CREDIT SUISSE

Wednesday, 04 September 2013

Asian Daily (Asia Edition)

EPS, TP and Rating changes

(% change)	EPS T+1	EPS T+2	TP Chg	TP Up/Dn	Rating
DUET Group	(3)	0	2	7	N (N)
G-Resources Limited	13	(17)	(5)	(21)	N (N)
Maruti Suzuki India Ltd	(16)	(18)	(15)	21	O (O)
Anritsu	(8)	(6)	(8)	24	O (O)
Wacom	(8)	(9)	(23)	20	O (O)
Globe Telecom Inc	6	4	0	13	N (N)
Philippine Long Distance Telephone	(1)	(5)	0	22	O (O)
Global Logistic Properties	1	(1)	0	12	O (O)
SK Telecom	3	4	8	28	O (O)

Connecting clients to corporates

Hong Kong / China

Sime Darby (SIME.KL)
Date: 10-11 September, Hong Kong
Coverage Analyst: Ting Min Tan

Sun Hung Kai Properties (0016.HK) Post results
Date: 13 September, Hong Kong
Coverage Analyst: Joyce Kwock

US

E-House China (EJ.N)
Date: 04-05 September, New York
Coverage Analyst: Jinsong Du

CNOOC Ltd (0883.HK)
Date: 04-10 September, US
Coverage Analyst: David Hewitt

Ping An (A), Ping An (H), Ping An Bank
Date: 23-27 September, US
Coverage Analyst: Arjan van Veen

PT Electronic City Indonesia (ECII.JK)
Date: 30-September - 02-October, US
Coverage Analyst: Ella Nusantoro

Europe

TCL Multimedia (1070.HK)
Date: 02-06 September, London
Coverage Analyst: Kenny Lau

Shimao Property Holdings Ltd (0813.HK)
Date: 03-06 September, London
Coverage Analyst: Duo Chen

First Pacific Company Limited (0142.HK)
Date: 03-09 September, Europe
Coverage Analyst: Joyce Kwock

E-House China (EJ.N)
Date: 11-13 September, London
Coverage Analyst: Jinsong Du

Others

E-House China (EJ.N)
Date: 03-04 September, Sydney
Coverage Analyst: Jinsong Du

Credit Suisse Asian Technology Conference
Date: 11-13 September, Taiwan
Coverage Analyst: Manish Nigam

China Macro Day
Date: 16-17 September, Beijing
Coverage Analyst: Vincent Chan

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Top of the pack ...

Asia Technology Strategy — **Manish Nigam (3)**
MSFT-NOK transaction: Interesting to note, though with limited immediate implications for Asian names

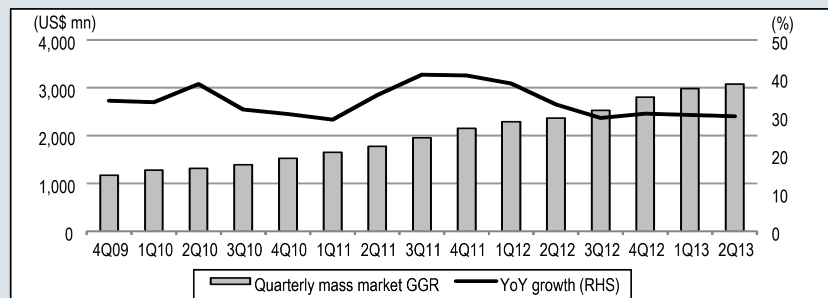
SK Telecom (017670.KS) – Maintain O — **Taewon Kim (4)**
Going rational? The most recent auction result sets a good precedent

Philippines Telecoms Sector – Maintain MW — **Chate Benchavitvilai (5)**
New report: Emerging signs of life

CS pic of the day

Macau quarterly mass-market GGR trend

Regardless of the ups and downs in the Chinese economy, the quarterly mass-market GGR has been growing consistently at 29-41% YoY since the recovery from the GFC in 4Q09. Macau mass-market GGR is now 50%+ larger than the total GGR of the Las Vegas Strip.



Source: DICJ, Credit Suisse estimates.

... and the whole pack

Regional

Asia Technology Strategy — **Manish Nigam (3)**
MSFT-NOK transaction: Interesting to note, though with limited immediate implications for Asian names

Australia

DUET Group (DUE.AX) – Maintain N — **Benjamin McVicar, CFA (6)**
DUE finds growth in WA

China

Hong Kong/China Textile Sector – Maintain MW — **Eva Wang (7)**
Better YoY comparison on a low base, but no strong demand in sight yet

China Basic Materials Sector — **Trina Chen (8)**
Preparing for 4Q – looking for early indications

G-Resources Limited (1051.HK) – Maintain N — **Owen Liang, CFA (9)**
Rights issue of 40% new shares on 50% discount price

Hong Kong

Hong Kong Property Sector – Maintain MW — **Joyce Kwock (10)**
Deep NAV discount to trigger share buyback post results?

India

Maruti Suzuki India Ltd (MRTI.BO) – Maintain O — **Jatin Chawla (11)**
Gaining market share in a tough environment

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Asian indices – performance

(% change)	Latest	1D	1W	3M	YTD
ASX300	5154	0.2	1.1	6.1	11.4
CSEALL	5752	(0.5)	(2.9)	(10.8)	1.9
Hang Seng	22395	1.0	2.4	0.5	(1.2)
H-SHARE	10251	1.9	2.6	(2.7)	(10.4)
JCI	4164	1.5	4.9	(17.1)	(3.5)
KLSE	1724	0.4	1.4	(3.0)	2.1
KOSPI	1934	0.5	2.5	(2.8)	(3.2)
KSE100	21808	0.4	(3.2)	(1.2)	29.0
NIFTY	5341	(3.8)	1.0	(10.1)	(9.5)
NIKKEI	13978	3.0	3.2	3.3	34.5
TOPIX	1149	2.8	1.3	2.1	33.7
PCOMP	6084	0.4	2.8	(8.8)	4.7
RED CHIP	4321	0.7	1.6	(0.2)	(4.6)
SET	1315	(0.6)	1.7	(15.4)	(5.5)
STI	3055	(0.0)	0.7	(7.2)	(3.5)
TWSE	8088	0.6	3.4	(1.3)	5.1
VNINDEX	472	(0.1)	(3.7)	(7.5)	14.1

Thomson Financial Datastream

Asian currencies (vs US$)

(% change)	Latest	1D	1W	3M	YTD
A$	1.1	0.8	1.1	(6.1)	(12.9)
Bt	32.2	0.4	0.1	(5.3)	(4.9)
D	21150.0	-	0.1	(0.7)	(1.5)
JPY	99.3	(0.0)	(1.7)	0.8	(12.8)
NT$	29.9	(0.4)	0.5	0.3	(2.8)
P	44.5	(0.4)	0.2	(5.4)	(7.8)
PRs	104.9	0.4	(1.1)	(6.1)	(7.4)
Rp	11445.0	1.7	(0.9)	(14.3)	(14.4)
Rs	67.7	0.5	(2.3)	(16.2)	(18.8)
S$	1.3	0.3	(0.1)	(1.9)	(4.4)
SLRs	133.1	-	0.1	(4.9)	(4.0)
W	1097.9	(0.9)	1.7	2.8	(3.1)

Thomson Financial Datastream

Global indices

(% change)	Latest	1D	1W	3M	YTD
DJIA	14792.9	(0.1)	(1.0)	(2.1)	12.9
S&P 500	1635.0	0.1	(1.3)	0.3	14.6
NASDAQ	3605.0	0.4	(1.4)	4.3	19.4
SOX	460.8	0.7	(0.5)	(1.7)	20.0
EU-STOX	2702.9	(0.6)	0.7	(0.6)	4.9
FTSE	6468.4	(0.6)	0.4	(0.9)	9.7
DAX	8180.7	(0.8)	(0.8)	(1.3)	7.5
CAC-40	3974.1	(0.8)	0.1	1.4	9.1
10 YR LB	2.9	2.7	5.6	34.9	62.7
2 YR LB	0.4	4.0	16.4	42.2	67.9
US$:E	1.3	(0.0)	(1.3)	0.7	(0.2)
US$:Y	99.3	0.1	(1.7)	0.8	(12.8)
BRENT	115.7	1.3	(0.5)	13.8	3.3
GOLD	1411.0	1.4	(0.3)	(0.0)	(15.8)
VIX	17.3	1.4	15.1	5.8	(4.3)

Thomson Financial Datastream

MSCI Asian indices – valuation & perf.

	EPS grth.		P/E (x)		Performance		
MSCI Index	13E	14E	13E	14E	1D	1M	YTD
Asia F X Japan	18	12	11.0	9.9	0.0	-1.3	(6.4)
Asia Pac F X J.	14	12	11.6	10.4	0.0	-0.5	(5.5)
Australia	(2)	10	15.8	14.4	1.1	3.1	(2.0)
China	11	10	9.4	8.5	1.3	4.3	(4.7)
Hong Kong	11	11	15.3	13.9	0.7	-1.2	1.8
India	15	16	13.3	11.6	(6.1)	-14.3	(25.1)
Indonesia	17	16	12.6	10.8	0.7	-18.4	(20.6)
Japan	34	50	22.7	15.1	1.0	-6.9	30.2
Korea	33	13	8.6	7.5	0.5	4.4	(6.2)
Malaysia	1	10	15.5	14.1	(0.0)	-4.6	(3.9)
Pakistan	14	18	8.7	7.3	0.32	-5.4	16.7
Philippines	8	13	18.1	16.7	0.4	-9.5	(3.2)
Singapore	2	9	13.6	12.5	(0.3)	-7.1	(7.4)
Sri Lanka	16	11	13.2	11.8	0.5	-15.1	(1.1)
Taiwan	33	12	14.9	13.3	0.6	0.6	0.7
Thailand	19	13	11.2	9.9	(0.3)	-9.1	(13.3)

* IBES estimates

Reliance Industries (RELI.BO) – Maintain O — **Sanjay Mookim (12)**
Roll-back of the gas price increase can marginally hurt near-term EPS growth

United Spirits Ltd. (UNSP.BO) – Maintain O — **Arnab Mitra (13)**
FY13 AR: India business generates FCF, working capital cycle improves

Indonesia

Bayan Resources — **Ami Tantri (14)**
Key takeaways from meeting with Bayan's management

Japan

Anritsu (6754) – Maintain O — **Hideyuki Maekawa (15)**
Waiting for margins to bottom, tester demand for China TD-LTE production to kick in

Wacom (6727) – Maintain O — **Yohei Ohya (16)**
Wacom regaining appeal

Malaysia

Malaysia Economics — **Santitarn Sathirathai (17)**
Malaysia's fuel price hike: Forecasts implications – cutting growth, boosting inflation

Malaysia Market Strategy — **Tan Ting Min (18)**
Record flows by foreign and domestic institutions since 2009

Philippines

Philippines Telecoms Sector – Maintain MW — **Chate Benchavitvilai (5)**
New report: Emerging signs of life

Globe Telecom Inc (GLO.PS) – Maintain N — **Chate Benchavitvilai (19)**
Strong growth largely priced in

Philippine Long Distance Telephone (TEL.PS) – Maintain O — **Chate Benchavitvilai (20)**
The bottom is behind us

Singapore

Global Logistic Properties (GLPL.SI) – Maintain O — **Yvonne Voon (21)**
J-REIT buys 9 assets from GLP and GLP JP Income Partners I for US$564 mn

South Korea

Daelim Industrial (000210.KS) – Maintain O — **Minseok Sinn (22)**
Cruising core operation

SK Telecom (017670.KS) – Maintain O — **Taewon Kim (4)**
Going rational? The most recent auction result sets a good precedent

Taiwan

Taiwan Cement Sector — **Jeremy Chen (23)**
TCC's analyst meeting reaffirms our positive view; reiterate OUTPERFORM on TCC

Thailand

Thailand Property Sector – Maintain OW — **Chai Techakumpuch (24)**
Staying active on new launches in 2H could prove to be a good decision for big Thai developers

SAVE THE DATE

Credit Suisse Asian Technology Conference 2013

11-13 September, Taiwan

The Credit Suisse Asian Technology Conference (ATC) is the region's premier annual gathering of Asian technology firms and investors from around the world. We expect over 100 leading Asian companies spanning semiconductors, telecommunications equipment, software, internet, IT services and alternative energy to attend. Companies include both established leaders and enterprising newcomers in the highly globalized technology world. This is an unrivalled opportunity to meet CEOs and senior executives of these companies to discuss critical trends that will help formulate your investment strategies. Last year, more than 1,800 one-on-one and small group meetings took place during this three-day event. This year's event promises to be equally useful and stimulating.

O=Outperform N=Neutral U=Underperform R=Restricted OW= Overweight MW=Market Weight UW=Underweight

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Top of the pack ...

Asia Technology Strategy--

MSFT-NOK transaction: Interesting to note, though with limited immediate implications for Asian names

Manish Nigam / Research Analyst / 852 2101 7067 / manish.nigam@credit-suisse.com

- Microsoft on Tuesday (3-Sep) announced it would purchase Nokia's entire devices & services business and its over 8,500 design patents, and license Nokia's utility patents (including 60+ third party license agreements) for a total transaction price of €5.4 bn in cash.
- Given NOK's small presence in the smartphones market (only 3% market share), this transaction isn't a major event for anyone in the smartphone space in the near term, in our view. However, it does ensure the continued availability of Windows Phone hardware.
- Nokia has had a high market share in feature phones and it could potentially see an accelerated decline there. If true, SEC and Chinese players stand to gain. If over time MSFT decides to outsource more, some of the supply chain names stand to gain.
- We do not see any change in MSFT's strategy regarding Windows Phone (WP) and believe that the OS would still be available to all manufacturers (a la Google's acquisition of Motorola), though outside of Nokia, WP isn't a major OS for other OEMs.

Figure 1: Nokia's unit shipment and global share (mn units and %)

Shipment (mn)	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13
Smartphone	13.3	11.7	7.2	7.1	5.9	7.0
Windows Mobile	1.6	3.2	3.4	5.1	5.1	6.8
Others	11.7	8.5	3.8	2.0	0.8	0.2
Feature phone	69.8	71.8	75.1	78.0	57.3	54.0
Total handset	83.2	83.4	82.3	85.1	63.2	61.0
Share (%)	**1Q12**	**2Q12**	**3Q12**	**4Q12**	**1Q13**	**2Q13**
Smartphone	9.1%	7.6%	4.2%	3.4%	2.8%	3.1%
Feature phone	25.3%	26.9%	29.0%	29.5%	26.6%	25.7%
Total handset	19.7%	19.9%	19.1%	18.0%	14.8%	14.0%

Source: Gartner

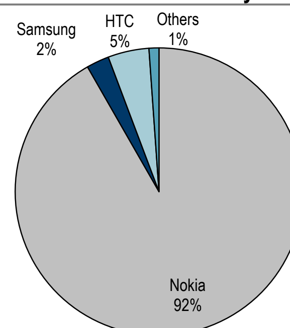
Microsoft (MSFT) and Nokia (NOK) announced on 3 September 2013 that MSFT will purchase Nokia's entire devices & services business, acquire over 8,500 design patents, license Nokia's utility patents, get assigned over 60 third-party license agreements including NOK's agreement with QCOM and use NOK's mapping services. MSFT will pay €5.44 bn in cash. The transaction is expected to close in 1Q14.

Small player in smartphones. MSFT/NOK is a small player in the smartphones market. Despite the growth of Lumia, NOK's share in the smartphones market is now down to 3%. NOK phones accounted for 92% of total Windows Phone (WP) in 2Q13. This transaction, hence, isn't a major event for anyone in the smartphone space – it essentially ensures the continued availability of WP hardware in the market place.

Feature phone market share decline risk. NOK still has a 25.7% share in the feature phone market (though slowly declining). While MSFT has acquired all NOK's production facilities and also the right to use the Nokia brand for the next 10 years, we are unsure if it starts to lose share in this segment at a faster pace. If Nokia feature phones start to lose ground, Samsung Electronics and Chinese players (MediaTek, SPRD, RDA-driven feature phones) have the most to gain.

Implications for other smartphone brands. One immediate concern in the market will be about MSFT's intentions to keep WP as an open system. Given the experience post MOTO-GOOG and even MSFT's foray into tablets, we believe the risk that MSFT changes its WP strategy is low. Our view has been that Android and WP will both remain open to all hardware manufacturers and neither Google nor MSFT has a significant interest in generating hardware profits.

Figure 2: Windows Phones—unit market share by brands (2Q13, %)



Source: Gartner

Implications for components. Given that MSFT doesn't have any in-house phone manufacturing currently and hasn't been in the phone hardware business, the immediate impact on NOK suppliers is limited. Over the medium term, one could assume MSFT to outsource more of its hardware manufacturing to realise some of the targeted US$600 mn of cost synergies. Whether this increased outsourcing compensates for the likely further loss in market share for MSFT/NOK feature phones business for the component suppliers is debatable at this stage.

Existing suppliers to Nokia/MSFT include FIH, BYDE, Compal Comm, Pegatron, Hon Hai for EMS; LOT/FIH for Casing; Largan, Newmax/Chicony for Lens; Unimicron, NYPCB for PCB; Young Fast, EELY, Wintek, GIS, TPK for Touch; Samsung SDI for prismatic battery; AAC for acoustic components. Please ask for more details. (*Pauline Chen, Jerry Su, YT Boon, Keon Han*).

Implications on semis. On smartphones, MSFT's exclusive chipset supplier on WP is QCOM so should keep outsourcing intact in the near term to that supplier and its Taiwan foundry/back-end supply chain. Intel has not been a player with MSFT/NOK in smartphones and will try to leverage its long-term relationship with MSFT to make inroads but will need to displace QCOM first. MediaTek could provide an option for MSFT if it looks to drive more volume of Windows Phones into emerging markets and lower price points. On feature phones, less emphasis on feature phones should help Samsung and the Chinese brands, so would provide a volume lift to MediaTek, Spreadtrum and RDA. (*Randy Abrams*).

ODM/EMS. Traditional notebook ODM/EMS (Quanta, Wistron, Compal, Pegatron and Hon Hai) have limited direct manufacturing exposure to NOK's handset business. If MSFT were to use its NOK technology assets to make a bigger push in tablets, Pegatron benefits the most initially as it is the sole manufacturer of MSFT Surface. (*Thomspon Wu*).

SK Telecom -- Maintain OUTPERFORM

Going rational? The most recent auction result sets a good precedent

EPS: ▲ TP: ▲

Taewon Kim / Research Analyst / 852 2101 6687 / taewon.kim@credit-suisse.com

- We see that SK Telecom's final bidding on the last week's auction sets a good precedent for what we believe has often been an irrationally competitive market for investors.
- The company ended up winning a 1.8GHz-35MHz spectrum which allows for broadband LTE as early as within this year, at a minimal bidding price effectively. This is contrary to some market concerns that SKT may escalate the bidding prices.
- We expect marketing spending to remain subdued over the few quarters given structural tailwinds of the shrinking LTE market with longer replacement periods, and regulatory pressure on handset subsidies. We expect SKT to benefit the most from the marketing cost decline due to its high base effect and economies of scale.
- We raise our DCF-based TP to W280,000 from W260,000 from adjusting our marketing cost assumptions which increases our FY13-15 EPS estimate by 1-3%. SKT is our top pick in the sector. We maintain our OUTPERFORM on KT Corp and NEUTRAL on LG Uplus.

Bbg/RIC	**017670 KS / 017670.KS**	**Price (03 Sep 13 , W)**			**219,000**
Rating (prev. rating)	**O (O)**	**TP (prev. TP W)**			**280,000 (260,000)**
Shares outstanding (mn)	80.75	Est. pot. % chg. to TP			28
Daily trad vol - 6m avg (mn)	0.2	52-wk range (W)			226500.0 - 144000.0
Daily trad val - 6m avg (US$ mn)	38.2				
Free float (%)	61.1	Mkt cap (W/US$ bn)			17,683.3/ 16.1
Major shareholders	SK Corp. 25.2%	**Performance**	**1M**	**3M**	**12M**
		Absolute (%)	(2.9)	5.3	52.1
		Relative (%)	(3.4)	6.6	51.0

Year	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue (W bn)	15,926	16,301	17,045	17,810	18,369
EBITDA (W bn)	4,592	4,192	4,726	5,037	5,343
Net profit (W bn)	1,613	1,152	1,986	2,245	2,196
EPS (W)	19,979	14,267	24,599	27,798	27,199
- Change from prev. EPS (%)	n.a.	n.a.	3	4	1
- Consensus EPS (W)	n.a.	n.a.	22,989	26,203	27,950
EPS growth (%)	(12.4)	(28.6)	72.4	13.0	(2.2)
P/E (x)	11.0	15.4	8.9	7.9	8.1
Dividend yield (%)	4.3	4.3	4.3	4.6	4.8
EV/EBITDA (x)	4.8	5.6	4.8	4.2	3.6
P/B (x)	1.5	1.5	1.3	1.2	1.1
ROE (%)	14.0	9.8	15.9	16.1	14.2
Net debt(cash)/equity (%)	33.5	46.1	34.7	20.6	10.0

Note 1: ORD/ADR=0.11. Note 2: SK Telecom Co., Ltd. (SK Telecom) is a Korea-based wireless telecommunications services provider. SK Telecom's services are provided under five categories: wireless Internet services, multimedia services, ubiquitous and convergence services.

