CREDIT SUISSE

Asian Daily (Asia Edition)

EPS, TP and Rating changes

(% change)	EPS T+1	EPS T+2	TP Chg	TP Up/Dn	Rating
Rio Tinto	4	2	3	16	O (O)
Ping An	0	0		22	O (R)
Hidili Industry Intern'l Development	n.m	11	0	—	N (N)
Honda Motor	2	4	11	17	O (O)
Mazda Motor	0	0	20	27	O (N)
Sime Darby	(5)	(3)	(1)	11	O (O)
YTL Corp	3	1	(6)	5	N (N)
Hyundai Marine & Fire	(12)	(13)	0	0	N (N)
Citic Securities (H)	2	3		(16)	N (N)
Galaxy	1	3		9	O (O)

Connecting clients to corporates

Hong Kong / China

Mindtree Ltd (MINT.BO)
Date 11 December, Hong Kong
Analyst Anantha Narayan

Singapore

Cheung Kong Infrastructure (1038.HK)
Date 02-04 December, Singapore
Analyst Dave Dai

Industrial & Commercial Bank of China (1398.HK)
Date 04 December, Singapore
Analyst Victor Wang

Mindtree Ltd (MINT.BO)
Date 12 December, Singapore
Analyst Anantha Narayan

US

ChipMOS Technologies (Bermuda) Ltd (IMOS.OQ)
Date 02-03 December, US
Analyst Jerry Su

Emami (EMAM.BO)
Date 05-06 December, Boston
Analyst Ashish Gupta

Europe

Shanda Games Limited (GAME.OQ)
Date 02-05 December, Europe
Analyst Dick Wei

Others

APAC Financials Corporate Day
Date 03-04 December, Singapore/Hong Kong
Analyst Sanjay Jain

United Tractors (UNTR.JK)
Date 04 December, Kuala Lumpur
Analyst Ami Tantri

Scomi Energy(SMMR.KL)
Date 05 December, Kuala Lumpur
Analyst Annuar Aziz

China Office Market Workshop
Date 10 December, Hong Kong / Singapore
Analyst Jinsong Du

Asian Real Estate Conference
Date 08 January, Hong Kong

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Top of the pack ...

India Market Strategy — **Neelkanth Mishra (3)**
India: 2014 outlook

Reliance Industries (RELI.BO) – Maintain O — **Sanjay Mookim (4)**
Weak refining hurts near term—should reverse; longer-term capacity growth remains attractive

Godrej Consumer Products Ltd (GOCP.BO) – Maintain O — **Arnab Mitra (5)**
Peak of innovation investments behind, now reap the benefits

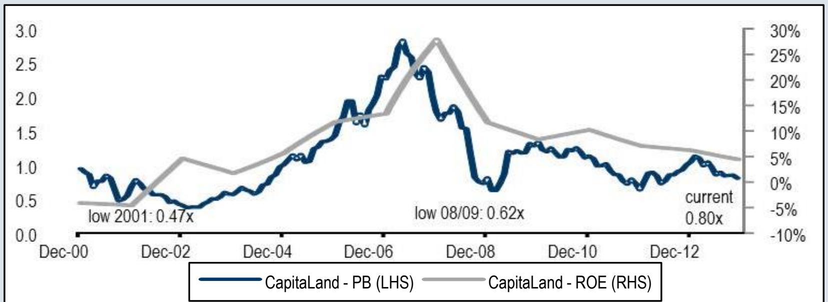
HCL Technologies (HCLT.BO) – Maintain O ★Focus list stock★ — **Anantha Narayan (6)**
2014 could be the year for some multiple expansion

Ping An (2318.HK) – Reinstating Coverage with O — **Arjan van Veen (7)**
New report: Reinstating coverage with OUTPERFORM

CS pic of the day

CapitaLand and CapitaMalls Asia

We visited CAPL's projects in Shanghai, Guangzhou and Shenzhen—a total of 8 projects. We saw a good mix of completed and under-development sites, including the upcoming RC Changning and RC Shenzhen, as well as the mixed developments at Datansha Island (CAPL's first urban renewal project) and Hanzhong Lu. We expect CAPL's earnings momentum to improve in the coming quarters (driven by CMA, better profit recognition from Singapore and China). CAPL is one of our preferred developer picks due to its increasing earnings momentum led by higher contribution from new openings/completions. Click here for report..



Source: Company data, Credit Suisse estimates.

