
Provisioning (FYE)	1,999.6 to 1,468.9	↓	-26.5%
Net int margin (FYE)	4.64 to 4.73	↑	2.1%
Net profit (FYE)	36,625.9 to 38,541.4	↑	5.2%

Stock data	
Market cap (INRm)	244,840
Market cap (USDm)	4,593
Shares outstanding (m)	987.5
Major shareholders	Govt. of India (66.8%)
Free float (%)	33.2
Avg daily value traded (USDm)	7.6

Key data

FYE 3/31	2012A	2013E	2014E
Provisioning (INRm)	522.7	1,468.9	4,278.3
Pre-prov profit (INRm)	38,857	53,552	66,398
EPS (INR)	28.94	39.03	46.55
PER (x)	6.8	6.4	5.3
Yield (net) (%)	2.2	2.4	2.9

Japan

Financials / Banks

Industry
Bank sector

Date
4 February 2013

Forecast Change

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Major banks: Raising TP by average of 26.4%

Companies Featured	
MUFG (8306.T),¥530	Buy
SMFG (8316.T),¥3,860	Buy
Mizuho FG (8411.T),¥193	Hold
Resona HD (8308.T),¥423	Hold
Sumitomo Mitsui Trust HD (8309.T),¥327	Hold

Review of earnings estimates: Changing macro-assumptions

We revise our earnings forecasts and TPs for the major banks in light of 3Q results. First, we make the following changes to our macro-assumptions for earnings for FY3/13 and after. We change our assumptions for the Nikkei Average from 9,500 to 11,000, for the 10-year JGB yield from 0.85% to 0.80%, and for the yen/dollar rate from 78 to 92. This results in lower equities impairment losses, and locks in some bond-related profits for FY3/14 and after. It also boosts foreign currency-denominated profits for the three major banks. Assuming the 3Q FY3/13 trend continues, we raise our FY3/13 forecasts for all of the five bank groups, and also raise our FY3/14 forecasts for four of the groups. We comment briefly on the various banks below.

Review of TPs: Why we use relative P/E

There is no set global standard for valuing bank stocks. We use relative P/E (FY3/14E), which is popular in the US. Economic changes typically have a major impact on bank profits. In the US, bank stocks have been valued at an average 25-30% discount to the broader market over the last 10 years. The discount in Japan has been roughly 20%. We had based our TPs on a P/E of 10.0x, a 23% discount to the average P/E of 13.0x, assuming a Nikkei Average of 9,500. We now switch to a target P/E of 12.0x (20% discount) based on our new Nikkei Average assumption of 11,000 (average P/E of 15.0x). Our new TPs are ¥655 for MUFG, ¥4,650 for SMFG, ¥215 for Mizuho FG, ¥475 for Resona HD and ¥375 for SMTH. These new TPs represent an average increase of 26.4% over the old TPs (comparison shown in Figure 1). We believe that investors favor P/E over P/B when the economy is at a turning point. Figures 2-7 show summaries of our earnings estimates for the various banks, while our detailed earnings models are shown from Figure 8 to 17. (valuations and risk factors for the banks are shown at the end of the report). We see a possibility of profit-taking by retail investors increasing as share prices near levels of earlier capital-raisings (¥3,929 for SMFG and ¥184 for Mizuho FG, which increased their capital four years ago, and ¥440 for Resona HD, which did so two years ago). Furthermore, the SMTH common shares (12%) held by the government were bought at the price of ¥400.

Risks: Further decline in short-term interest rates

Increased lending as the economy rebounds, low and stable credit costs, and growth in overseas profits as the yen weakens are all supports for the major banks' stocks. A stable supply/demand balance of JGBs also suggests little likelihood of a sharp rise in long-term interest rates. Our major risk for earnings is a further decline in short-term interest rates. Three-month TIBOR, which is widely used as the benchmark for corporate financing, has trended around 0.3% for the last several months, helping create a floor for spreads on domestic corporate lending. Although TIBOR is unlikely to decline substantially because it includes interbank credit risk, we could not ignore the impact on spreads if it fell 10bp or more.