Click here for detailed financials

Valuation metrics

Company	Ticker	Rating	Price		Year	P/E (x)		P/B (x)
			Local	Target	T	T+1	T+2	T+1
SK Telecom	017670.KS	O (O)	219,000	280,000	12/12	8.9	7.9	1.3
KT Corp	030200.KS	O	36,750	43,000	12/12	8.4	7.1	0.7
LG Uplus	032640.KS	N	12,400	13,000	12/12	15.0	10.3	1.5

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM
Source: Company data, Credit Suisse estimates

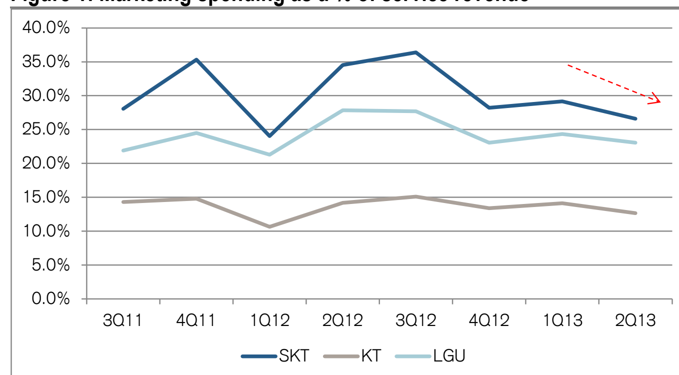
Positive auction result. Given the bidding system of the recent auction concluded last week, there were mounting concerns about potential overbidding by the three players involved throughout the two-week bidding process. We see that SKT's rational decision in the final closed bid was key to it winning its 1.8GHz at a minimal effective price and KT winning its target spectrum at a reasonable price in the process. This is a positive surprise given that the dominant incumbent has often been behind the irrational market competition.

Marketing cost on structural downtrend. We do believe that basis for the auction bidding by SKT would have been largely affected by the better-than-expected LTE market share won by LG Uplus since its first nation-wide LTE coverage, and hence, we do not expect SKT to relinquish its dominant market share as China Mobile has done, for instance. Having said that, we expect structural tailwinds of the shrinking LTE market with longer replacement periods and regulatory pressure on handset subsidies to keep marketing spending subdued over the next few quarters. In this regard, SKT stands to benefit the most from the normalisation of marketing spending.

We expect any ARPU cut to be the very last resort. KT is expected to launch its broadband LTE (1.3x the speed of existing LTE handsets and 2x the speed of broadband LTE capable phone) as early as within this month, but it still needs some time before launching a nation-wide LTE-A and broadband LTE coverage. The next eventual big hurdle for the market would be the inevitable LTE ARPU decline, but we expect blended ARPU growth to continue as latest average data spending is on uptrend for LTE under the tiered pricing scheme. Further, given the lack of 5G upgrade path, any attempt to cut ARPU would be the very last resort for all three operators.

Raising TP for SKT; the next re-rating would require a dividend raise, however. We raise our DCF-based TP to W280,000 from W260,000 from adjusting our marketing cost assumptions which increases our FY13-15 EPS estimate by 1-3%. The real new re-rating of SKT, however, would require a positive change to its dividend policy given its rising FCF yield from 5.4% FY13E to 9.1% FY15E. W9,400 DPS equates to ~42% FY14E payout ratio using ex-SK Hynix earnings and outstanding shares ex-treasury. We note that SKT has paid out over 50% in multiple years in the past (FY04, FY08, FY09, FY12).

Figure 1: Marketing spending as a % of service revenue



Source: Company data, Credit Suisse estimates.

Philippines Telecoms Sector-- Maintain MARKET WEIGHT

New report: Emerging signs of life

Chate Benchavitvilai / Research Analyst / 852 2101 7040 / chate.benchavitvilai@credit-suisse.com

- We earlier argued that the Philippines telcos are not ex-growth and that non-SMS data is set to take off. We have seen early evidence of these in 1H13 with both operators growing mobile revenues on both the postpaid and prepaid side, non-SMS data contributing more to growth, and opex broadly well controlled. Our meetings with operators indicate that these could continue. Full report.
- We expect non-SMS data revenues to continue to grow from a low base, with mobile Internet penetration increasing from 7% at Y/E12 to 28% by Y/E16. Assuming ARPU of P40-100 could result in an FY13-16E mobile Internet revenue CAGR of 43%, enough to drive a 6% industry revenue CAGR compared to the 0.6% past 3Y CAGR.
- We expect the new head of consumer wireless to drive positive changes at PLDT. While we revise down PLDT's FY13-15E EPS by 1.1-5.6% on higher costs, we maintain our view that the bottom is already behind for PLDT, growth will improve more materially into 2H13-FY14E, and our FY15E EPS is still 4% ahead of consensus.
- We reiterate our OUTPERFORM on PLDT with a P3,500 TP (22% potential upside), supported by 6.3-6.6% FY13-14E dividend yield.

Figure 1: Philippines mobile sector—comparative multiples

	P/E (x)		EV/EBITDA (x)		FCF yield (%)		Div yield (%)	
	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
PLDT	15.7	15.2	8.7	7.9	5.4	5.9	6.3	6.6
Globe	18.1	15.6	7.0	6.2	2.6	7.4	4.6	5.2

Source: Company data, Credit Suisse estimates

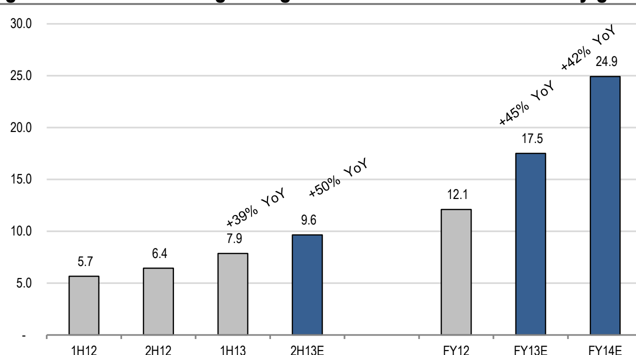
On the path back to growth!

We argued in our May-13 report, *Are we ready for mobile data*, that the Philippines telecoms sector is not ex-growth, and that non-SMS data is set to take-off. We believe 1H13 results provided early evidence of these: **(1) both PLDT and Globe (and thus the industry) are growing service revenues** on both postpaid (reflecting higher focus on the segment, smartphone phenomenon) and importantly, on the prepaid side (reflecting price stabilisation, good economy, and better internal cannibalisation control); **(2) non-SMS data revenues grew 63% and 27% YoY for Globe and PLDT, respectively, in 2Q13A**, and accounted for ~9% of mobile service revenues; and **(3) opex in general is well-controlled**, with pressure mainly from higher subsidies and marketing expenses (which reflected postpaid focus—in our view, NPV positive). We believe these signs are encouraging and could guide the sector back on to the growth path.

Non-SMS data is the real opportunity

We identify three factors that can help determine whether the "data phenomenon" can take off: (1) 3G network; (2) tariff structure/channels; and (3) actual demand. We investigated all these on-the-ground in Manila in our May-13 report and concluded that the data phenomenon could indeed take off. We believe the data phenomenon is set to accelerate with higher smartphone penetration. We expect non-SMS data to continue to grow from a low base (~9% of service revenues in 2Q13A), with mobile Internet penetration increasing from 7% at Y/E12 to 28% by Y/E16E. Assuming an ARPU of P40-100 (27-67% uplift on prepaid ARPU) could lead to an FY13-16E mobile Internet revenue CAGR of 43%, enough to drive a 6% industry revenue CAGR, a clear acceleration from the 0.6% CAGR over the past three years.

Figure 2: Non-SMS data growing and set to add more to industry growth



Source: Company data, Credit Suisse estimates

PLDT: The bottom is behind us

While we've been disappointed by PLDT's lack of improvement in mobile pricing/execution, poor product segmentation and limited visible synergies post the DGTL acquisition, our recent meeting with PLDT's new head of consumer wireless, Mr Charles A. Lim, was encouraging. Mr. Charles has identified and started working on these issues, focusing on operational improvements, product segmentation and speeding up the integration between PLDT and DGTL. We expect PLDT to start delivering better mobile service revenue growth into 2H13E, driven by postpaid efforts, prepaid stability and non-SMS data revenue growth. While we revise down FY13-15E EPS by 1.0-5.6% mainly to reflect higher costs, we highlight: (1) our view that the bottom is behind for PLDT, and we still expect 5.4%/3.7%/10.4% YoY growth in core earnings over FY13-15E; (2) that while we are in line with consensus on FY14E EPS, we remain 4% higher than consensus for FY15E. We maintain our DCF-based SOTP target price of P3,500 and OUTPERFORM rating for PLDT.

Globe: Strong growth largely priced in

Globe has clearly outperformed PLDT on top line growth, increasing its mobile service revenue market share to 41.4% in 2Q13A from 39.0% in 1Q12A, even after its acquisition of Sun Cellular in 4Q11. This, in our view, was driven by a combination of strong execution, aggressive subsidies and early adoption of smartphones on the postpaid side (postpaid is ~38% of Globe's mobile revenue vs PLDT's ~18%). We revised up Globe's FY13-14E EPS by 3.7-5.5% to reflect higher service revenue growth which should be enough to offset higher expenses. These, however, are partly offset by higher capex (which affect longer-term rather than near-term EPS). Globe remains the key beneficiary of mobile growth given its higher mobile exposure relative to PLDT. However, we believe these opportunities could largely be priced-in given Globe's 26% outperformance relative to PLDT over the past 12 months (despite the recent correction). We maintain our DCF-based target price of P1,700 and our NEUTRAL rating for Globe.

Australia

DUET Group --Maintain NEUTRAL

DUE finds growth in WA

EPS: ▼ TP: ▲

Benjamin McVicar, CFA / Research Analyst / 61 2 8205 4577 / benjamin.mcvicar@credit-suisse.com

- DUE has announced a new pipeline project in WA to connect Wheatstone domestic gas for $100 mn. Capex will be equity funded with a $100 mn share placement (at $2.08/sh). Full report.
- We view this transaction favourably, with the transaction providing an IRR of ~13%; this is much stronger than sub-8% returns available in recent regulatory decisions. This return is low risk, with the contract under a 30 year take-or-pay structure and capex risk is dealt with under a tariff pass through arrangement (within +/- 10% of budget).
- With FY16 being the first year of full contribution from the project, we don't expect any near-term impact on distributions. For FY14 the DPU guidance is unchanged at 17 cps. We continue to forecast 3% growth in distributions over the medium term.
- We have increased our valuation by 4 cps, which reflects the positive project economics (despite being fully equity funded). We continue to like DUE as one of the cleanest and low-risk sources of yield in the regulated utilities sector.

Bbg/RIC	**DUE AU / DUE.AX**	**Price (30 Aug 13 , A$)**	**2.08**
Rating (prev. rating)	**N (N)**	**TP (prev. TP A$)**	**2.22 (2.18)**
Shares outstanding (mn)	1,188.65	Est. pot. % chg. to TP	7
Daily trad vol - 6m avg (mn)	4.3	52-wk range (A$)	2.52 - 2.01
Daily trad val - 6m avg (US$ mn)	10.8	Mkt cap (A$/US$ mn)	2,472.4/ 2,222.7
Free float (%)	98.3		
Major shareholders			

Performance	**1M**	**3M**	**12M**
Absolute (%)	(3.7)	(8.8)	(1.0)
Relative (%)	(5.1)	(14.6)	(21.2)

Year	**06/12A**	**06/13A**	**06/14E**	**06/15E**	**06/16E**
Revenue (A$ mn)	1,202	1,258	1,265	1,348	1,417
EBITDA (A$ mn)	735.8	799.4	802.9	872.2	928.3
Net profit (A$ mn)	62.3	68.0	85.2	120.8	150.3
EPS (A$)	0.06	0.06	0.07	0.10	0.12
- Change from prev. EPS (%)	n.a.	n.a.	-2.8	0.2	2.7
- Consensus EPS (A$)	n.a.	n.a.	0.09	0.10	0.11
EPS growth (%)	209.4	2.1	18.1	39.8	24.4
P/E (x)	35.7	35.0	29.6	21.2	17.0
Dividend yield (%)	7.7	7.9	8.2	8.4	8.7
EV/EBITDA (x)	10.0	9.7	9.7	9.1	8.6
P/B (x)	1.7	1.8	1.9	2.1	2.2
ROE (%)	4.7	5.0	6.4	9.3	12.4
Net debt (cash)/equity (%)	311.2	346.2	350.8	391.6	425.1

Note 1: DUET Group is an investor in energy infrastructure assets. DUE's portfolio comprises three assets DBP (80%), UED (66%) and MGH (100%). DBP is a gas transmission pipeline in Western Australia, with primarily contracted revenues.

Click here for detailed financials

DBP Development Group finds upside

DUE has announced a new pipeline project in WA to connect Wheatstone domestic gas for $100 mn. Capex will be equity funded with a $100 mn share placement (at $2.08/sh).

Attractive, high yielding, low-risk transaction

We view this transaction favourably, with the transaction providing an IRR of ~13%, this is much stronger than sub-8% returns available in recent regulatory decisions. This return is low risk, with the contract under a 30 year take-or-pay structure and capex risk is dealt with under a tariff pass through arrangement (within +/- 10% of budget).

Strategic read through is positive

Higher level, we view this move as a positive signal from management that it is actively seeking organic growth opportunities. We note that during the call DUE pointed to a desire to fund similar opportunities in WA (perhaps further LNG domgas).

We don't expect any impact on near-term DPU outlook

With FY16 being the first year of full contribution from the project, we don't expect any near-term impact on distributions. For FY14 the DPU guidance is unchanged at 17 cps. *We continue to forecast 3% growth in distributions over the medium term.*

Accretive project, increase valuation to $2.22/sh ($2.18)

We have increased our valuation 4 cps, which reflects the positive project economics (despite being fully equity funded). We continue to like DUE as one of the cleanest and low-risk sources of yield in the regulated utilities sector. At current levels, DUE offers an 8.2% dividend yield that is expected to grow at 3% pa over the forecast period.

Figure 1: Valuation

DUET Group SOTP Valuation			EBITDA		EV / EBITDA		RAB	EV / RAB
	A$mn	$ps	FY14F	FY15F	FY13F	FY14F	FY13F	FY13F
Dampier to Bunbury Pipeline	3,552	2.92	295.7	301.2	12.0x	11.8x	2,919	122%
United Energy Distribution	1,942	1.60	216.9	250.0	9.0x	7.8x	1,319	147%
Multinet Gas Holdings	1,201	0.99	117.7	123.7	10.2x	9.7x	1,096	110%
DBP Development Group	84	0.07	0.5	7.0	167.8x	12.0x	na	na
Corporate (cost centre)	(174)	-0.14	(13.5)	(13.8)	12.9x	12.6x	na	na
Other / working capital growth	0	0.00	0.0	0.0	nm	nm	na	na
Asset valuation	**6,605**	**5.44**	**617.3**	**668.1**	**10.7x**	**9.9x**	**5,334**	**124%**
Tax benefit	110	0.09	14.2	19.8	na	na	na	
DUE Enterprise value	**6,714**	**5.53**	**631.5**	**687.9**	**10.6x**	**9.8x**	**5,334**	**126%**
DUE Net Debt	4,025	3.31					4,025	
DUE Equity value	**2,690**	**2.22**					**1,309**	**206%**
Target price	**2,690**	**2.22**						

Source: Company data, Credit Suisse estimates.

(This is an extract from the DUET Group report published on 2 September 2013. Please see R&A for details.)

China

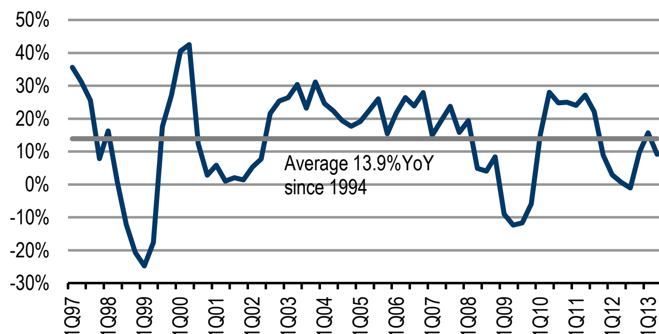
Hong Kong/China Textile Sector------------------------------------ Maintain MARKET WEIGHT

Better YoY comparison on a low base, but no strong demand in sight yet

Eva Wang / Research Analyst / 852 2101 7365 / eva.wang@credit-suisse.com

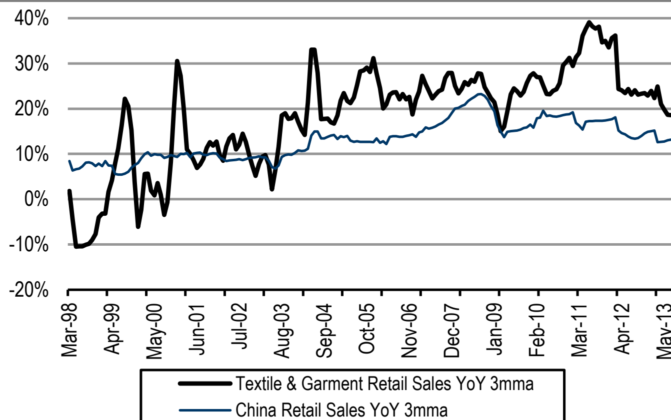
- In response to a recent enquiry as to whether there is a strong rebound in the textile industry, our research and channel checks show that the answer is no. We found that export growth has softened since 2Q13 and the growth rate of domestic textile and garment retail sales continues to decline YTD.
- We believe the rebound in the textile manufacturing industry since 4Q12 has been mainly due to the low base effect because business activities during 2H11-1H12 were much worse than those during the 2008 financial crisis.
- Our channel checks showed that at leading mass market fabric and dying manufacturers, utilisation remains healthy at around 85-90% with mild capacity expansion plans. However, the small manufacturers continue to suffer. Overall, textile manufacturers are cautious about the demand outlook.
- The cotton price still trades at around 40% premium in China compared with the international price. We believe companies with expansion plans outside China, including Shenzhou, Pacific Textiles and Texhong, will benefit in the long term.

Figure 1: Textile export growth declined to 9.2%YoY in 2Q13 and softened further to 8.8% in July 2013 (after the sector rebound in 4Q12)



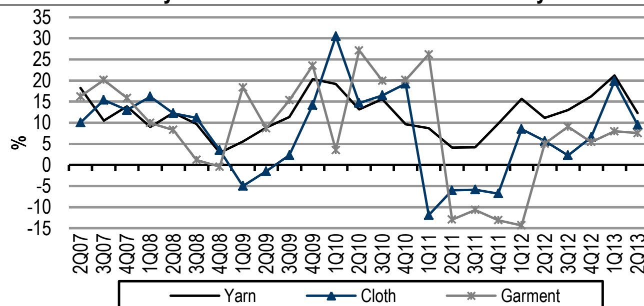
Source: CEIC.

Figure 2: Domestic retail sales growth rate of textile and garment continues to decline



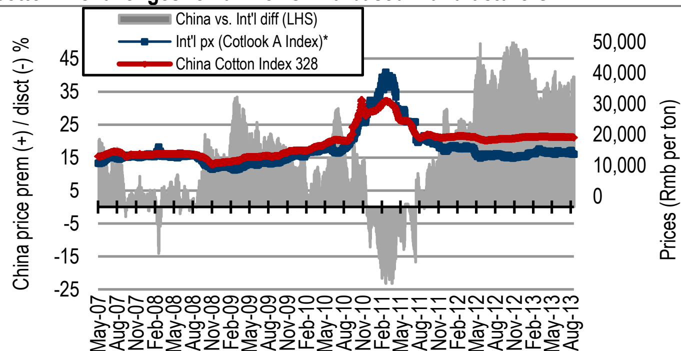
Source: CEIC.