... and the whole pack

Regional

Asia Small-Cap Sector — **Kenny Lau, CFA (8)**
David & Goliath Small-Cap Weekly: The alternate Macau gaming plays

Australia

Rio Tinto (RIO.AX) – Maintain O — **Paul McTaggart (9)**
Getting it done...increase earnings and TP

China

China Economics — **Dong Tao (10)**
NBS PMI showed sustained growth stabilisation

China Securities Sector – Maintain OW — **Frances Feng (11)**
Resumption of IPO—in the price already

China Insurance Sector – Maintain OW — **Arjan van Veen (12)**
Bancassurance regulation change positive

Ping An (2318.HK) – Reinstating Coverage with O — **Arjan van Veen (7)**
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Asian indices – performance

(% change)	Latest	1D	1W	3M	YTD
ASX300	5271	(0.2)	(0.3)	2.4	13.9
CSEALL	5775	0.4	(0.3)	(0.1)	2.3
Hang Seng	23881	0.4	0.8	7.7	5.4
H-SHARE	11441	0.5	(0.1)	13.8	0.0
JCI	4256	0.5	(1.4)	3.8	(1.4)
KLSE	1813	0.3	1.0	5.5	7.3
KOSPI	2045	(0.0)	1.9	6.2	2.4
KSE100	24302	0.5	1.9	11.9	43.8
NIFTY	6176	1.4	3.0	11.3	4.6
NIKKEI	15661.9	(0.4)	1.8	15.4	50.7
TOPIX	1258.7	(0.2)	0.8	12.6	46.4
PCOMP	6209	0.6	2.0	2.4	6.8
RED CHIP	4684	0.9	1.6	9.1	3.4
SET	1371	0.9	0.9	3.6	(1.5)
STI	3176	(0.3)	0.1	3.9	0.3
TWSE	8407	0.5	3.6	4.6	9.2
VNINDEX	508	0.0	0.4	7.4	22.7

Thomson Financial Datastream

Asian currencies (vs US$)

(% change)	Latest	1D	1W	3M	YTD
A$	1.1	0.3	(0.8)	2.0	(12.3)
Bt	32.1	(0.2)	(0.8)	0.2	(4.6)
D	21120.0	(0.0)	(0.1)	0.2	(1.3)
JPY	102.4	(0.2)	(1.1)	(4.0)	(15.4)
NT$	29.6	(0.1)	(0.1)	1.2	(2.0)
P	43.8	0.1	0.2	2.0	(6.3)
PRs	108.5	0.1	(0.8)	(3.6)	(10.4)
Rp	11965.0	1.1	(2.2)	(8.6)	(18.2)
Rs	62.4	0.4	0.7	6.6	(11.9)
S$	1.3	0.1	(0.4)	1.5	(2.7)
SLRs	131.3	(0.1)	(0.1)	1.5	(2.7)
W	1058.2	0.0	0.2	4.9	0.6

Thomson Financial Datastream

Global indices

(% change)	Latest	1D	1W	3M	YTD
DJIA	16086.4	(0.1)	0.5	8.6	22.8
S&P 500	1805.8	(0.1)	0.6	10.6	26.6
NASDAQ	4059.9	0.4	2.3	13.1	34.5
SOX	510.3	0.0	1.2	11.5	32.9
EU-STOX	2901.4	0.0	0.4	6.7	12.6
FTSE	6650.6	(0.1)	(0.4)	2.2	12.8
DAX	9405.3	0.2	2.0	14.1	23.6
CAC-40	4295.2	(0.2)	0.4	7.2	18.0
10 YR LB	2.7	0.3	0.1	(0.6)	56.2
2 YR LB	0.3	(1.4)	1.1	(28.7)	14.0
US$:E	1.4	(0.0)	0.2	2.7	3.0
US$:Y	102.4	(0.1)	(1.1)	(4.0)	(15.4)
BRENT	110.6	(1.0)	(0.8)	(4.8)	(1.2)
GOLD	1253.5	0.8	0.8	(11.0)	(25.2)
VIX	13.7	5.5	8.2	(19.5)	(24.0)