Valuation and risk
Our TPs for the major regional banks are based on a FY3/14E P/E of 12.0x, a 20% discount to the market average FY3/14E P/E of 15x, on a par with the 10-year average of 20% for the major banks. Upside risks include growth in net interest income as deflation ends. Downside risks include narrower spreads due to a further decline in short-term interest rates and worsening bond latent gains due to a sharp rise in long-term JGB yields.

Japan

Automobiles
Autos

Industry
Japan Auto Assemblers

Date
4 February 2013

Industry Update

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January US auto sales analysis

Companies Featured	
Nissan Motor (7201.T),¥935	Buy
Toyota Motor (7203.T),¥4,495	Buy
Honda Motor (7267.T),¥3,515	Hold
Mazda Motor (7261.T),¥257	Hold
Fuji Heavy Industries (7270.T),¥1,282	Hold

US market firm at 15.3m SAAR; Toyota's product breadth helps

The US market continues to outpace our market assumptions with SAAR roughly flat MoM. Pickup sales (+24.5%) outpaced total market growth (+14.2%) helping the D3 plus Toyota (+26.6%) outperform. Crossovers (+20%) also continued to do well, although with tough comps (Honda) and old product (Nissan) there too D3+1 gained share. Toyota's share was back above 15% for the first time in seven months. New Avalon and ES are selling well, while the new RAV4 impact is on the way. Contributing as well was light trucks (+25.5%) with both pickups up 27-30%.

Honda's easy comps post-Thai flood impact hide tough month

The most pronounced shift in trend was at Honda (+12.8% YoY) with share of 9% down 100bps from the previous 2-mth average. A sharp pull back in Civic incentives following efforts to sell down heavy inventory suppressed sales -34% MoM (market -23% MoM). This highlights a concern we have for Honda where they seems to believe after an unusually aggressive year of incentive spending they can pull pack on renewed products without losing momentum. Honda will rely on Civic and Accord this year as CRV (-6% YoY) faces tough comps after a fantastic CY12 (+29%, record 282k units). Nissan's share rebounded 50bps MoM to 7.8% although still well short of prior year figures. The whole of 1Q (CY12 1Q share 9.3%) will be tough for Nissan as it questionably pumped up fleet volume on the outgoing Altima last year. Sales of the new Sentra (9k, +27% YoY) and Pathfinder (6.3k, +2x YoY) were both favorable, although the aging Rogue fell (-9.6%). The recently weakness in the yen gives Nissan some ability to push harder on the imported Rogue in the months ahead before its renewal in September.

Battle of the midsized sedans – balancing pricing and volume

Midsize PC grew 14% YoY (by maker chart inside). +75% YoY for the new Accord looks strong, but this is off low comps. Rather, the 23.9k units were only 79% of the average monthly target (30k) and segment share sank to only 9.4%. With inventory not a constraint (54k units) this shows, much like the market obsessively monitored with the Nissan Altima launch, that automakers are walking a thin line between pricing and volume in this segment. Mid-month JDPower incentive data showed continued focus on improved net pricing by Honda and Nissan (+$2,950 & $2,050), with both having incentives down sharply MoM. Conversely, the data shows Ford Fusion was more aggressive as supply increased and it saw segment share grew 210bp MoM. VW Passat remained aggressive on pricing but still surrendered share.

Inventory levels – mixed data but few major concerns

Overall inventory levels at the J5 look healthy. FHI has its highest absolute level (44.6k) in the past 8-yrs, but so too is its market share. The raw data for Honda and Nissan (77 & 78 days' inventory) might suggest concern. However, a simple look at historical inventory trends shows these levels to be about average for the season. For competitors, Hyundai at 102k units/58 days' has its highest availability in 3-yrs, but absolute levels are perfectly healthy.

Valuation/Risk

We use EV/EBITDA to value global auto makers. Risks include foreign currency volatility, industry price competition, and supply chain disruptions.

Rating
Buy

Japan

Real Estate

Company
Mitsubishi Estate Alert

Reuters	Bloomberg	Exchange	Ticker
8802.T	8802 JT	TYO	8802

Date
4 February 2013

Results

Price at 4 Feb 2013 (¥)	2,184
Price target - 12mth (¥)	2,000
52-week range (¥)	2,214 - 1,180

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3Q results: No surprise; clear sign of rent rises to be next catalyst

Vacancy rate outlook raised from 4.0% to 4.5%

Mitsubishi Estate's 3Q results contained no great surprise, and we believe they do not justify any boost to the share price. Our impression was that there are some negative aspects, including a rise in the forecast vacancy rate from 4.0% to 4.5%, and delayed progress in the building business.