Figure 3: The rebound in textile production volume in the previous five quarters was mainly due to a low base effect—sustainability in doubt



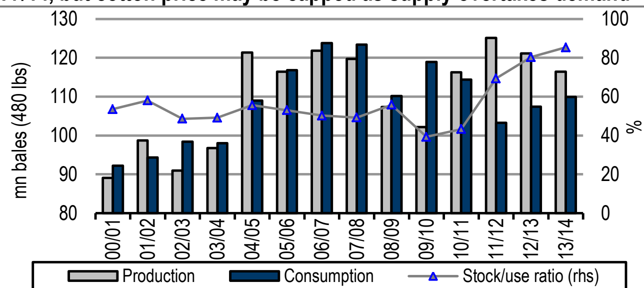
Note: production volumes for yarn in tonnes, cloth in metres and garment in units.
Source: CEIC.

Figure 4: China cotton is still trading at a 40% premium over international cotton… challenges remain for China-based manufacturers



Notes: * International price conversion formula is: US$/lb price *2204.6*(1+FX rate) (1+1% WTO quota tariff) (1+13%VAT) = equivalent price in Rmb/tonne (on shore).
Source: Bloomberg, www.ctei.gov.cn, Credit Suisse estimates.

Figure 5: Global demand is expected to grow by a milder 2.3% YoY in FY7/14, but cotton price may be capped as supply overtakes demand



Source: USDA (year-end in July), Credit Suisse estimates.

Valuation metrics

Company	Ticker	Rating	Price		Year	P/E (x)		P/B (x)
			Local	Target	T	T+1	T+2	T+1
Shenzhou	2313.HK	O	24.60	27.40	12/12	13.9	11.7	2.6
Pacific Textiles	1382.HK	O	9.29	10.90	03/13	13.0	11.7	3.2
Texwinca	0321.HK	N	7.26	8.50	03/13	10.4	8.1	1.6
Texhong	2678.HK	N	14.00	14.30	12/12	10.1	9.8	3.1

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM
Source: Company data, Credit Suisse estimates

China Basic Materials Sector ---

Preparing for 4Q—looking for early indications

Trina Chen / Research Analyst / 852 2101 7031 / trina.chen@credit-suisse.com
Frankie Zhu / Research Analyst / 852 2101 7426 / frankie.zhu@credit-suisse.com
Owen Liang, CFA / Research Analyst / 852 2101 6093 / owen.liang@credit-suisse.com

- Post the market recognition of ‘China stabilisation,’ we outline our thoughts on China materials into 4Q. The Credit Suisse global team recently commented that there is a potential upward revision in Chinese Cu demand for 2013E, from 6% to 7-8%. The findings on better-than-expected Cu demand are consistent with our observations and view of the firmer Cu price in 4Q13.
- We see imported lignite coal remaining highly competitive, despite the recently imposed 3% import tariff, due to no tariff for ASEAN-China trade, a 30% exiting price discount and recent depreciation of the IDR. Yet domestic cost support and emerging weakness in hydro should support coal price and thus benefit equities.
- We believe seasonal strength in steel/cement may have partially been factored in, and see the risk of disappointment in 4Q construction demand and price hikes versus expectation. Recent softening steel prices and margins, and difficulty in executing cement price hikes in YZD may be an early indication that demand is as strong as expected.
- Our more preferred names are Shenhua, Jiangxi Cu and CR Cement, while Angang and Conch are more expensive in valuation, in our view.

Figure 1: Sector valuation summary—China basic materials

Company	Ticker	Rate	TP	Price	Mkt cap	P/E (x)		P/B (x)		EV/EBITDA	
Price as of Sep 3				Tccy	US$bn	13E	14E	13E	14E	13E	14E
Shenhua	1088.HK	O	31.8	25.7	65.5	9.2	9.7	1.5	1.3	5.9	5.9
Chinacoal	1898.HK	N	5.3	4.9	8.3	11.9	10.9	0.6	0.6	8.6	8.1
Yanzhou	1171.HK	N	5.7	7.2	4.5	n.a.	25.6	0.7	0.7	30.3	8.2
Yitai	3948.HK	N	14.9	13.6	5.7	8.6	8.2	1.6	1.4	6.6	6.4
Fushan	0639.HK	N	2.4	2.8	1.9	12.7	11.0	0.8	0.7	4.4	3.7
Hidili	1393.HK	N	1.3	1.4	0.4	n.a.	31.3	0.3	0.3	n.a.	12.1
MMC	0975.HK	U	1.2	1.6	0.8	n.a.	n.a.	1.1	1.1	17.6	12.0
Winsway	1733.HK	N	0.5	0.6	0.3	n.a.	n.a.	0.5	0.5	n.a.	19.5
Baosteel	600019.SS	N	4.4	4.3	11.6	10.2	9.9	0.6	0.6	5.5	4.8
Angang	0347.HK	N	4.2	5.2	4.8	n.a.	n.a.	0.6	0.6	8.3	7.6
Maanshan	0323.HK	U	1.6	2.2	2.1	n.a	n.a	0.5	0.5	6.3	4.9
Conch	0914.HK	N	23.6	26.5	18.0	14.0	13.7	2.1	1.8	9.0	8.4
CNBM	3323.HK	U	4.8	7.5	5.2	7.2	7.8	1.0	0.9	9.0	8.6
CRC	1313.HK	N	4.9	5.1	4.2	11.8	10.7	1.4	1.2	8.4	7.3
Shanshui	0691.HK	N	3.9	3.2	1.2	8.6	7.0	0.8	0.7	6.6	5.6
CNM	1893.HK	N	2.1	1.7	0.8	12.0	11.1	0.4	0.4	6.4	6.4
TCCI	1136.HK	N	1.8	2.6	1.1	9.7	10.8	0.5	0.5	7.7	7.4
BBMG	2009.HK	O	8.8	5.3	2.9	5.6	4.9	0.7	0.6	8.0	7.4
WCC	2233.HK	N	1.2	1.2	0.7	9.2	5.9	0.9	0.8	5.1	3.9
Chalco	2600.HK	O	3.3	2.7	4.7	n.a.	n.a.	0.7	0.8	n.a.	n.a.
UC Rusal	0486.HK	O	4.5	2.3	4.4	n.a.	22.6	0.4	0.4	19.5	20.0
Jiangxi Cu	0358.HK	O	15.1	15.5	6.9	16.5	15.6	1.0	1.0	7.8	7.7
Minmetal	1208.HK	N	1.8	1.8	1.2	10.0	n.a.	0.8	0.8	3.9	7.3
CMOC	3993.HK	O	3.7	3.1	2.0	12.7	13.3	1.1	1.0	10.6	8.2
HNC	2626.HK	N	2.5	2.5	1.2	n.a.	n.a.	1.7	1.6	12.0	9.9
Zijin	2899.HK	N	1.6	2.0	5.5	14.0	16.9	1.2	1.2	7.0	8.7
Zhaojin	1818.HK	U	4.1	7.1	2.7	15.6	27.4	1.9	1.9	11.0	14.9
CGG	2099.HK	U	10.5	28.0	1.4	41.4	n.a.	0.9	0.9	17.3	16.9
Lingbao	3330.HK	U	1.0	1.8	0.2	n.a.	n.a.	0.6	0.6	n.a.	10.6
G-Resource	1051.HK	N	0.2	0.2	0.8	10.3	10.4	0.6	0.7	6.4	2.8

Source: Company data, Credit Suisse estimates.

Cu – potential demand upward revision by CS’ global team

Our global team recently commented that there is a potential upward revision in Chinese Cu demand for 2013E, from 6% to 7-8%. The findings on better-than-expected Cu demand are consistent with our observations, driven by appliance, power and property construction. Our channel checks in recent months suggest continued solid demand and upside risk from potential local grid acceleration. While the back-end loaded global supply addition implies 2H13 annualised surplus of 3.3%, a 2% higher growth assumption for China FY13E would eliminate half the risk, in our estimates.

Figure 2: Global refined supply and demand balance (base case)

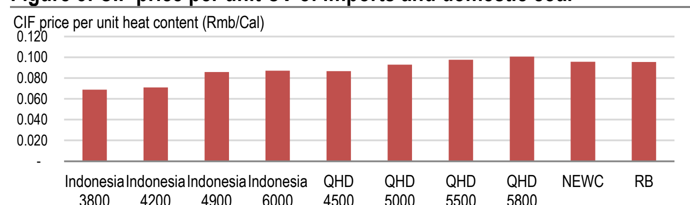
		2010	2011	2012	2013f	2014f	2015f
China consumption	kt	7,204	7,815	8,204	8,700	9,237	9,726
YoY	%		*8.5%*	*5.0%*	*6.0%*	*6.2%*	*5.3%*
Ex-China consumption	kt	12,102	11,933	11,540	11,757	12,017	12,331
YoY	%		*-1.4%*	*-3.3%*	*1.9%*	*2.2%*	*2.6%*
World Consumption	kt	19,306	19,748	19,744	20,457	21,254	22,057
YoY	%		*2.3%*	*0.0%*	*3.6%*	*3.9%*	*3.8%*
SURPLUS/(DEFICIT)-base	kt	(328)	14	384	347	380	217
If FY China accelerate 1%	kt	(400)	(64)	302	260	288	120

Source: Credit Suisse estimates, Woodmakenzie

Coal – import tariff (no impact) and hydro weakness

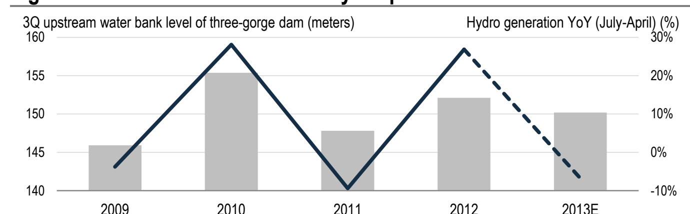
We see virtually no impact from the recently imposed 3% import tariff on brown coal: (1) 98% of lignite coal imports are from Indonesia whose imports to China are subject to no tariff due to ASEAN trade agreement; (2) imported brown coal, priced at a 30% discount to domestic mid-CV coal on a per CV basis, remains highly competitive, in our view; and (3) the recent 10% IDR depreciation provides further room for price cuts. Nevertheless, we highlight that cost support from domestic coal mines and emerging hydro weakness should provide support to coal prices.

Figure 3: CIF price per unit CV of imports and domestic coal



Source: Company data, Credit Suisse estimates.

Figure 4: Water bank level versus hydro performance



Source: Company data, Credit Suisse estimates.

Steel and cement – seasonal upside factoring in?

With recent good performance of steel and cement stocks, we believe seasonal strength may have partially been factored in, and see the risk of disappointment in 4Q construction demand/price hikes versus expectations. We note near-term steel margins peaked in mid-August, and softened by US$10-12/t recently.

In cement, recent price hikes in YZD did not come through, and inventory is edging up as power supply is back to normal. We expect moderate seasonal hikes (Rmb10/t) in the coming months, yet Conch’s share price implies Rmb30-40/t higher margin in 4Q in our estimate.

G-Resources Limited ----------Maintain NEUTRAL

Rights issue of 40% new shares on 50% discount price **EPS: ▼ TP: ▼**

Owen Liang, CFA / Research Analyst / 852 2101 6093 / owen.liang@credit-suisse.com

- G-Resources announced to issue 40% rights shares, about 7.57 bn shares, at the price of HK$0.16/sh, a 50% discount to its previous closing price.
- Major shareholder CST Mining will accept 1.25 bn rights shares, corresponding to its current 16.46% holdings, and potentially extra 2.10 bn rights shares at a maximum, if other shareholders give up. And the underwriter has conditionally agreed to fully underwrite all remaining 4.29 bn shares.
- The issuance of the rights shares is beyond our expectation as the company's Martabe Mine has been operating near full capacity and generating positive cash flow since 1H13. The timing of this issuance is similar to the action one year ago.
- After completing the issuance, G-Resources' 2014E/2015E EPS will be diluted to US$0.003/US$0.003 (fromUS$0.004/US$0.004). Our target price will be HK$0.19/sh after the issuance, based on DCF valuation with discount rate of 10%. Maintain NEUTRAL.

Bbg/RIC	**1051 HK / 1051.HK**	**Price (03 Sep 13, HK$)**			**0.24**
Rating (prev. rating)	**N (N) [V]**	**TP (prev. TP HK$)**			**0.19 (0.20)**
Shares outstanding (mn)	26,490	Est. pot. % chg. to TP			(21)
Daily trad vol - 6m avg (mn)	27.6	52-wk range (HK$)			0.42 - 0.21
Daily trad val - 6m avg (US$ mn)	1.0	Mkt cap (HK$/US$ mn)			6,331.1/ 816.4
Free float (%)	83.5	**Performance**	**1M**	**3M**	**12M**
Major shareholders	CST Mining (16.5%)	Absolute (%)	(3.4)	(11.3)	(24.9)
		Relative (%)	(7.7)	(13.0)	(38.6)

Year	**06/11A**	**06/12A**	**06/13E**	**06/14E**	**06/15E**
Revenue (US$ mn)	—	—	268.8	388.6	377.5
EBITDA (US$ mn)	(17.6)	(17.3)	121.4	177.8	170.9
Net profit (US$ mn)	(19.2)	(17.8)	56.3	77.9	72.1
EPS (US$)	-0.00	-0.00	0.00	0.00	0.00
- Change from prev. EPS (%)	n.a.	n.a.	13	(17)	(13)
- Consensus EPS (US$)	n.a.	n.a.	0.00	0.01	0.01
EPS growth (%)	n.m.	n.m.	n.m.	(1.2)	(7.4)
P/E (x)	n.m.	n.m.	10.4	10.5	11.3
Dividend yield (%)	0	0	0	0	0
EV/EBITDA (x)	(38.7)	(48.1)	6.4	2.8	3.1
P/B (x)	0.7	0.7	0.6	0.7	0.7
ROE (%)	(3.2)	(2.6)	6.6	7.3	6.2
Net debt(cash)/equity (%)	(23.0)	2.1	(4.2)	(26.2)	(25.0)

Note 1: G-Resource's main asset is Martabe gold-silver project in Indonesia, which is supposed to commence operation at the beginning of 2012 and will produce about 200Kozs of gold and 2Moz of Silver annually.

Click here for detailed financials

Figure 1: The rights issu—G-Resources

	Prior to rights issue		**After rights issue (assuming all rights shares taken up by other shareholders)**		**After rights issue (assuming all rights shares taken up by other shareholders)**	
	mn shrs	stake (%)	mn shrs	stake (%)	mn shrs	stake (%)
CST Mining	3,115	16.46%	4,361	16.46%	6,460	24.39%
The Underwriter	0	0.00%	0	0.00%	4,224	15.94%
other shareholders	15,806	83.54%	22,129	83.54%	15,806	59.67%

Source: Company data, Credit Suisse estimates

G-Resources also alerted its FY13E earnings will be positive compared to a loss in FY12, in line with our estimate. The FY13A (ended June 2013) earnings will be released on 24 September, and EPS will not be impact by this rights issue.

Figure 2: Key financials and assumptions—G-Resources

		2011A	**2012A**	**2013E**	**2014E**	**2015E**
Price assum - Au	US$/oz	1,371	1,676	1,605	1,243	1,175
Price assum - Ag	US$/oz	29	33	29	22	22
ASP - Gold	US$/oz	1,357	1,660	1,444	1,230	1,163
ASP - Silver	US$/oz	28	33	29	21	21
Sales volume - Au	koz	-	-	165	283	278
Sales volume - Ag	koz	-	-	632	1,921	2,539
Revenue	US$ mn	-	-	269	389	378
Unit cash cost	US$/oz	242	242	563	520	466
SG&A	US$ mn	(20)	(20)	(30)	(23)	(23)
Capex	US$ mn	163	80	80	75	35
Gold revenue	%	0%	0%	94%	90%	86%
Net Profit	US$ mn	(19)	-18	56	78	72
EPS	US$/shr	(0.00)	0.00	0.00	0.00	0.00
BV	US$/shr	0.04	0.05	0.05	0.05	0.04
Net debt	US$ mn	(136)	17	(39)	(318)	(282)
Operating cash flow	US$ mn	(17)	-289	36	199	-1
Investing cash flow	US$ mn	(127)	(80)	(80)	(75)	(35)
Free cash flow	US$ mn	(144)	-369	-44	124	-36
Gross Margin	%	n.a.	n.a.	44%	34%	33%
ROE	%	-3.2%	-2.6%	6.6%	7.3%	6.2%
Gearing	%	-23.0%	2.1%	-4.2%	-26.2%	-25.0%

Source: Company data, Credit Suisse estimates

Hong Kong

Hong Kong Property Sector -- Maintain MARKET WEIGHT

Deep NAV discount to trigger share buyback post results?

Joyce Kwock / Research Analyst / 852 2101 7496 / joyce.kwock@credit-suisse.com
Wayne Lee / Research Analyst / 852 2101 7165 / wayne.lee@credit-suisse.com

- The 'result season' is largely over for HK property companies with period-ended 30 Jun 2013; the reported results have been fairly healthy, in our view. Nevertheless, most of them remain deeply discounted, which could trigger a share purchase by chairmen/major shareholders, in our view.
- Four companies under our coverage, namely Champion REIT, Great Eagle, Midland and Swire Pacific, have seen share purchase by chairmen/founding family members after the results.
- The parentco of Wharf and Hang Lung Prop (Wheelock and Hang Lung Group, respectively) have increased their stakes in their respective subsidiaries after the black-out period as well.
- The chairmen of Henderson Land, Sino Land and Wheelock have been active purchasers of their stocks. However, there has not been any such news flow after their recent result announcements. The three names are deeply discounted now at -48%, -54% and -27%, respectively, and the chairmen could resume share purchases if deep discounts remain. Our top picks now are the developers, including Henderson Land, NWD and SHKP.

Figure 1: HK Property sector – valuation summary

Company	RIC	Rating	Px ($)	TP ($)	+/- (%)	NAV ($/sh)	Disc (%)
SHKP	0016.HK	O	101.70	140.30	38	187.1	(46)
CKH	0001.HK	O	113.10	151.20	34	181.4	(38)
Henderson Ld	0012.HK	O	47.00	68.04	45	90.7	(48)
New World Dev	0017.HK	O	11.28	15.75	40	24.3	(54)
Sino Land	0083.HK	O	10.70	15.02	40	23.1	(54)
Kerry Prop.	0683.HK	O	31.55	50.60	60	71.3	(56)
Midland Hldgs.	1200.HK	O	3.00	3.68	23	n.a.	n.a.
Swire Prop	1972.HK	O	21.85	30.10	38	35.4	(38)
Hang Lung Prop	0101.HK	N	25.25	26.84	6	38.3	(34)
HKLand	HKLD.SI	O	6.59	8.74	33	10.3	(36)
Link REIT	0823.HK	U	36.20	36.90	2	36.1	0
Hysan	0014.HK	O	34.35	46.00	34	60.0	(43)
Champion REIT	2778.HK	O	3.50	4.55	30	6.6	(47)
Great Eagle	0041.HK	U	27.10	25.30	(7)	72.3	(63)
Wharf	0004.HK	O	65.30	72.48	11	94.6	(31)
Swire Pacific	0019.HK	N	91.85	87.90	(4)	109.9	(16)
Wheelock	0020.HK	O	40.25	48.54	21	55.3	(27)

Source: Company data, Credit Suisse estimates.

Deep NAV discount to trigger share buyback post results?

The 'result season' is largely over for the HK property companies with period-ended 30 Jun 2013, and the reported results have been fairly healthy, in our view, despite the challenges in the external environment in 1H13.

Nevertheless, most HK property stocks under our coverage continue to trade at deep discount. Amid a number of positive catalysts in the coming few months for HK developers and HK landlords, we believe any share buyback will serve as an imminent catalyst, backed by the prevailing deep discount.

Share purchase by major shareholder post-result

Historically, four companies under our coverage, namely Champion REIT, Great Eagle, Midland and Swire Pacific, have seen share purchases by chairmen/founding family members after results.

Figure 2: Share purchase by chairmen / major shareholders post-result

Company	Chairman / Founding family member	Share purchase date / period	No. of share purchased	Total paid (HK$ mn)	% of stake: Before share purchase	% of stake: After share purchase
Champion REIT	Lo Ka Shui/GE	8/9/2013 - 8/29/2013	43,159,014	283.187	58.45%	59.75%
Great Eagle	Lo Ka Shui	8/19/2013 - 8/28/2013	1,792,000	48.830	54.67%	54.94%
Midland	Freddie Wong	8/28/2013- 8/30/2013	6,484,000	18.925	11.90%	12.81%
Swire Pacific	John Swire & Sons	8/19/2013	200,000	18.62	29.45%	31.00%

Source: HKEx, Credit Suisse estimates

Share purchase by parent co post-result

The parent companies of Wharf and HLP have increased their stakes in their respective subsidiaries after the black-out as well.