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	12.0	10.7	0.3	0.2	1.8
Asia Pac F X J.	14	12	12.5	11.2	0.3	-1.0	1.8
Australia	(2)	10	16.3	14.8	0.3	-5.4	1.6
China	11	10	10.3	9.3	0.8	7.0	4.0
Hong Kong	11	11	16.3	14.7	0.0	2.2	8.0
India	15	16	14.5	12.6	1.0	-2.5	(8.3)
Indonesia	17	16	12.9	11.1	0.6	-14.7	(24.3)
Japan	34	50	25.7	17.1	(0.2)	6.8	46.8
Korea	33	13	9.2	8.1	0.2	0.1	4.8
Malaysia	1	10	16.3	14.9	0.5	-2.8	3.0
Pakistan	14	18	9.3	7.9	0.27	4.3	20.9
Philippines	8	13	18.9	17.5	0.5	-5.2	2.5
Singapore	2	9	14.4	13.2	(0.2)	-1.5	(0.2)
Sri Lanka	16	11	13.3	12.0	(0.3)	-3.7	0.7
Taiwan	33	12	15.4	13.8	0.5	-1.0	5.1
Thailand	19	13	11.6	10.3	0.7	-9.1	(9.9)

* IBES estimates

Hidili Industry International Development Limited (1393.HK) – Maintain N — **Frankie Zhu (13)**
Dispose non-core assets to strengthen cash flows

Hong Kong

Hong Kong Banks Sector – Maintain MW — **Sanjay Jain (14)**
Declining trade finance loans drag down system loan growth in Oct

Macau Gaming Sector — **Kenny Lau, CFA (15)**
Macau Gaming Research Sentiment Indicator suggests sentiment not overheated

India

India Market Strategy — **Neelkanth Mishra (3)**
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Reliance Industries (RELI.BO) – Maintain O — **Sanjay Mookim (4)**
Weak refining hurts near term—should reverse; longer-term capacity growth remains attractive

Japan

Honda Motor (7267) – Maintain O — **Issei Takahashi (16)**
Still expecting benefit from new-model offensive

Mazda Motor (7261) – Upgrade to O — **Issei Takahashi (17)**
FY3/15 could see peak margins; again looking undervalued with aid of weak yen

Malaysia

Malaysia Strategy — **Tan Ting Min (18)**
New Syariah—compliant equity list—16 additions and 158 deletions

Alliance Financial Group BHD (ALFG.KL) – Maintain O — **Danny Goh (19)**
Weaker-than-expected 1H FY14 results

RHB Capital Berhad (RHBC.KL) – Maintain O — **Danny Goh (20)**
9M13 results on track to beat street's estimates following a sharp QoQ rebound

Sime Darby (SIME.KL) – Maintain O — **Tan Ting Min (21)**
Indonesian FFB output fell sharply by 28% YoY

YTL Corp (YTLS.KL) – Maintain N — **Annuar Aziz (22)**
Cautious outlook with no near-term catalysts

Pakistan

Pakistan Banks Sector – Maintain OW — **Farhan Rizvi, CFA (23)**
New amnesty scheme likely to boost industrial activity; another positive for medium-term loan growth

South Korea

Korea Economics — **Christiaan Tuntono (24)**
Industrial production bounced in October post the automobile strike in the prior month

Hyundai Marine & Fire (001450.KS) – Maintain N — **Gil Kim (25)**
Still facing headwinds

Thailand

Thailand Residential Property Sector – Maintain OW — **Chai Techakumpuch (26)**
Government agencies' shutdowns create risk on 4Q revenue but risk doesn't appear significant

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

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Top of the pack ...

India Market Strategy --

India: 2014 outlook

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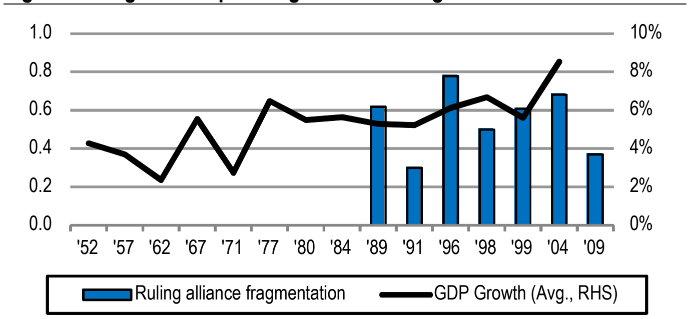
Ravi Shankar / Research Analyst / 91 22 6777 3869 / ravi.shankar@credit-suisse.com