Other segments, including condo sales, were healthy

Segments other than the building business saw steady progress. In particular, the residential business saw strong sales of condos, with the number of completed sales already reaching 90% of FY3/13 sales guidance. In addition, the urban redevelopment business also seems to be ahead of guidance, thanks to recovery in the real estate investment market.

Next catalysts: BoJ Governor and rent increases

We do not believe Mitsubishi Estate's 3Q results will be a catalyst to lift the share price. We believe the next catalysts would be a choice of governor for the BoJ that the market would like, such as Kikuo Iwata, and first signs of a rise in rents.

Stock data	
Market cap (¥bn)	3,031
Shares outstanding (m)	1,388
Foreign shareholding ratio (%)	39.4
TOPIX	943

Key data			
FYE 3/31	2012A	2013E	2014E
Sales (¥bn)	1,013.1	934.0	1,006.2
OP (¥bn)	146.3	134.1	143.0
RP (¥bn)	120.7	105.1	111.9
NP (¥bn)	56.5	50.1	57.7
EPS (¥)	41	36	42
P/E (x)	32.7	60.5	52.5

Source: Deutsche Bank estimates

Rating
Buy

Japan

Household Equipment

Company
LIXIL Group Alert

Reuters	Bloomberg	Exchange	Ticker
5938.T	5938 JT	TYO	5938

Date
4 February 2013

Results

Price at 4 Feb 2013 (¥)	2,070
Price target - 12mth (¥)	2,000
52-week range (¥)	2,128 - 1,393

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3Q results: OP about ¥2bn short of target

Achieving full-year OP guidance of ¥54bn appears difficult
LIXIL Group's 3Q OP was about ¥2bn below guidance, mainly because domestic sales were below plan. The company's full-year OP guidance has become difficult to achieve as yen depreciation also weighs on the firm's OP.

Recovery in new housing starts a positive for 4Q results
New housing starts in Oct-Dec, which impact 4Q results, rose a sharp 15% YoY. This will likely boost 4Q earnings if yen depreciation halts. With the introduction of new mainstay products at the start of 2013, a recovery in domestic sales is key to achieving company guidance.

No changes in anticipated profit growth in FY3/14
Orders from all housing companies remain favorable. The company's business environment is improving as the non-housing segment will also benefit from increases in public spending. Cost reductions are making steady progress and we still believe profits should expand in FY3/14.

Stock data	
Market cap (¥bn)	602
Shares outstanding (m)	291
Foreign shareholding ratio (%)	25.5
TOPIX	943

Key data			
FYE 3/31	2012A	2013E	2014E
Sales (¥bn)	1,291.4	1,459.0	1,470.0
OP (¥bn)	17.9	54.4	59.8
RP (¥bn)	16.1	53.4	59.8
NP (¥bn)	1.9	18.4	30.5
EPS (¥)	6	63	105
P/E (x)	277.4	32.8	19.7

Source: Deutsche Bank estimates

Appendix 1

Important Disclosures

Additional information available upon request

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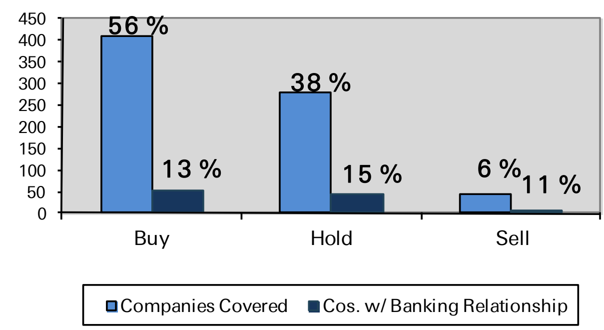
Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.
Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock
Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.
Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.
2. Ratings definitions prior to 27 January, 2007 were:

   Buy: Expected total return (including dividends) of 10% or more over a 12-month period
   Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
   Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships



Asia-Pacific Universe

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