Interestingly, we have noted that Peter Woo, chairman of both Wheelock and Wharf, has chosen to increase the stake in Wheelock, and Wheelock in turn increased its stake in Wharf post results.

On the other hand, we note that HLG increased its stake in HLP, but Ronnie Chan, chairman of both HLP and HLG, has not increased his stake in either company post results.

Figure 3: Share purchase by parent co post-result

Company	Parent Co	Share purchase period	No. of share purchased	Total paid (HK$ mn)	% of stake: Before share purchase	% of stake: After share purchase
Wharf	Wheelock	6/26/2013	768,000	48.7	51.00%	52.00%
HLP	HLG	8/7/2013	2,000,000	50.16	51.86%	52.02%

Source: HKEx, Credit Suisse estimates

Companies with share purchase track record, but none post-result

As some companies announced their 1H13 results recently, we have not noted any share purchases since the results, but we have noted share purchase by major shareholders/management recently. Examples are Henderson Land, Sino Land and Wheelock, which announced 1H13 results on 22, 28 and 29 August, respectively.

We believe if their share prices continue to trade at deep discounts to NAV, the chairmen of these companies could resume share purchase.

Figure 4: Companies with share purchase track record, but has no such post-result announcement

Company	Chairman / Founding family member	Share purchase date / period	No. of share purchased	Total paid (HK$mn)	% of stake: Before share purchase	% of stake: After share purchase
Sino Land	Ng Chee Siong	4/11/2013- 6/13/2013	19,959,648	259.732	53.03%	53.00%
Henderson Land	Lee Shau Kee	3/26/2013- 7/22/2013	237,961,717	3060.32	62.78%	65.28%
Wheelock	Peter Woo	6/14/2013- 7/24/2013	4,278,000	169.835	60.09%	60.30%

Source: HKEx, Credit Suisse estimates.

Maruti Suzuki India Ltd-- Maintain OUTPERFORM

Gaining market share in a tough environment **EPS: ▼ TP: ▼**

Jatin Chawla / Research Analyst / 91 22 6777 3719 / jatin.chawla@credit-suisse.com
Akshay Saxena / Research Analyst / 91 22 6777 3825 / akshay.saxena@credit-suisse.com

- While macro conditions remain tough, the strength of Maruti's franchise and the tendency of consumers to stick with the market leader in a slowdown mean that its share improved by 300 bp in CY13 with gains spread across segments.
- Efforts taken in strengthening rural distribution in the past five years are bearing fruit as rural India remains the last bastion of growth. A good monsoon and a strong outlook on the Kharif crop mean rural growth should improve in the coming months, aiding further market share improvement (new small car launch will also help).
- Currency, negative operating leverage and discounts should hurt margins. Management interaction suggests despite a comfortable market share, priority will be volumes and hence we don't expect the company to pass on this cost pressures via a price hike.
- We cut our estimates by ~15% and TP to Rs1,540 from Rs1,820 as we revise INR estimate to Rs62/$. However, the ~20% decline in the stock in the past three months already factors this in. We like Maruti for its inherent brand strength and that it provides the lowest cost of ownership (Why India loves Maruti). Valuation at 13x FY15E is attractive.

Bbg/RIC	**MSIL IN / MRTI.BO**	**Price (03 Sep 13 , Rs)**			**1,273.20**
Rating (prev. rating)	**O (O)**	**TP (prev. TP Rs)**			**1,540 (1,820)**
Shares outstanding (mn)	302.08	Est. pot. % chg. to TP			21
Daily trad vol - 6m avg (mn)	0.7	52-wk range (Rs)			1741.9 - 1159.0
Daily trad val - 6m avg (US$ mn)	15.0	Mkt cap (Rs/US$ bn)			384.6/ 5.8
Free float (%)	43.8	**Performance**	**1M**	**3M**	**12M**
Major shareholders	Suzuki Motor Corporation	Absolute (%)	(4.8)	(18.8)	9.9
		Relative (%)	0.1	(12.0)	5.0

Year	**03/12A**	**03/13A**	**03/14E**	**03/15E**	**03/16E**
Revenue (Rs mn)	355,871	435,879	442,198	504,855	580,903
EBITDA (Rs mn)	25,130	42,296	46,552	55,621	65,562
Net profit (Rs mn)	16,352	23,921	24,364	29,190	34,931
EPS (Rs)	57	79	81	97	116
- Change from prev. EPS (%)	n.a.	n.a.	(16)	(18)	(12)
- Consensus EPS (Rs)	n.a.	n.a.	98	117	139
EPS growth (%)	(28.6)	40.0	1.9	19.8	19.7
P/E (x)	22.5	16.1	15.8	13.2	11.0
Dividend yield (%)	0.6	0.6	0.6	0.6	0.6
EV/EBITDA (x)	10.8	7.1	6.1	4.5	3.0
P/B (x)	2.4	2.1	1.9	1.6	1.4
ROE (%)	11.3	14.2	12.4	13.2	14.0
Net debt(cash)/equity (%)	(75.1)	(46.4)	(48.8)	(57.5)	(70.3)

Note 1: Maruti Suzuki India Limited (MSIL) is a passenger car company. The Company is engaged in the business of manufacturing, purchase and sale of motor vehicles and spare parts (automobiles).

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Key takeaways from management meeting

Rural demand a silver lining. Maruti's management mentioned that there are two distinctly different Indias currently: (1) rural, which is showing strong growth and not much impacted from the current macro environment and (2) urban, which despite massive efforts is showing no signs of a revival. Maruti's strong efforts in rural India over the past five years are clearly yielding results. The share of rural India is now ~30% and growing at 15-20%. This growth rate should pick up to 25%+ levels given a good monsoon. However, while it is hoping that urban India would at least remain flat and hence it could grow at 5%+ levels, that looks unlikely now. In fact, the company is having to make efforts just to maintain the current level of footfalls.

Festive season outlook good but cautious with building inventory. The feedback from the ground suggests that the festive season should be good but the company is still cautious with building inventories for the festive season. Normally the company increases its inventory from 4 weeks to 6-8 weeks depending on its outlook for the festive season. The current inventory stands at 4.5 weeks and the thought process is to scale it up to 6 weeks in the next two months.

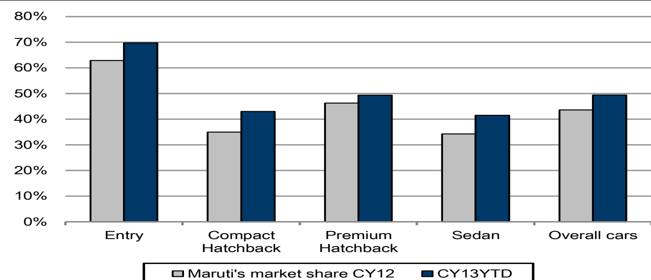
Margins to take a hit on currency, discounts and negative operating leverage. Though discounts on petrol models have broadly remained the same, discounts on diesel models have increased. The trend of a shift in volumes towards petrol also pushes up average discounts. Another factor impacting margins apart from currency would be negative operating leverage given that the new Manesar C line and the 150,000 diesel engine capacity will start pretty soon; utilisation levels will fall from ~80% to ~70%. The company continues with its policy of leaving the USDINR open and hence margins will be impacted from the Dec quarter. Every 1% INR change has a ~15 bp impact on margins.

Volumes more important than margins: While management is comfortable with the current market share, it believes in a tough macro environment it is important to prioritise volumes as that directly impacts vendors, dealers and employees. While the endeavour is to maintain double-digit margins, volumes will remain the top priority followed by margins.

Exports to be flat YoY. Some of the export markets (largely Algeria) had a change in norms and hence it took Maruti some time to comply with these new norms which led to exports declining 35% in 1Q but for the full year it is confident that last year's numbers will be achieved.

Takeaways from channel checks. Our interactions with Maruti's key financiers and dealers confirm the fact that Maruti is gaining market share on the ground. The channel is attributing this to Maruti's strength in rural India and the tendency of people to stick with the market leader in a soft economy. Even a firm like Hyundai with a 20% market share is still in the process of building out its rural distribution. The steps taken by SBI to increase the loan eligibility criteria from Rs300,000 salary to Rs600,000 salary could have some impact on demand in rural India (in urban India there are enough banks to pick up the available business), especially given that most NBFCs too have been forced to increase rates by 1-2% in the past few days.

Figure 1: Maruti has gained market share across segment this year



Source: Company data, Credit Suisse estimates.

Reliance Industries --- Maintain OUTPERFORM

Roll-back of the gas price increase can marginally hurt near-term EPS growth **EPS: ◄► TP: ◄►**

Sanjay Mookim / Research Analyst / 65 6212 3017 / sanjay.mookim@credit-suisse.com
Badrinath Srinivasan / Research Analyst / 91 22 6777 3698 / badrinath.srinivasan@credit-suisse.com

- Media reports suggest the oil ministry proposes to limit the price for D1/D3 gas to $4.2/mmbtu until the 'shortfall' in output is 'made up'; withholding the Rangarajan price increase due 1 April 2014.
- There are several unknowns: 1) will the proposal be accepted?, 2) how is the 'shortfall' calculated (are the AIDP numbers used or the RFDP – which is not yet accepted – forms the base)?, 3) will production from satellite fields count? (media reports suggest they will not), and 4) the legality of the move (can RIL/BP litigate)?
- At USDINR of Rs65 and $4.2/mmbtu gas prices, FY15/16 EPS would be c.Rs91/102; hurt 5/6% by lower gas prices. If gas prices remained $4.2/mmbtu and the satellite fields remain undeveloped, NAV would be hurt by Rs53/sh (on Rs1,134 at USDINR of 65).
- If this is implemented, prices will in effect increase only for ONGC / OIL's APM output; and likely cross-subsidies within PSU will be an unnecessary complication. If the govt. finds the D6 decline was for geological reasons, there is hope this proposal is rejected. We like RIL for potential gains from ongoing chemical capex.

Bbg/RIC	RIL IN / RELI.BO	Price (02 Sep 13 , Rs)			883.75
Rating (prev. rating)	**O (O)**	**TP (prev. TP Rs)**			**1,031 (1,031)**
Shares outstanding (mn)	3,230.65	Est. pot. % chg. to TP			17
Daily trad vol - 6m avg (mn)	3.9	52-wk range (Rs)			923.4 - 764.3
Daily trad val - 6m avg (US$ mn)	49.0	Mkt cap (Rs/US$ bn)			2,855.1/ 43.3
Free float (%)	51.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders	Promoter - 45%	Absolute (%)	3.1	10.4	15.6
		Relative (%)	4.5	13.9	7.0

Year	03/12A	03/13A	03/14E	03/15E	03/16E
Revenue (Rs mn)	3,585,290	3,970,120	4,333,944	4,397,096	4,262,395
EBITDA (Rs mn)	345,080	330,450	348,118	408,730	459,304
Net profit (Rs mn)	197,240	208,790	234,564	259,164	292,648
EPS (Rs)	60.3	64.7	72.6	80.3	90.6
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Rs)	n.a.	n.a.	71.1	80.4	94.6
EPS growth (%)	2.3	7.2	12.3	10.5	12.9
P/E (x)	14.7	13.7	12.2	11.0	9.8
Dividend yield (%)	0.9	0.9	1.2	1.8	2.1
EV/EBITDA (x)	9.5	9.8	9.9	8.8	7.8
P/B (x)	1.7	1.6	1.4	1.3	1.2
ROE (%)	12.6	12.0	12.3	12.3	12.7
Net debt(cash)/equity (%)	25.1	21.4	29.6	33.8	30.3

Note1:Reliance Industries Limited is an India-based company. The Company operates in three business segments: petrochemicals, refining, and oil and gas..

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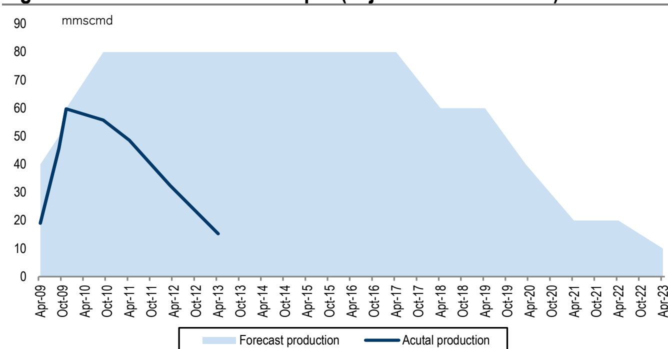
Revisiting the gas price increase

Media reports (e.g., Bloomberg, Indianpetro) suggest the oil ministry proposes to withhold the increase in gas prices for D1/D3 gas production until all 'shortfall' in output is made up. Gas prices were expected to increase from the current $4.2/mmbtu to about $8.4/mmbtu in April 2014 under the approved Rangarajan committee formula.

- **Who approves?** The term of the $4.2/mmbtu gas price was set by the EGoM in May 2010. The implementation of the Rangarajan formula was approved by the CCEA on 28 June 2013. If the oil ministry now proposes to limit the price for D1/D3 until a shortfall is made up, then it will most likely have to be approved by either of these bodies, we think. Questions on why this was not made part of the original proposal to increase gas prices may arise.
- **How is the shortfall calculated?** The currently approved forecast is from the Addendum to the Initial Field Development Plan (AIDP) – which had peak production at 80 mmscmd. RIL has since filed a Revised Field Development Plan – with lower numbers. This has not been approved yet. There is a likely to be a large difference between the two plans – impacting the 'shortfall' calculation.
- **How can you meet the 'shortfall'?** For D1/D3 to make up a shortfall, the fields will have to produce in excess of the currently forecast rates (for a couple of years at least). That would imply the forecasts (AIDP or RFDP) are wrong to begin with.
- **Will newer field count in making up the shortfall?** The satellite / R-series fields are expected to help production over time. Media reports suggest these will get the higher gas price, and will not be part of the current proposal to limit realisations – which again mean that the 'shortfall' at D1/D3 is unlikely to ever be made up.

Figure 1: Forecast vs. actual output (adjusted for start date)



Source: Company data, Credit Suisse estimates.

Impact on RIL

There is risk that a review of the recently approved gas price increases reduces focus on future capex / revival activities planned at various fields in D6. Our FY15/16 EPS would be Rs90.7/101.9 on a USDINR of 65 (we currently have 60 in our published model). A reduction in D1/D3 gas prices to $4.2/mmbtu would hurt these by 5/6%. If gas prices remained $4.2/mmbtu and the satellite fields remain undeveloped, NAV would be hurt by Rs53/share (on Rs1,134 at USDINR of 65; the impact is weakened on account of lower capex).

Media reports suggest the current proposal may have a 'get out of jail' clause. If the govt. (potentially through independent advisors) is convinced that the 'shortfall' in D6 output was due to natural / geological reasons and was not deliberate/engineered, then the price hike may still go through. This may take some time to process though.

If this proposal is implemented however, gas prices will increase only for ONGC/OILI's APM production in FY15. There may be need to cross subsidise fertiliser / power plants (which is part of our ONGC forecasts) – which will be a complication these companies could have done without. We like RIL for potential gains from ongoing chemical capex. Maintain OUTPERFORM.

United Spirits Ltd.-- Maintain OUTPERFORM

FY13 AR: India business generates FCF, working capital cycle improves

EPS: ◄► TP: ◄►

Arnab Mitra / Research Analyst / 91 22 6777 3806 / arnab.mitra@credit-suisse.com
Akshay Saxena / Research Analyst / 91 22 6777 3825 / akshay.saxena@credit-suisse.com

- United Spirits came out with its annual report. The standalone business generated operating and free cash flow for the first time in five years. The consolidated business also saw significant cash flow improvement, though FCF was still negative.
- The working capital cycle has come down in both the standalone and consolidated businesses. Excluding advances made to related parties (like UB Holdings), working capital days came down substantially, driven by a reduction in inventory days and loans and advances to tie-up units. We expect further improvements in FY14 post Diageo taking over operational control.
- There has been a spike in advances and deposits to UB Holdings which moved up from Rs4.1 bn to Rs13.2 bn. It will be tough in our view to get this amount repaid given the extremely stretched balance sheet of UB Holdings.
- United Spirits has a wide range of interest rates in its debt profile. The company could pay down the high-cost INR debt (13-15% interest rate) first and hence the reduction in interest cost could be at a much higher proportion than the reduction in debt.

Bbg/RIC	UNSP IN / UNSP.BO	Price (03 Sep 13 , Rs)			2,278.85
Rating (prev. rating)	O (O) [V]	TP (prev. TP Rs)			2,550 (2,550)
Shares outstanding (mn)	145.33	Est. pot. % chg. to TP			12
Daily trad vol - 6m avg (mn)	1.7	52-wk range (Rs)			2797.1 - 915.7
Daily trad val - 6m avg (US$ mn)	55.9	Mkt cap (Rs/US$ bn)			331.2/ 5.0
Free float (%)	72.0	Performance	1M	3M	12M
Major shareholders	UB group	Absolute (%)	(1.0)	(9.2)	131.0
		Relative (%)	3.9	(2.4)	126.1

Year	03/12A	03/13A	03/14E	03/15E	03/16E
Revenue (Rs mn)	86,372	100,439	108,546	123,101	141,350
EBITDA (Rs mn)	10,603	12,199	13,640	16,659	20,100
Net profit (Rs mn)	1,879	(1011)	6,084	9,198	12,372
EPS (Rs)	15.4	(8.3)	42.5	64.3	86.4
- Change from prev. EPS (%)	n.a.	n.a.	1	0	
- Consensus EPS (Rs)	n.a.	n.a.	44	66	100
EPS growth (%)	(67.0)	n.m.	n.m.	51.2	34.5
P/E (x)	148.4	n.m.	53.6	35.5	26.4
Dividend yield (%)	0.1	0.1	0.2	0.4	0.6
EV/EBITDA (x)	38.6	33.7	28.2	22.7	18.5
P/B (x)	6.0	5.8	3.9	3.6	3.2
ROE (%)	4.3	(2.1)	9.3	10.6	12.9
Net debt(cash)/equity (%)	166.2	166.2	63.6	51.0	39.1

Note 1: United Spirits is an India-based company engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up units/ brand franchisees.

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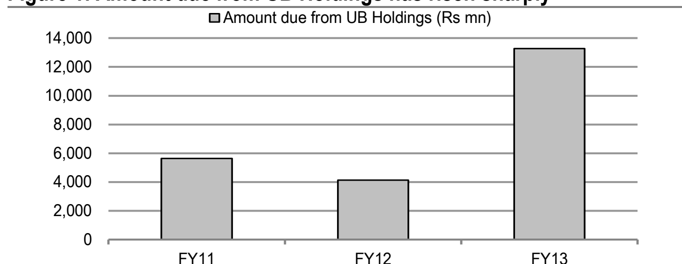
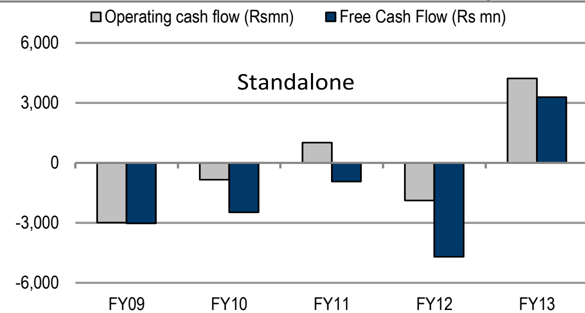
Figure 1: Amount due from UB Holdings has risen sharply



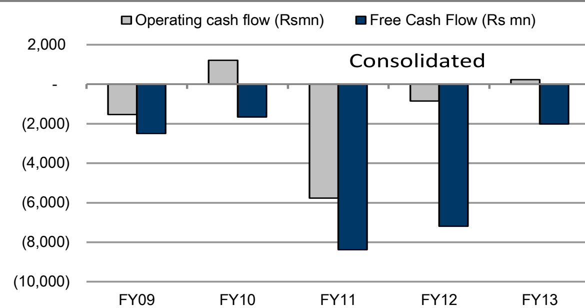
Source: Company data, Credit Suisse estimates.

Figure 2:Standalone cash flows were positive after five years



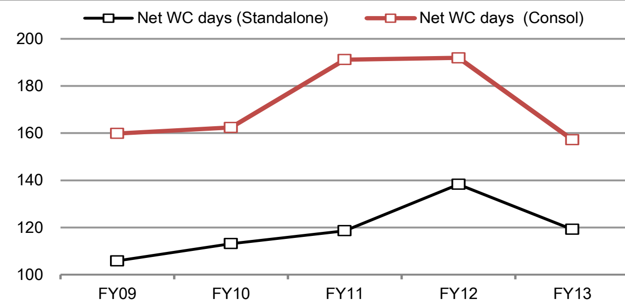
Source: Company data, Credit Suisse estimates.