- The most significant 'known unknowns' in 2014—elections and taper—will have limited economic impact. We find no correlation of growth with government fragmentation and believe that India should be relatively immune to the taper. Both events may drive volatility, but the market should revert to the trend soon after.
- We expect the divergence between the investment cycle (unlikely to pick-up anytime soon) and middle-income consumption (growth to stay subdued until formal economic recovery/7th pay commission is effective) on one hand and low-end consumption on the other to continue. Growth in the informal economy though should continue to drive wage growth for the poor.
- Indices have already started to reflect this divergence: consumption and exporters have gained weights from industrials, materials and banks. We are constructive on the broader market: (1) MSCI India P/E is ~15% below its adj. average; (2) consensus EPS has downside, but 6-8% index EPS growth is still likely.
- Our model portfolio stays defensive with Reliance, GCPL, HCLT and ITC as top longs and L&T, Tata Steel and SBI as top shorts.

Elections and the taper do not matter much

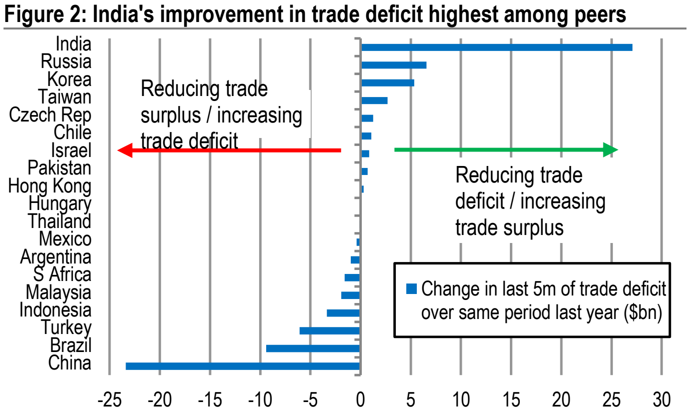
Figure 1: No growth impact of government fragmentation



Source: Election Commission of India (ECI), CSO, Credit Suisse estimates

These two most significant 'known unknowns' in 2014 in our view will have limited impact on the economy and earnings. We find no correlation of growth with government fragmentation/its colour (Fig. 1).

Figure 2: India's improvement in trade deficit highest among peers



Source: Bloomberg, Credit Suisse estimates.

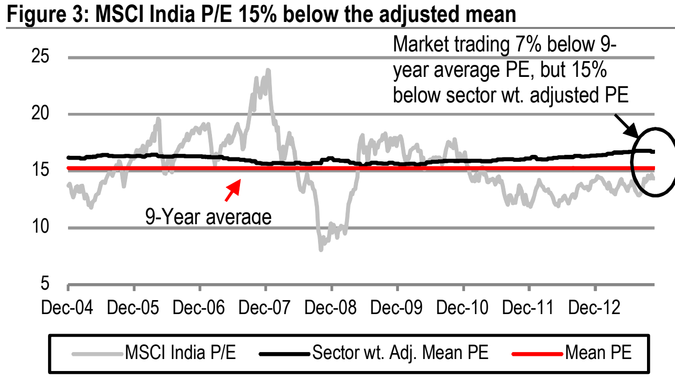
We also believe that India should be relatively immune to the taper as, on a fundamental basis, the INR has lower risks than it had in May 2013. India has already seen US$14.4 bn of FII debt outflows and also recorded five straight months of low trade deficit (trade balance improvement highest among peers, Fig. 2). Both events may drive volatility, but the market should revert to the trend soon after.

Broad macroeconomic trends to continue

We expect a divergence in fortunes of large-scale investments and middle-income consumption on the one hand and low-income consumption on the other to continue. The investment cycle is unlikely to pick up anytime soon, and middle-income consumption growth is likely to stay subdued until the formal economy recovers, or until the 7th pay commission becomes effective. Growth in the informal economy though should continue to drive wage growth for the poor.

Changing palette ➔ market upside, but stay defensive

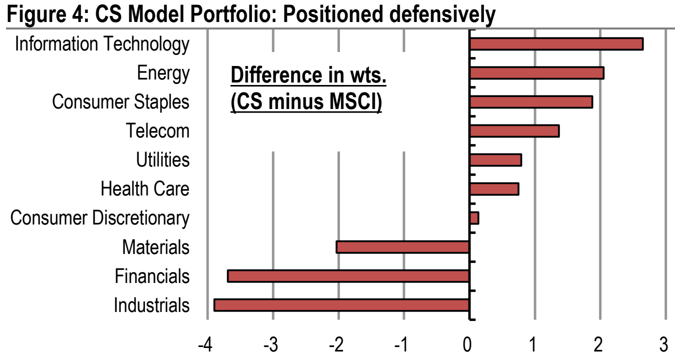
Figure 3: MSCI India P/E 15% below the adjusted mean



Source: MSCI, Credit Suisse estimates.