Figure 3: Consolidated cash flows also saw an improvement



Source: Company data, Credit Suisse estimates.

Figure 4: Working capital cycle has improved substantially



Source: Company data, Credit Suisse estimates.

Figure 5: USL likely to pay down high cost debt with cash infused

Amount (Rs bn)	Interest rate	Payment schedule
30.4	LIBOR + 4.35%	Moratorium of 3 years from drawdown. Repayment commences from FY 2014-15 and is repayable within the next 4 years.
19.2	14.3%	Working capital loan
4.6	6.0%	Repayable in 5 annual installments starting Oct 2013
4.1	12.75%	Repayable in 16 quarterly installments from 19 January 2010
4.0	13.75%	Repayable in 10 half-yearly installments from 18 January 2010
2.4	12.0%	Repayable in 6 months from 28 December 2012
2.0	12.0%	Repayable at the end of One year from 15 January 2013

Source: Company data, Credit Suisse estimates.

Raw material costs likely to be headwind for FY14. The MDA states that ENA prices have moved up and the company will be unable to fully pass on costs in over 70% states which are government controlled. They do have some levers like glass costs which are down 5% YoY in FY14 and some benefits of in-house ENA production.

Indonesia

Bayan Resources -- NOT RATED

Key takeaways from meeting with Bayan's management

Ami Tantri / Research Analyst / 62 21 2553 7976 / ami.tantri@credit-suisse.com

- We met management of Bayan Resources late last week. Bayan Resources is Indonesia's eighth largest coal mining company, mainly operating in East and South Kalimantan. It produced 16.3 mn tons of coal in 2012.
- Amid the current low price coal environment, Bayan management has initiated cost-cutting initiatives to ensure its margins are preserved. Bayan is in the process of re-negotiating contracts with its mining contractors to decrease production volume on overburden removal to be in line with the revised mine plan.
- For 2013, Bayan plans to reduce its production volume to around 14-15 mt, down from 16.3 mt in 2012. It has budgeted around US$45-55 mn for 2013, mainly for infrastructure development of its Tabang coal mines.
- In 6M13, Bayan reported revenue of US$625 mn, down 21% YoY, and net profit of US$15 mn, down 69% YoY. According to management, the reduction in average cost cannot offset the decrease in sales volume coupled with lower ASP.

Figure 1: Financial summary

Bbg/RIC	BYAN JK/BYAN.JK	Mkt cap (US$mn)	2,470.98
Price (2 Sept 13, Rp)	7,450	Free float (%)	5%
Shares outstanding (mn)	3,333	52-wk range (Rp)	7,015 – 13,200
Major shareholders	Low Tuck Wong (51.6%)	Daily trad val-6m avg (US$mn)	0.01

Year	12/08A	12/09A	12/10A	12/11A	12/12A
Revenues (US$mn)	503	746	963	1,509	1,423
Net profit (US$mn)	2	13	82	208	57
EPS (US$ cents)	0.07	0.39	2.45	6.25	1.70
EPS growth (%)	-92	520	444	148	-71
P/E (x)	1129.2	182.2	33.5	13.5	46.8
P/B (x)	13.3	9.4	8.3	5.3	5.1

Source: Company data.

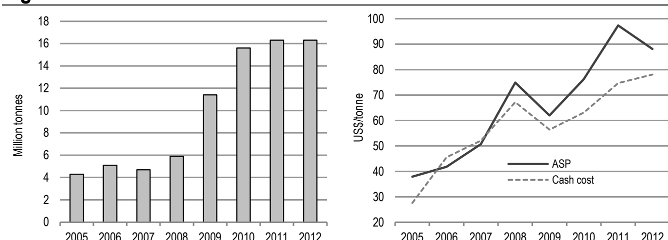
Bayan: Indonesia's eighth largest coal mining company

Bayan Resources (BYAN) engages in open cut mining of numerous coal quality from mines located mainly in East and South Kalimantan, producing semi-soft coking coal to environment-friendly low sulphur, sub-bituminous coal. Through various companies, Bayan has exclusive mining rights under 5 CCOWs (coal contract of work), 13 IUPs and 4 more IUPs consequent to the completion of the IBU/KRL transaction. Bayan also owns and operates Balikpapan Coal Terminal (BCT), one of the largest coal terminals in Indonesia, with approximately 15 mtpa capacity. In addition, Bayan acquired 56% stake of Kangaroo Resources Limited (KRL.AX) in 2011. Dato' Dr Low Tuck Wong, the founder of Bayan Group, is the major shareholder of the company with 51.6% stake. The stock is currently trading at P/B of 5.1x and P/E of 46.8x on FY12 book value.

Retrenching cost and trimming away production

Amid current deteriorating coal price environment, management has initiated several cost-cutting initiatives in order to ensure its margins are preserved. First, Bayan has reviewed all its mine plants. Management plans to reduce its average stripping ratio to 11.9-12.5, down from 14.7 in 2012. With a lower stripping ratio, Bayan expects to save US$3 per ton.

Figure 2: Production volume and ASP



Source: Company data

Second, Bayan is in the process of renegotiating contracts with its mining contractors to decrease production volume on overburden removal to be in line with the revised mine plan. Fleets of equipment will also be demobilised or made idled as work schedules are reduced to streamline the mining operations. Bayan is also thinking to switch one or two mining contractors due to weak performance. Last but not the least, the extension of jetty at Perkasa Inakakerta (PIK) mining project, the construction of a ship loader, and the use of through seam-blasting method at Wahana Baratama Mining (WBM) project should allow further cost reductions. Leighton works as the mining contractor in this field. The sister company, Thiess works in a separate area, TSA/FKP. As the result, Bayan management anticipates average cash costs in 2013 to be around US$74-77/t, down from US$78.1/t in 2012, compared to the current ASP of US$81.6/t. In 6M13, the company reported revenue of US$625 mn, down 21% YoY, and net profit of US$15 mn, down 69% YoY. Reduction in average cash costs from US$82.8/t in 6M12 to US$72.5/t in 6M13 cannot offset the decrease in sales volume coupled with lower ASP. Sales volume experienced a fall of 4.9% to 7.7 mt in 6M13, from 8.1 mt in 6M12. ASP also dropped 15.7% from US$96.8/t in 6M12 to US$81.6/t in 6M13.

Figure 3: Bayan coal mines and reserves

Mining area	Resources (mn ton)	Reserves (mn ton)	Coal Quality kcal/kg (GAR)	Mining contractor
Gunungbayan I (GBP I)	53.7	26	6800-7300	Petrosea, Buma
Gunungbayan II (GBP II)	9.4	2	6100-7200	Petrosea, Buma
Wahana (WBM)	250	75.8	5900-6500	Leighton
Perkasa Inakerta (PIK)	85	21.8	4200-4500	Buma
TSA/FKP	80.2	33.3	5600-6300	Thiess
Tabang	530	312	4200-5300	n.a
Total Bayan only	**1008.3**	**470.9**		
Pakar	3000	442	n.a	n.a
Mamahak	10.5	n.a	Coking coal	n.a
Graha Panca Karsa	117	n.a	3900	n.a
Total Kangaroo only	**3127.5**	**n.a**		

Source: Company data.

On the production volume level, the company plans to trim away its production volume to around 14-15mt, down from 16.3mt, citing weak market conditions and the delay in permitting and upgrade of Tabang infrastructure as the reasons. Management said that Bayan will focus on the development of its Tabang project, which will be carried out in three phases over 2013-15. It is located on a 10,814 ha concession area in East Kalimantan. Bayan has budgeted around US$45 mn to US$55 mn for the project.

Japan

Anritsu --- Maintain OUTPERFORM

Waiting for margins to bottom, tester demand for China TD-LTE production to kick in **EPS: ▼ TP: ▼**

Hideyuki Maekawa / Research Analyst / 81 3 4550 9723 / hideyuki.maekawa@credit-suisse.com

- We lower our FY3/14–16 forecasts for Anritsu to reflect a rise in SG&A costs revealed by 1Q results. As a result, we reduce our target price from ¥1,700 to ¥1,560, but maintain our OUTPERFORM rating as there remains potential upside of 24%. Click here for full report.
- Investor confidence in Anritsu's earnings has declined, and clear evidence of rebounding profitability will be needed for investors to push the share price upward. On the plus side, downside risks are limited, so we expect the next month to serve as a gestation period for expectations that Anritsu will achieve profit growth over the medium term
- Catalysts include T&M OPM of above 20% at the next results announcement, quarterly T&M orders of more than ¥20 bn, and a bottoming out of demand in the domestic market.
- We base our TP on a P/E of 16.7x (previously 17.7x) —the global telecoms equipment sector average—applied to our average EPS estimate of ¥93.46 for FY3/14 and FY3/15.

Bbg/RIC	**6754 JP / 6754.T**	**Price (03 Sep 13 , ¥)**			**1,256.00**
Rating (prev. rating)	**O (O)**	**TP (prev. TP ¥)**			**1,560 (1,700)**
Shares outstanding (mn)	143.31	Est. pot. % chg. to TP			24
Daily trad vol - 6m avg (mn)	1.8	52-wk range (¥)			1566.0 - 915.0
Daily trad val - 6m avg (US$ mn)	23.9	Mkt cap (¥/US$ bn)			180.0/ 1.8
Free float (%)	60.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders		Absolute (%)	(0.3)	3.2	33.5
		Relative (%)	(1.9)	(4.3)	13.5

Year	**03/12A**	**03/13A**	**03/14E**	**03/15E**	**03/16E**
Revenue (¥ bn)	93.6	94.7	106.5	111.5	111.5
EBITDA (¥ bn)	16.8	18.6	21.4	23.9	23.9
Net profit (¥ bn)	8.0	13.9	12.5	14.3	14.3
EPS (¥)	56	97	87	100	100
- Change from prev. EPS (%)	n.a.	n.a.	-8.2	-6.4	-8.5
- Consensus EPS (¥)	n.a.	n.a.	86	96	102
EPS growth (%)	155.1	72.9	(10.3)	14.0	—
P/E (x)	22.3	12.9	14.4	12.6	12.6
Dividend yield (%)	1.2	1.6	1.4	1.6	1.6
EV/EBITDA (x)	9.5	9.0	7.7	6.5	6.1
P/B (x)	3.7	2.8	2.4	2.1	1.8
ROE (%)	18.4	25.0	18.0	17.8	15.6
Net debt(cash)/equity (%)	(43.3)	(18.6)	(19.1)	(27.4)	(36.3)

Note 1: ANRITSU CORPORATION mainly manufactures and sells measurement, information communication and industrial equipment.

Click here for detailed financials

We lower our FY3/14–16 forecasts for Anritsu to reflect a rise in SG&A costs revealed by 1Q results. As a result, we reduce our target price from ¥1,700 to ¥1,560, but maintain our OUTPERFORM rating as there remains potential upside of 24%. The bottoming out of margins in Anritsu's test & measurement (T&M) segment has slid one quarter behind the timing we had based our previous forecasts on. However, we expect the rebound to take the margin above 20%. Unfortunately, investor confidence in Anritsu's earnings has declined, and clear evidence of rebounding profitability will be needed for investors to push the share price upward. On the plus side, downside risks are limited, so we expect the next month to serve as a gestation period for expectations that Anritsu will achieve profit growth over the medium term.

We focus on two points: (1) continuation of the company's sales growth scenario and (2) 1Q's emergence as a peak in the cost of sales ratio. Regarding the first, 1Q T&M orders totalled ¥19.6 bn, above guidance despite an apparent slowdown in the high-end smartphones market. In the latter half of the year, we expect demand for testers used in TD-LTE production to kick in and thus expect T&M-related demand to remain above company plan. Regarding the second point, we expect SG&A expenses to flatten out after 1Q and R&D costs to be held at around 20% of gross profit, which should not be a drag on profit growth as sales pick up.

Catalysts/risks: Catalysts include T&M OPM of above 20% at the next results announcement, quarterly T&M orders of more than ¥20 bn, and a bottoming out of demand in the domestic market. Risks include increasing costs related to R&D-use testers and a YoY decline in T&M orders.

Valuation: We base our TP on a P/E of 16.7x (previously 17.7x) —the global telecoms equipment sector average—applied to our average EPS estimate of ¥93.46 for FY3/14 and FY3/15.

(This is an extract from the Anritsu report published on 3 September 2013. Please see R&A for details.)

Figure 1: Earnings summary

9/2 price (¥)		Est.	Sales		Operating profit		Pretax Profit		Net profit		Diluted EPS		P/E
¥1,221		as of;	¥mn	YoY (%)	¥mn	YoY (%)	¥mn	YoY (%)	¥mn	YoY (%)	¥	YoY (%)	(x)
Mar-12	Actual		93,622		14,000		13,094		7,972		62.2		
Mar-13	Actual		94,685	1.1	15,800	12.9	16,225	23.9	13,941	74.9	97.4	56.7	
Mar-14	1Q		22,365	3.5	2,466	-37.8	2,681	-24.3	1,621	-35.9	11.3	-36.3	
Mar-14	**CS E (new)**	9/3	**106,500**	**12.5**	**18,400**	**16.5**	**17,900**	**10.3**	**12,530**	**-10.1**	**87.4**	**-10.3**	**14.0**
	CS E (prev)	6/5	106,500	12.5	20,000	26.6	19,500	20.2	13,650	-2.1	95.2	-2.3	12.8
	CoE	4/25	**102,000**	**7.7**	**17,000**	**7.6**	**16,500**	**1.7**	**11,500**	**-17.5**	**81.4**	**-16.4**	**15.0**
	IBES E		103,227	9.0	17,763	12.4	17,626	8.6	12,396	-11.1	86.3	-11.4	14.1
Mar-15	**CS E (new)**	9/3	**111,500**	**4.7**	**20,900**	**13.6**	**20,400**	**14.0**	**14,280**	**14.0**	**99.6**	**14.0**	**12.3**
	CS E (prev)	6/5	111,000	4.2	22,300	11.5	21,800	11.8	15,260	11.8	106.4	11.8	11.5
	IBES E		109,794	6.4	19,958	12.4	19,767	12.1	13,770	11.1	95.9	11.1	12.7
Mar-16	**CS E (new)**	9/3	**111,500**	**0.0**	**20,900**	**0.0**	**20,400**	**0.0**	**14,280**	**0.0**	**99.6**	**0.0**	**12.3**
	CS E (prev)	6/5	110,500	-0.5	22,800	2.2	22,300	2.3	15,610	2.3	108.8	2.3	11.2
	IBES E		113,587	3.5	21,581	8.1	21,416	8.3	14,717	6.9	102.4	6.9	11.9

Source: Company data, Credit Suisse estimates.

Wacom -- Maintain OUTPERFORM

Wacom regaining appeal

EPS: ▼ TP: ▼

Yohei Ohya / Research Analyst / 81 3 4550 7366 / yohei.ohya@credit-suisse.com
Akinori Kanemoto / Research Analyst / 81 3 4550 7363 / akinori.kanemoto@credit-suisse.com

- We lower our FY3/14 OP forecast for Wacom slightly, to ¥13 bn from ¥14 bn, and reduce our target price to ¥1,030 from ¥1,330 (potential return 18.4%) to reflect revisions to our earnings forecasts. Click here for full report.
- We adjust our assumption for FY3/14 S-Pen smartphone stylus shipments, to 28.5mn units from 29mn, to reflect 1Q softness. We expect the announcement of the Galaxy Note III on 4 Sept, followed by production gearing up through Sept and Oct.
- SEC seems poised to announce its Galaxy Note III on 4 Sept, ahead of the IFA show to be held in Germany from 6 Sept. At this point, the specifications are expected to include a display size around 5.7” (vs. about 5.5” for the Note II) and a 13-megapixel camera (vs. 8-megapixel), with Exynos5 Octa Core 5420 or Snapdragon 800 chipsets.
- We value the shares using a P/E of 21x (average P/E over the past three-year cycle; we previously used the cycle peak P/E of 25x) applied to our FY3/14 EPS forecast of ¥49 (previously ¥53).

Bbg/RIC	**6727 JP / 6727.T**	**Price (03 Sep 13 , ¥)**			**858.00**
Rating (prev. rating)	**O (O) [V]**	**TP (prev. TP ¥)**			**1,030 (1,330)**
Shares outstanding (mn)	168.19	Est. pot. % chg. to TP			20
Daily trad vol - 6m avg (mn)	2.3	52-wk range (¥)			1460.0 - 415.8
Daily trad val - 6m avg (US$ mn)	25.3	Mkt cap (¥/US$ bn)			144.3/ 1.4
Free float (%)	70.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders		Absolute (%)	(0.7)	(26.6)	97.9
		Relative (%)	3.2	(32.0)	40.2

Year	**03/12A**	**03/13A**	**03/14E**	**03/15E**	**03/16E**
Revenue (¥ bn)	40.7	61.1	94.4	103.1	106.3
EBITDA (¥ bn)	5.1	9.1	15.1	17.4	18.2
Net profit (¥ bn)	2.2	4.8	8.3	9.3	9.6
EPS (¥)	13.7	29.8	49.1	55.2	57.1
- Change from prev. EPS (%)	n.a.	n.a.	-7.8	-9.4	-12.8
- Consensus EPS (¥)	n.a.	n.a.	47.1	56.8	68.9
EPS growth (%)	10.8	118.2	64.6	12.5	3.4
P/E (x)	62.8	28.8	17.5	15.5	15.0
Dividend yield (%)	0.9	1.3	2.0	2.6	3.5
EV/EBITDA (x)	25.9	13.6	8.2	6.8	6.3
P/B (x)	7.7	4.7	4.2	3.6	3.3
ROE (%)	11.7	19.9	26.0	25.0	22.7
Net debt(cash)/equity (%)	(60.1)	(71.7)	(60.4)	(62.8)	(65.4)

Note1:Wacom Co., Ltd. is a Japan-based manufacturing company. The Company operates in three business segments. Tablet segment , Component segment and Others segment.

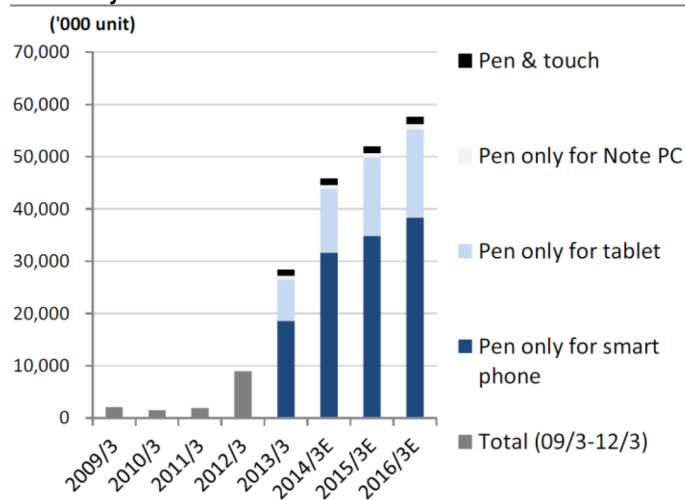
Click here for detailed financials

We adjust our assumption for FY3/14 S-Pen smartphone stylus shipments, to 28.5mn units from 29mn, to reflect 1Q softness. We expect the announcement of the Galaxy Note III on 4 September, followed by production gearing up through September and October. Production may get into full swing during September, so Wacom’s achievement of 1H targets will probably depend on the timing of Samsung Electronics’ (SEC) S-Pen purchasing. However, our channel checks indicate that cumulative annual Note II/Note III production will probably remain at least around 30mn units, and production momentum is likely to pick up sharply in Oct–Dec ahead of the Christmas sales season.

Catalysts

SEC seems poised to announce its Galaxy Note III on 4 September, ahead of the IFA show to be held in Germany from 6 September. At this point, the specifications are expected to include a display size around 5.7” (vs. about 5.5” for the Note II) and a 13-megapixel camera (vs. 8-megapixel), with Exynos5 Octa Core 5420 or Snapdragon 800 chipsets. While there are concerns regarding the high-end market, the indications are that production growth could gain momentum for now. The risk of rival technologies emerging or prices falling in the S-Pen market remains.

Figure 1: We expect S-Pen shipments to expand at CAGR 25% over the next three years



Source: Company data, Credit Suisse estimates.

We lower our FY3/14 OP forecast for Wacom slightly, to ¥13bn from ¥14bn, and reduce our target price to ¥1,030 from ¥1,330 (potential return 18.4%) to reflect revisions to our earnings forecasts. However, we continue to see buying opportunities as we anticipate gradual recovery in production momentum in the component business from 2Q. We expect exaggerated pessimism to recede as production gets into full swing heading into 3Q, and maintain our OUTPERFORM rating.

Valuation

We value the shares using a P/E of 21x (average P/E over the past three-year cycle; we previously used the cycle peak P/E of 25x) applied to our FY3/14 EPS forecast of ¥49 (previously ¥53).

(This is an extract from our Wacom report, Wacom regaining appeal, published on 3 September 2013. For details, please see the CS Research & Analytics website.)

Malaysia

Malaysia Economics --

Malaysia's fuel price hike: Forecasts implications—cutting growth, boosting inflation

Santitarn Sathirathai / Research Analyst / 65 6212 5675 / santitarn.sathirathai@credit-suisse.com

- With the government's recent decision to hike the subsidised fuel prices and postpone some of the infrastructure projects, we have made revisions to our macroeconomic forecasts.
- We cut our 2013 GDP growth forecast to 4.4% from 5% earlier and 2014 estimate to 5% from 5.2% earlier – both of these numbers are now below the consensus expectations. This downgrade reflects headwinds against private consumption from higher fuel prices and likely delays of some infrastructure projects hitting investment.
- We have also boosted forecast for average inflation to 2.1% YoY from 1.9% YoY (for 2013), and to 2.8% from 2.2% (for 2014). This pick-up in inflation is unlikely to push the central bank to hike the policy rate this year.
- We see this shift in policy stance as positive for macroeconomic balances – we cut our 2013 budget deficit to 4% of GDP from 4.5% and believe current account should improve going forward.

Figure 1: CS new macroeconomic forecasts

2013 unless otherwise stated	CS new	CS old	Consensus (August issue of Consensus Economics, pre-fuel price hikes)
GDP growth (% YoY)	***4.4***	5.0	4.8
CPI (% YoY average)	***2.1***	1.9	2.1
Fiscal balance (% of GDP)	***4.0***	4.5	
Current account balance (% of GDP)	***3.0***	3.0	
Policy rate (end-2013)	***3.0***	3.0	
2014 GDP growth	***5.0***	5.2	5.3
2014 CPI (% YoY average)	***2.8***	2.2	2.6

Source: CEIC, Credit Suisse estimates

The Malaysian government unexpectedly raised the prices of subsidised fuels by 20 sen/litre, the first hike since December 2010 (when they were increased by 5 sen)

The widely used Ron 95 gasoline price went to RM2.10 (US$0.64) while the price of diesel rose to RM2. The timing of the move was unexpected as most observers thought an increase would be difficult ahead of the UMNO internal election (19 October) and the 2014 budget announcement (25 October). Even with this subsidy cut, however, the government will still be providing 63 sen and 80 sen subsidies per litre for Ron 95 and diesel products, respectively.

To soften the impact of this fuel price increase, the government will announce an increase in cash payouts to low income households (BR1M) during the budget statement.

Prime Minister Najib also said the government will reschedule some state building projects although it has not yet decided exactly which projects will be postponed. From earlier statements, it seems that projects with high import content and a low multiplier impact on the real economy will most likely to get postponed, with priority projects such as the Mass rail network in KL continuing as planned.

Also, the PM did not rule out the implementation of the long-awaited generalised goods and service taxes (GST), but indicated that any measures relating to the GST will be announced at the budget speech. According to Tan Sri Irwan, the secretary general of the Ministry of Finance statements earlier, if the GST were announced in the 2014 budget speech, it will likely be implemented in 2015 at a rate of between 4% and 4.5%.

We expect to see an improvement in the fiscal and current account balances, higher headline inflation, and slower GDP growth

We have cut our fiscal deficit forecast to 4% of GDP (from 4.5%). The government has estimated that the reduction in fuel subsidies will save about the equivalent of 0.1% of GDP this year and 0.3% of GDP next year. We believe this move, together with the decision to delay some of the infrastructure projects, significantly increases the chance that the government can achieve its fiscal deficit target of 4% this year.

Downgrading our GDP growth forecasts. The government's decision to place greater emphasis on the budget position means that fiscal policy will become less accommodative – with higher fuel prices eroding consumer spending power and postponement of some infrastructure projects capping the overall investment growth. As such, we have cut our 2013 GDP growth forecast to 4.4% from 5% earlier and 2014 estimate to 5% from 5.2% earlier – both these numbers are below the consensus expectations (see Figure 1).

We have boosted inflation forecasts (average rate for 2013 to 2.1% YoY from 1.9% YoY earlier, and 2014 rate to 2.8% from 2.2%). We have estimated that the hike will immediately add nearly 1 pp to the headline inflation with some potential second round impact via the increase in transport costs affecting items such as food. We still believe inflation will remain manageable – this hike is well-timed in the sense that it comes when inflation pressure is very low.

2013 current account forecast maintained at 3%. The government announcement, together with the likely pick in the global trade cycle, will help the current account going forward. In our view, the worst of the current account deterioration is probably behind us.

We maintain our view that Bank Negara will not raise the policy rate until next year

With the government tightening up the fiscal stance (with negative implications for GDP growth), and inflation pressures likely to remain manageable, even after the fuel price hikes, we doubt the central bank will be in a rush to raise the policy rate this year. This view is strengthened by the fact that it has already issued a series of macro prudential measures to tackle household leverage issue already.

However, they think that large foreign investors' holding of government bonds and central bank bills will continue to be an overhang on the ringgit in the medium term, especially with the risk of US Fed tapering in September. They see risks of USDMYR trading lower (stronger ringgit) than their three-month forecast of 3.3 in the near term.

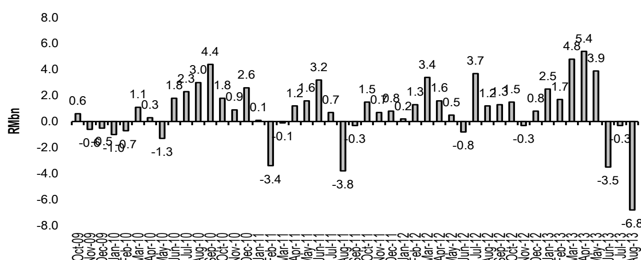
Malaysia Market Strategy--

Record flows by foreign and domestic institutions since 2009

Tan Ting Min / Research Analyst / 60 3 2723 2080 / tingmin.tan@credit-suisse.com

- Foreign institutions were net sellers again in August 2013, amounting to RM6.8 bn, a record high since the data started in late 2009. Malaysia was no different from Indonesia, India, Thailand, Philippines and Taiwan which also saw outflows.
- Despite the sell-down in August, foreigners are still net buyers of Malaysian equities amounting to RM7.7 bn YTD (or US$2.6 bn).
- Domestic institutions absorbed most of the foreign selling, as net domestic buying amounted to a record RM6.4 bn. YTD, domestic institutions have turned net buyers of RM3.0 bn.
- The government's move to cut subsidies on gasoline and diesel is a step in the right direction in addressing Malaysia's fiscal position. More measures are expected during the Budget on 25 October - GST, more rationalisation of subsidies, deferments of some public sector projects and the imposition of the Real Property Gains Tax.

Figure 1: Foreign institutions were net sellers again in August 2013



Source: Bursa

Net foreign institutional were net sellers in August 2013

Foreign institutions were net sellers again in August 2013 (after selling in June and July), amounting to RM6.8 bn, a record high since the data started in late 2009. Malaysia was no different from Indonesia, India, Thailand, Philippines and Taiwan which also saw outflows

Despite the sell-down in August, foreigners are still net buyers of Malaysian equities amounting to RM7.7 bn YTD (or US$2.6 bn). Besides Malaysia, India, Philippines and Taiwan are still seeing net foreign inflow YTD. If the bearish sentiment continues, Malaysia may see some profit-taking.

Figure 2: Malaysia's foreign inflows vs other Emerging Asian markets

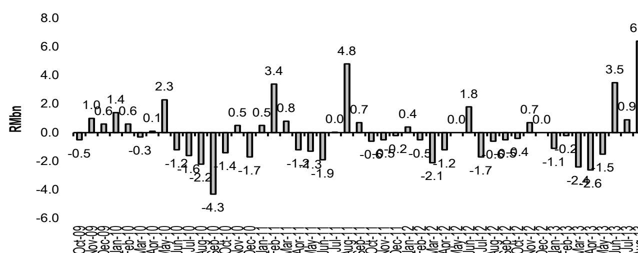
US$ mn	India	Indonesia	Korea	Philippines	Taiwan	Thailand	Malaysia
Net foreign flows – Aug3	-903	-541	1,951	-430	-1,523	-1,264	-2,125
Net foreign flows YTD	11,608	-849	-5,262	1,210	1,302	-3,775	2,645
YTD inflows as a % of total	169%	-12%	-76%	18%	19%	-55%	38%

Source: MSCI, Credit Suisse estimates.

Domestic institutions were net buyers

Domestic institutions absorbed the selling by the foreigners in August, as net buying amounted to a record RM6.4 bn. With the August data, domestic institutions have turned net buyers of RM3.0 bn YTD.

Figure 3: Domestic institutions turned net buyers in August



Source: Bursa

Calming the markets with the right message

The Malaysian government's move to raise gasoline prices by 20 sen per litre, the first hike since December 2010 (up 5 sen/litre) bodes well for Malaysia's fiscal position and sends the right message to the investment community. This will hopefully calm the markets, and reduce Ringgit volatility. More measures are expected during the 2014 Budget that will be announced on 25 October.

- The introduction of the GST is "a must, not an option", says the Ministry of Finance. GST could be implemented in 2015.
- Next subsidy rationalisation could involve electricity tariffs, potentially in December 2013.
- Public sector projects that have a big impact on public finances will be reviewed and staggered out.
- The government could be looking to increase the Real Property Gains Tax and Stamp Duty.
- The reform package will also look at the corporate tax rate, the personal income tax rate, rebates for SMEs and the continuation of the BR1M.

Our top picks in Malaysia

Figure 4: Top picks in Malaysia

Name	Ticker	Price (RM)	Rating	TP (RM)	P/E t	P/E t+1	P/E t+2	P/B t+1	Div yield	ROE t+1
Digi	DIGI MK	4.68	O/P	6.25	30.2	21.5	19.3	148.7	4.7%	692.1%
UEMS	UEMS MK	2.47	O/P	3.65	23.2	19.7	16.7	1.9	1.2%	10.3%
Maxis	MAXIS MK	6.87	O/P	8.00	27.8	25.0	25.2	8.4	5.8%	33.7%
Gamuda	GAM MK	4.48	O/P	5.50	17.7	17.3	13.3	2.1	2.5%	12.8%
Genting	GENT MK	9.30	O/P	11.50	8.7	14.7	13.9	1.4	0.7%	9.8%
IJM	IJM MK	5.52	O/P	7.28	18.2	13.1	10.8	1.3	1.6%	9.8%
RHB Cap	RHBC MK	7.32	O/P	8.80	10.9	10.2	8.7	1.1	2.9%	10.9%
Alliance	AFG MK	5.02	O/P	5.63	14.4	12.2	10.9	1.8	3.7%	14.5%
IJM Land	IJMLD MK	2.41	O/P	3.80	16.9	12.5	10.0	1.1	1.7%	8.9%

Figure 5: Top sells in Malaysia

Name	Ticker	Price (RM)	Rating	TP (RM)	P/E t	P/E t+1	P/E t+2	P/B t+1	Div yield	ROE t+1
Maybank	MAY MK	9.99	N	9.90	14.7	14.1	12.9	1.9	5.3%	13.3%
TM	T MK	5.40	U/P	4.40	21.9	22.6	23.7	2.8	4.1%	12.3%
MAS	MAS MK	0.32	U/P	0.28	-2.4	119.0	37.7	1.0	0.0%	0.8%
MISC	MISC MK	4.70	U/P	4.20	27.6	15.0	12.5	0.9	2.1%	6.2%
YTL Power	YTLP MK	1.59	U/P	1.40	12.1	12.7	12.1	1.2	1.2%	9.4%
Felda	FGV MK	4.25	U/P	4.00	19.2	25.8	18.7	2.4	2.3%	9.5%
IGB REIT	IGBREIT MK	1.20	U/P	1.30	21.8	20.6	19.7	1.1	5.7%	5.3%

Source: Credit Suisse estimates

Philippines

Globe Telecom Inc ----Maintain NEUTRAL

Strong growth largely priced in EPS: ▲ TP: ◄►

Chate Benchavitvilai / Research Analyst / 852 2101 7040 / chate.benchavitvilai@credit-suisse.com

- We maintain our NEUTRAL rating on Globe with a DCF-based target price of P1,700 per share (13% potential upside).
- Globe has outperformed PLDT on top-line growth, increasing its mobile revenue market share to 41.4% in 2Q13A from 39.0% in 1Q12A. This has been driven by a combination of strong execution, aggressive subsidies and early smartphone adoption on the postpaid side (postpaid ~38% of Globe's mobile revenue vs PLDT's 18%).
- However, these were also partly offset by higher OPEX and capex (which affects DCF and longer term EPS). While we revise up Globe's FY13-14E EPS by 4-6% to reflect higher service revenue enough to offset higher OPEX, our DCF remains unchanged as higher EBITDA is offset by higher capex in the medium term.
- Given Globe's 26% outperformance relative to PLDT over the past 12 months, we believe Globe's strong growth is largely priced in despite the recent correction. Globe is trading at an FY13-14E P/E of 18.1/15.6x, a premium relative to PLDT while FY13-14E dividend yields of 4.6-5.2% are lower than PLDT's.

Bbg/RIC	**GLO PM / GLO.PS**	**Price (02 Sep 13 , P)**			**1,511.00**
Rating (prev. rating)	**N (N)**	**TP (prev. TP P)**			**1,700 (1,700)**
Shares outstanding (mn)	132.54	Est. pot. % chg. to TP			13
Daily trad vol - 6m avg (mn)	0.1	52-wk range (P)			1649.0 - 1066.0
Daily trad val - 6m avg (US$ mn)	2.5	Mkt cap (P/US$ bn)			200.3/ 4.5
Free float (%)	21.3	**Performance**	**1M**	**3M**	**12M**
Major shareholders	Singapore Telecom	Absolute (%)	(7.3)	(0.4)	32.0
	(44.545%)	Relative (%)	(10.3)	(0.2)	19.2

Year	**12/11A**	**12/12A**	**12/13E**	**12/14E**	**12/15E**
Revenue (P mn)	81,518	86,446	94,989	102,130	106,588
EBITDA (P mn)	35,115	35,011	37,139	41,127	43,839
Net profit (P mn)	9,995	10,242	11,042	12,812	14,029
EPS (P)	76	77	83	97	106
- Change from prev. EPS (%)	n.a.	n.a.	6	4	0
- Consensus EPS (P)	n.a.	n.a.	75	94	109
EPS growth (%)	10.7	2.4	7.8	16.0	9.5
P/E (x)	20.0	19.5	18.1	15.6	14.3
Dividend yield (%)	4.2	4.4	4.6	5.2	5.9
EV/EBITDA (x)	6.9	7.3	7.0	6.2	5.7
P/B (x)	4.2	4.3	4.8	4.7	4.5
ROE (%)	21.2	21.7	25.1	30.5	32.4
Net debt(cash)/equity (%)	89.9	117.7	140.1	128.9	112.0

Note 1: ORD/ADR=1.00. Note 2: Globe Telecom, Inc. is a provider of telecommunications services in the Philippines, supported by over 5,600 employees and over 750,000 retailers, distributors, suppliers, and business partners nationwide.

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Key beneficiary of mobile recovery and data growth

We maintain our view that Globe could be the key beneficiary when the industry repair happens given its high exposure to mobile segment (>90% of EBITDA coming from mobile). Globe is also well-positioned for non-SMS data growth given its high post-paid exposure while its on-net scale disadvantage is also less relevant compared to voice/SMS services. Globe should also receive support from STEL in terms of experience and platforms for further data monetisation (e.g., mobile advertising platform).

Gaining market share as subscriber investment paid-off…

Globe has clearly outperformed PLDT on top-line growth, increasing its mobile service revenue market share to 41.4% in 2Q13A from 39.0% in 1Q12A, even after PLDT's acquisition of Sun in 4Q11. This in our view was driven by a combination of (1) strong execution in terms of promotions both on postpaid and prepaid sides, (2) aggressive handset subsidies to capture postpaid and smartphone growth particularly in FY12A and (3) Globe's relatively high postpaid exposure (postpaid is ~38% of Globe's mobile revenue vs PLDT's ~18%). This means it benefit from early adoption of smartphones which has mainly been on the postpaid side (higher ARPU, better affordability).

Figure 1: Globe – forecasts summary

	2010	**2011**	**2012**	**2013F**	**2014F**	**2015F**
Wireless revenue	59,805	63,538	67,189	73,261	79,135	82,548
Wireline revenue	12,411	14,227	15,554	17,590	18,845	19,804
Service revenues	**72,216**	**77,765**	**82,743**	**90,852**	**97,980**	**102,352**
YoY growth (%)	-1.0%	7.7%	6.4%	9.8%	7.8%	4.5%
EBITDA	**33,033**	**35,115**	**35,011**	**37,139**	**41,127**	**43,839**
YoY growth (%)	-9.4%	6.3%	-0.3%	6.1%	10.7%	6.6%
EBITDA margin (%)	45.7%	45.2%	42.3%	40.9%	42.0%	42.8%
Capex	**(19,467)**	**(17,417)**	**(26,810)**	**(27,565)**	**(18,963)**	**(18,595)**
Capex to sales (%)	27.0%	22.4%	32.4%	30.3%	19.4%	18.2%
FCF	**7,509**	**11,670**	**3,784**	**5,253**	**14,841**	**16,740**
YoY growth (%)	65.3%	55.4%	-67.6%	38.8%	182.5%	12.8%
Core net profit	**9,075**	**10,030**	**10,275**	**11,075**	**12,845**	**14,062**
YoY growth (%)	-24.4%	10.5%	2.4%	7.8%	16.0%	9.5%

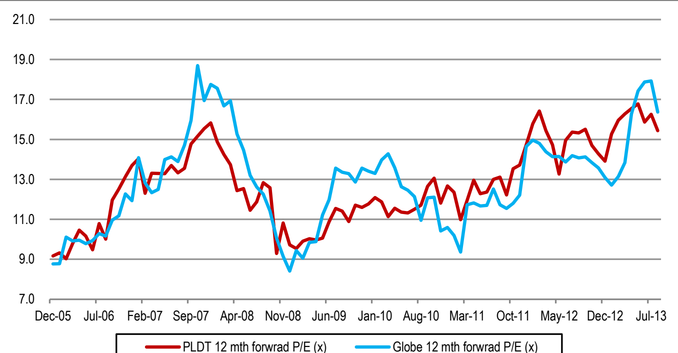
Source: Company data, Credit Suisse estimates.

…though partly offset by high capex and largely priced-in.

However, Globe's strong top-line growth was also partly offset by higher OPEX and capex (the latter affects DCF and longer term EPS). While we revised up Globe's FY13-14E EPS by 4-6% to reflect higher service revenue enough to offset higher OPEX, our DCF valuation remains unchanged as higher EBITDA is offset by higher capex.

Given Globe's 26% outperformance relative to PLDT over the past 12 months despite the recent correction, we believe Globe's growth opportunities could largely be priced in. Globe is trading at an FY13-14E P/E of 18.1/15.6x, a premium relative to PLDT while FY13-14E dividend yields of 4.6-5.2% (82-83% payout) are lower than PLDT's.

Figure 2: Globe 12-mth forward P/E versus PLDT



Source: MSCI, Factset, Credit Suisse estimates

Philippine Long Distance Telephone--------------------------------- Maintain OUTPERFORM

The bottom is behind us **EPS: ▼ TP: ◄►**

Chate Benchavitvilai / Research Analyst / 852 2101 7040 / chate.benchavitvilai@credit-suisse.com
Colin McCallum, CA / Research Analyst / 852 2101 6514 / colin.mccallum@credit-suisse.com

- We maintain OUTPERFORM rating on PLDT with a DCF-based TP of P3,500 (22% potential upside), supported by 6.6% yield.
- While PLDT's growth was slower than Globe, we highlight the following: (1) Revenues of both PLDT and Globe are now growing again and they are competing for a share of the bigger revenue pie. (2) Non-SMS data is becoming a more important growth driver and should accelerate further. (3) Management did not comment directly on competition but on focus on growth strategies such as smartphone/multimedia.
- Our recent meeting with PLDT's new head of consumer wireless was encouraging. PLDT has identified and started working on issues its wireless is facing, focusing on operational improvements, product segmentation and speeding up PLDT/DGTL integration.
- While we revise down PLDT's FY13-15E EPS by 1.1-5.6% to reflect higher costs, we maintain our view that the bottom for PLDT is already behind us, with more visible turnaround in 2H13E. We expect 5.4%/3.7%/10.4% YoY growth in core net income in FY13-15E, and our FY15E EPS remains 4% ahead of consensus.