Indices have already started to reflect this divergence: consumption and exporters have gained weights from industrials, materials and banks. We are constructive on the broader market: (1) MSCI India P/E is ~15% below its adj. average (Fig. 3); (2) consensus EPS has downside, but 6-8% index EPS growth is still likely. But our model portfolio is positioned defensively (Fig. 4). Reliance, GCPL, HCLT and ITC are our top long ideas and L&T, Tata Steel and SBI our top shorts. Please find link to full report here.

Figure 4: CS Model Portfolio: Positioned defensively



Source: MSCI, Credit Suisse estimates.

Reliance Industries -- Maintain OUTPERFORM

Weak refining hurts near term—should reverse; longer-term capacity growth remains attractive **EPS: ◄► TP: ◄►**

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Badrinath Srinivasan / Research Analyst / 91 22 6777 3698 / badrinath.srinivasan@credit-suisse.com

- RIL has underperformed the Indian market ~14% over the past three months, giving up all gains made earlier in the year. Most NJA refiners have been weak due to poor margins. Chemical stocks have done well over three months, but most have been underperforming lately.
- PE/PP-naphtha margins have been resilient, but most other chem margins (especially for PX) softened recently. Our spot RIL GRM tracker is down $0.7/bbl QTD over 2Q due to unseasonably weak gasoline cracks. Diesel cracks have been relatively flat.
- We think strong supply from the US/Japan, soft regional demand and modest global refining outages have hurt margins. While supply can remain robust near term (with ramp-up of Jubail), margins should go up (a) seasonally into winter, (b) and on closures—as simpler refiners are likely struggling for cash flow currently.
- CS FY15E EPS would fall ~12%, if GRM stays at 2Q/3Q averages. We continue to like RIL for strong volume-led EBITDA growth by FY17, something the market is not yet discounting. GRM recovery and clarity on gas price increases can be near-term catalysts. O/P.

Bbg/RIC	**RIL IN / RELI.BO**	**Price (29 Nov 13 , Rs)**			**853.10**
Rating (prev. rating)	**O (O)**	**TP (prev. TP Rs)**			**1,044 (1,044)**
Shares outstanding (mn)	3,231.25	Est. pot. % chg. to TP			22
Daily trad vol - 6m avg (mn)	3.7	52-wk range (Rs)			923.4 - 766.8
Daily trad val - 6m avg (US$ mn)	50.4	Mkt cap (Rs/US$ bn)			2,756.6/ 44.2
Free float (%)	51.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders	Promoter - 45%	Absolute (%)	(6.0)	(3.5)	7.5
		Relative (%)	(4.1)	(13.6)	(0.1)

Year	**03/12A**	**03/13A**	**03/14E**	**03/15E**	**03/16E**
Revenue (Rs mn)	3,585,290	3,970,120	4,452,894	4,520,817	4,384,042
EBITDA (Rs mn)	345,080	330,450	353,804	417,113	469,557
Net profit (Rs mn)	197,240	208,790	226,869	255,523	288,724
EPS (Rs)	60.3	64.7	70.3	79.1	89.4
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Rs)	n.a.	n.a.	71.3	81.6	94.3
EPS growth (%)	2.3	7.2	8.7	12.6	13.0
P/E (x)	14.1	13.2	12.1	10.8	9.5
Dividend yield (%)	0.9	1.0	1.2	1.9	2.1
EV/EBITDA (x)	9.2	9.5	9.5	8.5	7.5
P/B (x)	1.7	1.5	1.4	1.3	1.1
ROE (%)	12.6	12.0	11.9	12.2	12.6
Net debt(cash)/equity (%)	25.1	21.4	30.9	35.7	32.3

Note 1: ORD/ADR=2.00. Note 2: Reliance Industries Limited is an India-based company. The Company operates in three business segments: petrochemicals, refining, and oil and gas.