Bbg/RIC	TEL PM / TEL.PS	Price (02 Sep 13 , P)			2,860.00
Rating (prev. rating)	O (O)	TP (prev. TP P)			3,500 (3,500)
Shares outstanding (mn)	216.06	Est. pot. % chg. to TP			22
Daily trad vol - 6m avg (mn)	0.2	52-wk range (P)			3250.0 - 2480.0
Daily trad val - 6m avg (US$ mn)	12.0	Mkt cap (P/US$ bn)			617.9/ 13.9
Free float (%)	41.1	**Performance**	**1M**	**3M**	**12M**
Major shareholders	First Pacific (25.8%)	Absolute (%)	(7.0)	(1.0)	4.4
		Relative (%)	(10.0)	(0.8)	(8.4)

Year	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue (P mn)	156,603	172,626	168,655	176,244	183,809
EBITDA (P mn)	79,959	77,258	79,669	86,751	93,156
Net profit (P mn)	38,577	37,281	39,296	40,757	45,011
EPS (P)	202	173	182	189	208
- Change from prev. EPS (%)	n.a.	n.a.	(1)	(5)	(6)
- Consensus EPS (P)	n.a.	n.a.	179	190	199
EPS growth (%)	(9.4)	(14.4)	5.4	3.7	10.4
P/E (x)	14.2	16.6	15.7	15.2	13.7
Dividend yield (%)	6.6	6.0	6.3	6.6	7.3
EV/EBITDA (x)	8.6	9.0	8.7	7.9	7.4
P/B (x)	4.2	4.2	4.2	4.2	4.2
ROE (%)	32.1	25.2	26.5	27.5	30.3
Net debt (cash)/equity (%)	46.4	52.3	48.1	47.9	48.3

Note 1: ORD/ADR=1.00. Note 2: The Philippine Long Distance Telephone Company (PLDT) is a telecommunications service provider in the Philippines. The company's segments include wireless, fixed line and information and communications technology.

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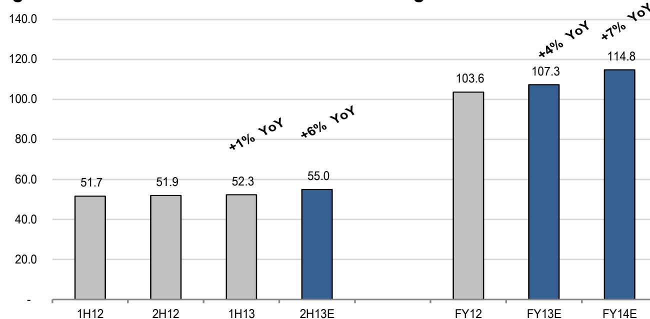
Emerging signs of growth

PLDT has clearly underperformed Globe in terms of mobile revenue growth in 1H13; thus, its mobile revenue market share declined to 58.6% in 2Q13 (from 61.0% in 1Q12A). However, we highlight three positive takeaways from PLDT's 1H13 result. First, revenues of both PLDT and Globe are now growing again (and both on postpaid and prepaid sides) and thus are competing for the share of a "bigger revenue pie" rather than a shrinking one. Second, PLDT's non-SMS data revenue grew 27% YoY is 2Q13; this is becoming a more important growth contributor from a low base, and should further accelerate as smartphone penetration increases. Third, management did not comment directly on competition/market share after 2Q13 results, but focused on its strategies for growth and media. We believe these are encouraging signs for both PLDT and industry.

Figure 1: We believe PLDT's mobile revenue growth could accelerate



Source: Company data, Credit Suisse estimates

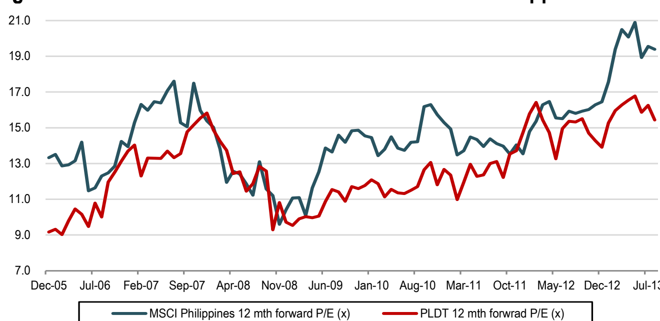
We expect improvements at PLDT with new management

We have been quite disappointed by PLDT's lack of improvement in mobile pricing and execution, poor product segmentation (internal cannibalisation) and limited visible synergies post-DGTL acquisition. However, our recent meeting with PLDT's new head of consumer wireless, Mr Charles A. Lim, was encouraging. We believe Charles has already identified these issues and started working on them, focusing on operational improvements, product segmentation and speeding up the integration between PLDT and DGTL.

Bottom is behind for PLDT; maintain OUTPERFORM

We expect PLDT to deliver better mobile service revenue growth into 2H13E, driven by postpaid efforts, prepaid stability and non-SMS data growth. While we lower PLDT's FY13-15E by 1.1-5.6% mainly to reflect higher costs, we highlight: (1) our view that the bottom is behind for PLDT, and we expect 5.4%/3.7%/10.4% YoY growth in core earnings over FY13-15E; and (2) while we are in line with consensus on FY14E EPS, we remain 4% higher than consensus for FY15E. PLDT is trading at 15.2x FY14E P/E, a discount relative to the market while we expect strong recovery into FY15E. The share price should also be supported by FY13-14E dividend yields of 6.3-6.6% (100% payout). We maintain OUTPERFORM with P3,500 DCF TP.

Figure 2: PLDT's 12-month forward P/E versus MSCI Philippines



Source: MSCI, Fact set, Credit Suisse estimates

Singapore

Global Logistic Properties -- Maintain OUTPERFORM

J-REIT buys 9 assets from GLP and GLP JP Income Partners I for US$564 mn

EPS: ▲ TP: ◄►

Yvonne Voon / Research Analyst / 65 6212 3026 / yvonne.voon@credit-suisse.com
Sing Ping Chok / Research Analyst / 65 6212 3011 / singping.chok@credit-suisse.com

- GLP J-REIT acquired nine assets—two from GLP at US$287 mn (¥28.5 bn) and seven from the GLP Japan Income Partners I fund (GLP owns 33.3%) at US$277 mn (¥27.5 bn). NPI yields were c.5% and 6%, respectively.
- J-REIT will part finance with debt and equity (potentially issue up to 14.1% or 249,995 units). Given the acquisition yield of 5-6% and the trading yield of 4.6%, our Japan research team estimates the transaction could add ~7% to the NAV and 9-10% to DPU. GLP will use proceeds to reinvest in business and subscribe to the J-REIT's placement to maintain its 15% stake.
- It is a win-win deal for J-REIT and GLP as the latter is able to unlock value, realise fund management fee and recycle its assets into J-REIT, while acquisition will add value to the former.
- Although positive for J-REIT, cap rate levels have not met anticipated compression levels, therefore neutral for GLP. Maintain OUTPERFORM on GLP as we like it as a proxy to the defensive logistics sector, with growth kicker from developments.

Bbg/RIC	GLP SP / GLPL.SI	Price (03 Sep 13 , S$)			2.81
Rating (prev. rating)	O (O)	TP (prev. TP S$)			3.15 (3.15)
Shares outstanding (mn)	4,759.43	Est. pot. % chg. to TP			12
Daily trad vol - 6m avg (mn)	15.2	52-wk range (S$)			2.98 - 2.35
Daily trad val - 6m avg (US$ mn)	32.9	Mkt cap (S$/US$ bn)			13.4/ 10.5
Free float (%)	63.6	Performance	1M	3M	12M
Major shareholders	GIC (36.4%)	Absolute (%)	(2.1)	2.9	18.1
		Relative (%)	4.0	8.7	16.8

Year	03/12A	03/13A	03/14E	03/15E	03/16E
EBITDA (US$ mn)	507.8	596.2	433.1	501.4	555.5
Net profit (US$ mn)	314.1	349.9	320.2	321.3	350.0
EPS (US$)	0.07	0.07	0.07	0.07	0.07
- Change from prev. EPS (%)	n.a.	n.a.	1	(1)	(1)
- Consensus EPS (US$)	n.a.	n.a.	0.06	0.08	0.09
EPS growth (%)	(26.3)	7.5	(8.6)	0.3	8.8
P/E (x)	32.3	30.0	32.9	32.8	30.1
Dividend yield (%)	1.1	1.5	1.2	1.2	1.3
EV/EBITDA (x)	25.7	19.1	28.3	26.2	25.1
ROE (%)	4.4	4.3	3.6	3.4	3.7
Net debt(cash)/equity (%)	30.8	10.2	17.1	26.5	32.7
NAV per share (US$)	—	—	3.15	—	—
Disc./(prem.) to NAV (%)	—	—	30.1	—	—

Note 1: ORD/ADR=10.00. Note 2: One of the world's leading logistics providers, with market leadership in China, Japan and Brazil.

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Figure 1: Summary of acquisition details

Asset	Vendor	Sale Px (¥ mn)	Location	GFA (sqm)	Completion
Hamura	GLP JIP I	7,660	Tokyo	43,000	Oct-13
Sodegaura	GLP JIP I	6,150	Gr. Tokyo	51,000	Oct-13
Kuwana	GLP JIP I	3,650	Gr. Nagoya	20,000	Oct-13
Rokko II	GLP JIP I	3,430	Gr. Osaka	21,000	Oct-13
Funabashi III	GLP JIP I	3,050	Gr. Tokyo	18,000	Oct-13
Hatsukaichi	GLP JIP I	1,980	Gr. Hiroshima	12,000	Oct-13
Ebetsu	GLP JIP I	1,580	Sapporo	19,000	Oct-13
Urayasu III	GLP	18,200	Gr. Tokyo	69,000	Mar-14
Komaki	GLP	10,300	Nagoya	57,000	Mar-14

Source: Company data

J-REIT buys 9 assets from GLP, GLP JP Income Partners I

GLP J-REIT announced the acquisition of nine assets at market value—two assets now wholly-owned by GLP worth US$287 mn (¥28.5 bn; acquisition price at a 1% premium to last valuation) and seven from the GLP Japan Income Partners I fund (GLP owns 33.3%) worth US$277 mn (¥27.5 bn). We understand the NPI yield for the two assets sold by GLP was c.5%, which is broadly in line with the 5.2% portfolio cap rate as at Jun-13, while the seven assets were bought at 6% (via an auction).

J-REIT to issue equity to part finance the deal

J-REIT will require a combination of equity and debt to finance, and may potentially issue up to 14.1% (or 249,995 units) in equity. Given the acquisition yield of 5-6% and the trading yield of 4.6% (and an even lower debt cost), our Japan research team estimates the transaction could add ~7% to the NAV and some 9-10% to the DPU.

Use of proceeds from sale

GLP will receive a proportionate net cash proceeds from the divestment of the seven assets (via the fund) of US$30 mn, which it plans to hedge the proceeds for. Along with the divestment proceeds of US$287 mn for the other two assets, management plans to use the proceeds to (1) reinvest into its developments in China, Japan and Brazil, and (2) subscribe to its proportionate stake in the J-REIT placement to maintain its 15% stake.

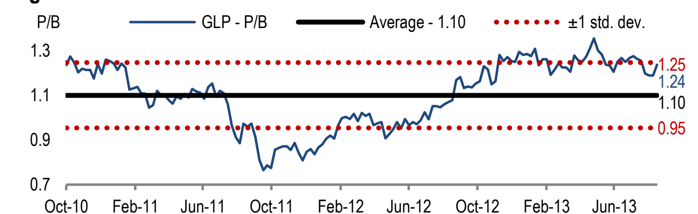
Win-win for J-REIT and GLP

The sale of the seven assets (expected completion in Oct) would have generated a cumulative net levered IRR of >46% before management fees and promotes, since its acquisition in Feb-12. Also, GLP will be able to realise fund management fee stream from the assets, which will part offset the loss of income from the two assets sold. Meanwhile, the accretion to J-REIT would add to our RNAV, although J-REIT remains a small contributor to our GAV at 4%. From a strategic standpoint, management will continue to recycle its assets into J-REIT, although it is in no hurry to divest so quickly given sufficient capital (hence Mar-14 completion for the two assets).

Not as much 'cap rate compression' yet though

While the divestment of assets into J-REIT has been seen as one of the positive catalysts for the stock, we highlight that the divestment cap rate has been relatively unexciting in light of the highly anticipated 'cap rate compression' theme in Japan. Hence we believe this transaction is relatively neutral for GLP, but positive for J-REIT. We have made minor adjustments post the divestment of the assets, but no changes to our S$3.15 target price. We continue to like GLP as a proxy to the defensive logistics sector, with an added growth kicker from developments. Maintain OUTPERFORM on GLP.

Figure 2: GLP P/B



Source: Company data, Bloomberg

South Korea

Daelim Industrial -- Maintain OUTPERFORM

Cruising core operation

EPS: ◄► TP: ◄►

Minseok Sinn / Research Analyst / 82 2 3707 8898 / minseok.sinn@credit-suisse.com
Hayoung Chung / Research Analyst / 822 3707 3795 / hayoung.chung@credit-suisse.com

- Daelim Ind's YTD new orders of W6.1 tn are largely on track with our forecast of W11.0 tn for 2013, while the current street expectation for the company's 2013 new orders appears similar to or slightly lower than our forecast.
- Meanwhile, Daelim Ind's consistently stable '*Unclaimed works*' balance (including 2Q13) implies a higher probability for steady overseas margin outlook, in our view, given that cost overrun is one of the key reasons for the increasing balance.
- Daelim Ind remains our top pick in Korea's E&C sector. We like the company for its (1) stellar earnings growth outlook with an EBITDA CAGR of 10% over 2012-14E, driven by overseas business and non-E&C subsidiaries, (2) a relatively higher visibility in overseas profitability, and (3) compelling valuation.
- While we fail to find any justifiable reason for the stock's current relative valuation discount to its peers, we anticipate Daelim Ind's steady earnings growth/consistent margin deliveries to drive the gradual narrowing of the discount.

Bbg/RIC	000210 KS / 000210.KS	Price (03 Sep 13 , W)			93,300
Rating (prev. rating)	O (O) [V]	TP (prev. TP W)			120,000 (120,000)
Shares outstanding (mn)	34.80	Est. pot. % chg. to TP			29
Daily trad vol - 6m avg (mn)	0.3	52-wk range (W)			102000.0 - 67600.0
Daily trad val - 6m avg (US$ mn)	21.0	Mkt cap (W/US$ bn)			3,246.8/ 3.0
Free float (%)	76.0	Performance	1M	3M	12M
Major shareholders	Daelim Corp 21.7%	Absolute (%)	5.8	1.4	3.1
		Relative (%)	5.2	2.7	2.0

Year	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue (W bn)	7,988	10,253	10,913	12,044	12,910
EBITDA (W bn)	487.8	543.2	581.9	653.6	685.8
Net profit (W bn)	379.8	400.8	428.5	496.3	562.4
EPS (W)	9,840	10,383	11,100	12,856	14,570
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (W)	n.a.	n.a.	11,324	12,730	14,223
EPS growth (%)	7.3	5.5	6.9	15.8	13.3
P/E (x)	9.5	9.0	8.4	7.3	6.4
Dividend yield (%)	0.5	0.5	0.5	0.5	0.5
EV/EBITDA (x)	8.0	6.0	5.7	4.5	4.0
P/B (x)	0.8	0.7	0.7	0.6	0.6
ROE (%)	8.7	8.4	8.4	8.9	9.3
Net debt(cash)/equity (%)	14.3	0.6	1.1	(5.2)	(7.5)

Note 1: Daelim Industrial Co., Ltd. is a Korea-based company mainly engaged in the engineering and construction business.

Click here for detailed financials

YTD overseas new orders on track

Daelim Industrial's YTD new orders of W6.1 tn (domestic: 2.0, overseas: 4.1) are behind management's 2013 new order guidance of W13.0 tn (domestic: 4.3, overseas: 8.7), which seems challenging. On the other hand, the YTD new orders are indeed largely on track with our forecast of W11.0 tn (domestic: 4.2, overseas : 6.8) for 2013 considering several sizable ongoing overseas biddings that are likely to be finalised before end of the year, while what the street currently expects for the company's 2013 new orders appears similar to or slightly lower than our forecast. Along with increasing earnings contributions from its non-E&C/ petrochemical subsidiaries (i.e., Daelim Motors, Pocheon Power), we anticipate the strong overseas new order momentum to drive steady EBITDA CAGR of 10% over 2012-14E for Daelim Industrial.

Figure 1: Daelim Ind—new orders (actual vs. business plan)

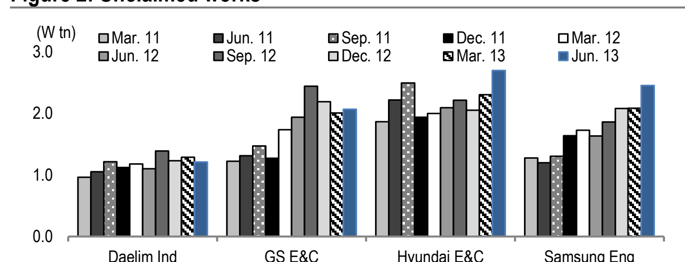
	Actual			Business plan			Actual/Plan (%)		
(W tn)	Dome.	Over.	Total	Dome.	Over.	Total	Dome.	Over.	Total
2010	5.0	2.7	7.7	5.6	4.0	9.6	89	68	80
2011	4.8	5.9	10.7	5.0	5.8	10.8	96	102	99
2012	4.9	3.6	8.5	5.8	7.9	13.7	84	46	62
2013 YTD	2.0	4.1	6.1	4.3	8.7	13.0	47	47	47
2013E CS	4.2	6.8	11.0	4.3	8.7	13.0	98	78	85

Note: 2010: Parent, 2011-13: Consolidated. Source: Company data, Credit Suisse estimates

Steady overseas margin outlook remains intact

Daelim Industrial's '*Unclaimed works*' balance had again remained stable during 2Q13, whereas couple of its peers reported increased '*Unclaimed works*' balances during the period. While cost overrun is one of the key reasons for the increasing balance, its consistently stable '*Unclaimed works*' balance implies a higher probability for steady overseas margin outlook for Daelim Ind, in our view. Management also insists no sign of notable cost overrun in 2H13 and zero loss-making project out of its current overseas backlog.

Figure 2: Unclaimed works



Source: Company data

Appealing valuation also a key driver

Daelim Industrial's valuation still remains compelling both absolutely and relatively, despite the stock's rebound in recent weeks. While we fail to find any justifiable reason for the stock's current relative valuation discount to its peers, particularly given its steady margin and earnings growth outlook, we anticipate Daelim Ind's steady earnings growth/consistent margin deliveries to drive the gradual narrowing of the discount.

Valuation metrics

Company	Ticker	Rating	Price		Year	P/E (x)		P/B (x)
			Local	Target	T	T+1	T+2	T+1
Daelim Ind	000210.KS	O	93,300	120,000	12/12	8.4	7.3	0.7
Daewoo E&C	047040.KS	U	7,760	7,000	12/12	11.0	11.6	0.9
GS E&C	006360.KS	N	37,300	31,000	12/12	n.m.	38.9	0.6
Hyundai Dev	012630.KS	O	22,800	27,000	12/12	n.m.	10.6	0.7
Hyundai E&C	000720.KS	O	58,800	72,000	12/12	10.4	8.8	1.2
Samsung C&T	000830.KS	O	57,400	65,000	12/12	28.7	25.2	0.8
Samsung Eng	028050.KS	N	85,700	83,000	12/12	n.m.	9.7	2.2

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM
Source: Company data, Credit Suisse estimates

Ratings history (000210.KS)

Date	Old rating	New rating	Old TP	New TP
Mar 5, 2013	OUTPERFORM	OUTPERFORM	W125,000	W140,000
Apr 17, 2013	OUTPERFORM	OUTPERFORM	W140,000	W120,000

Taiwan

Taiwan Cement Sector

TCC's analyst meeting reaffirms our positive view; reiterate OUTPERFORM on TCC

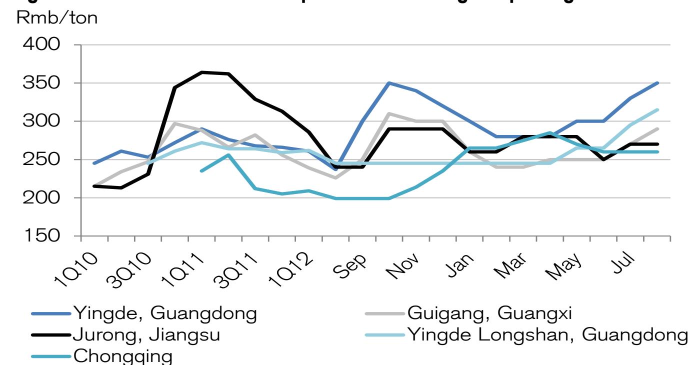
Jeremy Chen / Research Analyst / 886 2 2715 6368 / jeremy.chen@credit-suisse.com

- Analyst meeting Tuesday reaffirms our positive view on TCC as 2H13 cement pricing outlook appears stronger than our expectation. The company plans to raise the GD/GX ASP by Rmb20/t in September, the third increase since June, helped by stronger demand in Southern China.
- ACC's cement ASP also started to rebound after two months of pullback. ACC raised Jiangxi's cement price by Rmb30/t (9%) and clinker price in Wuhan by Rmb10-20/t (3-6%), as the overall demand environment has shown signs of improvement.
- Taiwan's MoEA has finalised the second round of electricity price hike by an average of 8.49%, effective from 1 October 2013. The impact should be limited to TCC/ACC as our analysis shows only 0.9% impact on TCC/ACC's 2014E net profit.
- We have been relatively more constructive on cement vs. other commodities in 2013. The stronger-than-expected cement price rebound in GD/GX continues to reinforce our OUTPERFORM rating on TCC. Our target price of NT$45 suggests 15% potential upside. We keep a NEUTRAL rating on ACC on fair valuation.

Taiwan Cement: Analyst meeting recap

In the analyst meeting Tuesday, TCC indicated that it has raised Guangdong/Guangxi ASP by another Rmb20/t (6-7%) in August, helped by better construction activities. Management aims to raise the ASP by another Rmb20/t in September on the back of reconstruction demand due to recent flooding in Guangdong/Guangxi areas. If successful, this could bring upsides to our current forecast of a 3-5% ASP hike in 3Q13.

Figure 1: TCC—GD/GX cement prices are leading the pricing rebound



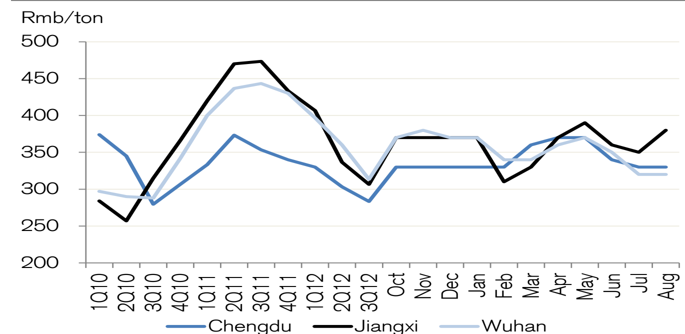
Source: Company data, Credit Suisse estimates

On the other hand, outlook for TCC's other non-cement subsidiaries remain bleak. Management sees no sign of turnaround in 2H13 for Taiwan Prosperity Chemical, as supply/demand dynamics for phenol is expected to deteriorate with more capacities coming in 2013/14. China Synthetic Rubber also reported a 62% YoY profit slump in 1H13 as dragged by falling carbon black prices. Management expects the company to continue to suffer from low-price competition from China in 2H13, due to global overcapacity.

Asia Cement: ASP stabilised in August

ACC's cement ASP started to recover after two month's pullback. Jiangxi's cement price was bumped up by Rmb30/t (9%). Management indicated that it has seen more supply in Jiangxi area being diverted to Eastern China, where power rationing has caused supply tightness there. This has helped to alleviate the oversupply situation in Jiangxi area, which allows ACC to initiate the August price hike. Net-net, ACC guided 3Q13 GP/t to only fall slightly from Rmb66 in 2Q13 despite low seasonality, thanks to the resilient pricing.

Figure 2: ACC: cement price stabilized after two month's pullback



Source: Company data, Credit Suisse estimates

Limited impact from electricity price hike

Taiwan's Ministry of Economic Affairs (MoEA) has finalised the second round of a three-stage hike in electricity rates by an average of 8.49% versus the previous plan for a 9.64% increase. The new electricity rate will become effective from 1 October 2013.

Electricity as a percentage of COGS is the highest for cement (12-13%) followed by steel (4%). However, as Taiwan Cement and Asia Cement expanded aggressively in China over the years, the domestic cement operation is no longer a major profit contributor. We only estimate an EPS impact of 0.9% for both companies.

Valuation metrics

Company	Ticker	Rating (prev. rating)	Price		TP chg (%)	Up/dn to TP (%)	Year	EPS change (%)		EPS		EPS growth (%)		P/E (x)		Div. yld. (%)	ROE (%)	P/B (x)
			Local	Target			T	T+1	T+2	T+1	T+2	T+1	T+2	T+1	T+2	T+1	T+1	T+1
Taiwan Cement	1101.TW	O	39.20	45.00	0	15	12/12	0	0	2.59	3.05	24	18	15.1	12.9	4.8	12.7	1.4
Asia Cement	1102.TW	N	37.65	36.27	0	(4)	12/12	0	0	2.41	2.59	28	7	15.6	14.6	4.4	11.8	1.4

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM

Source: Company data, Credit Suisse estimates

Thailand

Thailand Property Sector -- Maintain OVERWEIGHT

Staying active on new launches in 2H could prove to be a good decision for big Thai developers

Chai Techakumpuch / Research Analyst / 66 2 614 6211 / chai.techakumpuch@credit-suisse.com

- We reiterate our positive view on big Thai property developer stocks on the idea that we believe these developers will continue to do relatively well in the currently weak economy while the smaller players suffer.
- Besides the ongoing market share gains by big developers that we highlighted in our 28 August 2013 report, we also see big developers staying active on new launches in 2H13, providing room to maintain strong sales momentum in the remaining of the year.
- Although new launches will remain just as large as in 1H13, the composition of new launches will be slightly more of low-rise houses (which is good on risk management) while remaining active on condos (which could be positive for presales numbers).
- We remain OVERWEIGHT on big listed developers under our coverage with AP, LH and LPN as top picks.

Valuation metrics

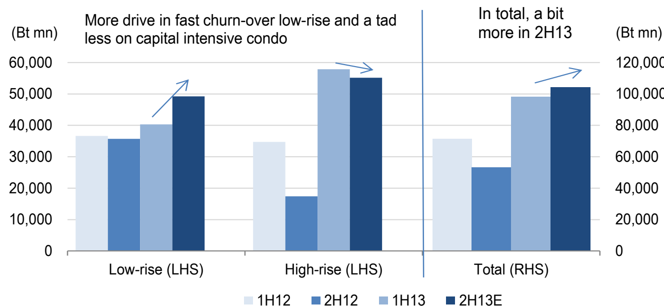
Company	Ticker	Rating	Price		Year	P/E (x)		P/B (x)
			Local	Target	T	T+1	T+2	T+1
Asian Property	AP.BK	O	5.10	12.00	12/12	5.7	4.2	1.0
L.P.N.	LPN.BK	O	18.80	27.70	12/12	9.1	7.7	2.7
Land and Houses	LH.BK	O	9.60	14.50	12/12	13.9	11.8	2.8
Supalai	SPAL.BK	O	13.90	23.60	12/12	7.1	6.1	1.7
Quality Houses	QH.BK	N	2.64	3.85	12/12	11.2	10.1	1.5
Preuksa	PS.BK	N	16.60	24.70	12/12	6.3	7.0	1.5

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM
Source: Company data, Credit Suisse estimates

Big developers stay active on 2H13 new launches

According to the big six Thai property developers under our coverage, their launch plans for 2H13 are intact. They will introduce an estimated Bt104 bn worth of new property projects to the market, 6% more than that in 1H13 and 97% higher than that in 2H12. Low-rise houses (single detached houses (SDH) and townhouses (TH)) will be the focused products in 2H13 with a 22% increase in new launches vs 1H13. However, condo will see a 5% drop from 1H13, although it will remain the key product for developers, accounting for over half of total new launches in the period.

Figure 1: New launches of big six developers



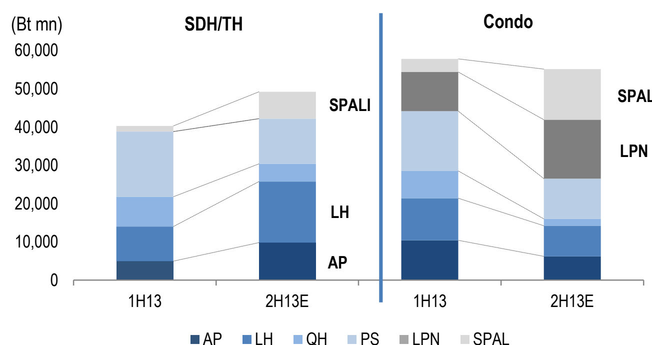
Source: Company data.

More on low-rise is good on risk management while staying active on condo is good for pre-sales

A noticeable change in the new launch pattern in 2H13 is the higher number of new SDH and TH projects where we could see a 22% rise vs 1H13 and 38% growth vs 2H12. We take this as an attempt to uphold sales growth but with a more control on risk given: (1) the faster product turnover and (2) lower capital tied-up for SDH and TH vs condo. More active players are LH, AP and SPALI.

Although planned new launches of condos in 2H13 could be 5% lower than that in 1H13, the total number remains high. This, in our opinion, presents room for big developers to possibly continue to showcase good pre-sales numbers in the latter part of the year. Developers that will be more active in condo launches in 2H13 are LPN and SPALI.

Figure 2: New launches by developers



Source: Company data.

Growth outlook of big developers are thus not hindered

If developers are cutting down on new launches, that would present a high possibility for sales to be lower and therefore weaker revenue to follow. Although maintaining launch activities doesn't guarantee continuing high number of sales, at least it offers a chance for sales to happen and hence sales figures could stay the course of strength. Given the continued preference for housing products of big developers by consumers, growth outlook of big property developers remains healthy.

Market share domination by big players to continue

As we mentioned in our report, *"Big and small property developers are moving in opposition directions"*, dated 26 August, we continue to see growing domination of big players over small/medium sized developers with big listed developers' share of new launches rising from 51% in 2012 to 65% in 1H13. And with big developers' plans to remain active in the second half of the year while current economic uncertainty continues to haunt smaller property developers, the story of market share gains by big players is likely to continue, in our view. A development we believe quite distinctively supports the attractiveness of big listed property developers.

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Companies mentioned

Airports of Thailand (AOT.BK, Bt163.5, OUTPERFORM, TP Bt200.0)
Ajisen (0538.HK, HK$8.34)
Aluminum Corporation of China (2600.HK, HK$2.6, OUTPERFORM, TP HK$3.3)
Ambuja Cements Ltd (ABUJ.BO, Rs164.0)
Amtek Engineering Ltd. (AMEL.SI, S$0.48, NEUTRAL, TP S$0.56)
Angang Steel Company Ltd (0347.HK, HK$4.88, NEUTRAL[V], TP HK$4.2)
Anhui Conch Cement Co. Ltd. (0914.HK, HK$25.3)
AP (Thailand) (AP.BK, Bt4.82, OUTPERFORM, TP Bt12.0)
Arvind (ARVN.BO, Rs78.65)
Asahi Glass (5201.T, ¥582)
Asahi Kasei (3407.T, ¥735, OUTPERFORM, TP ¥850)
Axiata Group Berhad (AXIA.KL, RM6.74, OUTPERFORM, TP RM8.1)
Balkrishna Indus (BLKI.BO, Rs222.45)
Bank of East Asia (0023.HK, HK$30.0, UNDERPERFORM, TP HK$26.9)
Belle International Holdings Ltd (1880.HK, HK$10.72)
BOC Hong Kong (Holdings) (2388.HK, HK$24.45, OUTPERFORM, TP HK$30.8)
Bumitama Agri Limited (BUMI.SI, S$0.95)
Cathay Financial Holding (2882.TW, NT$42.4, NEUTRAL, TP NT$45.0)
China COSCO Holdings (1919.HK, HK$3.43, UNDERPERFORM, TP HK$3.0)
China Eastern Airlines (0670.HK, HK$2.37, UNDERPERFORM, TP HK$2.3)
China Mengniu Dairy (2319.HK, HK$32.8)
China Modern Dairy Holdings Ltd (1117.HK, HK$2.59)
China National Building Material Co (3323.HK, HK$7.18)
China Resources Cement Holdings Ltd (1313.HK, HK$4.89)
China State Cons (3311.HK, HK$12.52)
China Steel (2002.TW, NT$25.3, UNDERPERFORM, TP NT$22.18)
Chow Sang Sang (0116.HK, HK$20.9)
Chow Sang Sang (0116.HK, HK$21.35, OUTPERFORM[V], TP HK$25.4)
Chow Tai Fook Jewellery Group Limited (1929.HK, HK$10.68, OUTPERFORM, TP HK$12.9)
CIMB Group Holdings Bhd (CIMB.KL, RM7.2)
CRISIL (CRSL.BO, Rs1110.65)
Daelim Industrial (000210.KS, W87,900, OUTPERFORM[V], TP W120,000)
Daewoo E&C (047040.KS, W7,200, UNDERPERFORM, TP W7,000)
Dah Sing Banking Group (2356.HK, HK$11.02, NEUTRAL, TP HK$12.2)
Dah Sing Financial (0440.HK, HK$36.2, NEUTRAL, TP HK$39.9)
DBS Group (DBSM.SI, S$15.97, OUTPERFORM, TP S$19.0)
DG Khan Cement Co Ltd (DGKH.KA, PRs77.53, OUTPERFORM, TP PRs128.0)
Dialog Axiata (DIAL.CM, SLRs8.2)
Erajaya Swasembada Tbk (ERAA.JK, Rp1,320, OUTPERFORM[V], TP Rp2,000)
Exide Industries (EXID.BO, Rs125.45)
Felda Global Ventures (FGVH.KL, RM4.32)
First Resources Ltd (FRLD.SI, S$1.77)
Galaxy Entertainment Group (0027.HK, HK$47.2, OUTPERFORM[V], TP HK$53.8)
Glenmark Pharmaceuticals (GLEN.BO, Rs514.05)
Golden Agri-Resources (GAGR.SI, S$0.56)
Golden Eagle Retail Group Ltd. (3308.HK, HK$10.76)
GS E&C (006360.KS, W34,600, NEUTRAL, TP W31,000)
Hang Seng Bank (0011.HK, HK$120.5, NEUTRAL, TP HK$134.8)
Harvey Norman (HVN.AX, A$3.01, UNDERPERFORM, TP A$2.15)
Hengan International (1044.HK, HK$84.95)
Holcim Indonesia (SMCB.JK, Rp2,075)
Hyundai Development (012630.KS, W21,600, OUTPERFORM[V], TP W27,000)
Hyundai E&C (000720.KS, W56,700, OUTPERFORM, TP W72,000)
Idea Cellular Ltd (IDEA.BO, Rs158.3)
India Cements (ICMN.BO, Rs44.1)
Indocement (INTP.JK, Rp18,100)
Indofood Agri Resources Ltd (IFAR.SI, S$0.8)
Intime Retail Group Co Ltd (1833.HK, HK$9.08)
IOI Corporation (IOIB.KL, RM5.32)
Jammu and Kashmir Bank (JKBK.BO, Rs1111.15)
Kajaria Ceramics Limited (KAJR.BO, Rs224.45)
Kasikornbank (KBANf.BK, Bt159.0, OUTPERFORM, TP Bt235.0)
Krung Thai Bank (KTB.BK, Bt16.5, OUTPERFORM, TP Bt25.85)
KT Corp (030200.KS, W36,100, OUTPERFORM, TP W43,000)
Kuala Lumpur Kepong (KLKK.KL, RM21.38)
Land and Houses (LH.BK, Bt9.6, OUTPERFORM, TP Bt14.5)
LG Uplus (032640.KS, W13,050, NEUTRAL, TP W13,000)
Lingbao Gold (3330.HK, HK$1.82, UNDERPERFORM[V], TP HK$1.0)
Lucky Cement Co Ltd (LUKC.KA, PRs220.91, OUTPERFORM, TP PRs335.0)
Luk Fook Holdings International (0590.HK, HK$26.05)
Malayan Banking (MBBM.KL, RM9.94)
Malaysia Airports (MAHB.KL, RM6.41)
Mead Johnson Nutrition Co. (MJN.N, $75.03)
Melco Crown Entertainment-ADR (MPEL.OQ, $27.19, OUTPERFORM[V], TP $33.2)
MGM China (2282.HK, HK$23.15, OUTPERFORM, TP HK$26.6)
Mitsubishi Gas Chemical (4182.T, ¥793, OUTPERFORM, TP ¥970)
Mongolian Mining Corporation (0975.HK, HK$1.6, UNDERPERFORM[V], TP HK$1.2)
NSG Group (5202.T, ¥106)
Oberoi Realty (OEBO.BO, Rs165.55)
OUE Hospitality Trust (OUER.SI, S$0.86, OUTPERFORM[V], TP S$1.04)
Oversea-Chinese Banking Corporation (OCBC.SI, S$9.97, UNDERPERFORM, TP S$10.2)
Parkson Retail Group Ltd. (3368.HK, HK$3.05)
Perusahaan Gas Negara (PGAS.JK, Rp5,400, OUTPERFORM, TP Rp6,300)
PT Adaro Energy Tbk (ADRO.JK, Rp910, NEUTRAL[V], TP Rp900)
PT Astra Agro Lestari Tbk (AALI.JK, Rp18,400)

PT BW Plantation Tbk (BWPT.JK, Rp790)
PT London Sumatra Indonesia (LSIP.JK, Rp1,440)
Qantas Airways (QAN.AX, A$1.4, UNDERPERFORM, TP A$1.35)
RHB Capital Berhad (RHBC.KL, RM7.48, OUTPERFORM, TP RM8.8)
Ricoh (7752.T, ¥1,067, OUTPERFORM[V], TP ¥1,300)
Salim Ivomas Pratama (SIMP.JK, Rp720)
Sampoerna Agro Tbk (SGRO.JK, Rp1,770)
Samsung C&T Corporation (000830.KS, W55,700, OUTPERFORM, TP W65,000)
Samsung Electronics (005930.KS, W1,351,000, OUTPERFORM, TP W1,900,000)
Samsung Engineering Co Ltd (028050.KS, W80,600, NEUTRAL, TP W83,000)
Sands China (1928.HK, HK$44.6, NEUTRAL, TP HK$48.6)
Semen Indonesia (SMGR.JK, Rp12,050)
Shun Tak Holdings Ltd (0242.HK, HK$4.02, OUTPERFORM, TP HK$5.94)
Siam Cement (SCC.BK, Bt392.0)
Sime Darby (SIME.KL, RM9.39, OUTPERFORM, TP RM10.8)
Sino Biopharmaceutical Limited (1177.HK, HK$5.54, NEUTRAL, TP HK$5.0)
SJM (0880.HK, HK$19.88, NEUTRAL, TP HK$21.2)
SK Telecom (017670.KS, W221,500, OUTPERFORM, TP W260,000)
Springland International Holdings Limited (1700.HK, HK$4.12)
Steel Authority of India Ltd (SAIL.BO, Rs46.1, UNDERPERFORM, TP Rs30.0)
Stella (1836.HK, HK$19.0)
Supreme Indust (SUPI.BO, Rs320.95)
Taiwan Semiconductor Manufacturing (2330.TW, NT$98.7)
Tingyi (0322.HK, HK$19.2)
Total Access Communication PCL (DTAC.BK, Bt99.5, OUTPERFORM, TP Bt150.0)
Ultratech Cement Ltd (ULTC.BO, Rs1446.55)
United Overseas Bank (UOBH.SI, S$20.26, NEUTRAL, TP S$22.0)
UPL (UNPO.BO, Rs133.4)
Venture Corporation (VENM.SI, S$7.65, NEUTRAL, TP S$7.7)
Vinda International Holdings Ltd (3331.HK, HK$7.95)
Virgin Australia (VAH.AX, A$0.4)
Westfield (WDC.AX, A$11.05, NEUTRAL, TP A$11.35)
Wing Hang Bank (0302.HK, HK$74.9, NEUTRAL, TP HK$72.0)
Wynn Macau (1128.HK, HK$23.45, OUTPERFORM[V], TP HK$26.2)
XL Axiata Tbk (EXCL.JK, Rp4,475)

Disclosure Appendix

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