Click here for detailed financials

Commodity margins hurt

RIL has underperformed the Indian market approximately 14% over the past three months, giving up all relative gains made earlier in the year. This we think is a result of persistently weak refining margins. After falling $0.7/bbl QoQ in 2Q, our spot RIL GRM tracker is down another $0.7/bbl QTD, which can hurt quarterly EBITDA by c.Rs5 bn (2Q FY14 reported EBITDA of Rs78.5 bn). CS FY15E EPS for RIL would fall about 12%, if 2Q/3Q average refining margins were extrapolated to the full year.

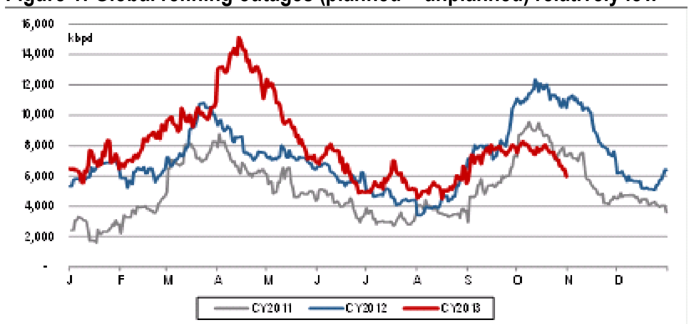
Most regional refiners have underperformed local benchmarks over the past three months. While chemical stocks have outperformed over this period, they were weak recently as well. PE/PP—naphtha margins have been resilient, but most other chemical margins have softened (especially for PX).

Margins should strengthen

Headline refining margins have been weak due to unseasonably low gasoline cracks. This we think has been a result of (a) increased supply due to refinery starts, low global refinery outages and increasing US/Japan output and (b) low regional demand growth.

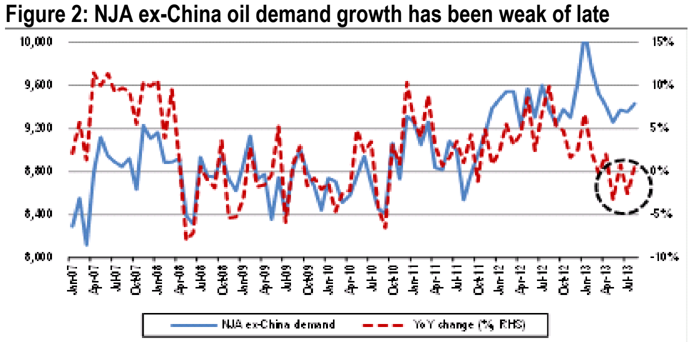
We think refining margins should recover due to (1) winter seasonality, and (2) potential closures—as most simple refiners are likely struggling for cash flow currently.

Figure 1: Global refining outages (planned + unplanned) relatively low



Source: Company data, Credit Suisse estimates.

Figure 2: NJA ex-China oil demand growth has been weak of late



Source: Company data, Credit Suisse estimates.

Strong EBITDA growth remains an attraction

RIL is expected to deliver c.20% EBTIDA CAGR between FY14-17 as large new chemical capacities complete, and even if most margins remain flat, something the market is not discounting yet. GRM recovery and clarity on gas price increases can be near-term catalysts.

Figure 3: Change in FY15E EPS due to change in GRM / gas price

Gas price ($/btu)↓ / GRM ($/bbl) →	**7.0**	**7.5**	**8.0**	**8.6**	**9.0**	**9.5**	**10.0**
6.0	-19%	-14%	-9%	-3%	1%	6%	10%
6.5	-18%	-13%	-8%	-2%	2%	7%	11%
7.0	-17%	-12%	-7%	-1%	3%	8%	12%
7.5	-16%	-11%	-6%	0%	4%	9%	13%
8.0	-15%	-10%	-5%	1%	5%	10%	14%
8.5	-14%	-9%	-4%	2%	6%	11%	15%
9.0	-13%	-8%	-3%	3%	7%	12%	16%

Source: Company data, Credit Suisse estimates.

Godrej Consumer Products Ltd -- Maintain OUTPERFORM

Peak of innovation investments behind, now reap the benefits **EPS: ◄► TP: ◄►**

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Akshay Saxena / Research Analyst / 91 22 6777 3825 / akshay.saxena@credit-suisse.com

- GCPL is likely to continue delivering best-in-industry revenue growth as innovation pipeline remains very strong. Besides the further ramp up of crème sachets and paper insecticide, insecticide products addressing non-mosquito segments should be drivers. We expect India sales growth of 15-20% over FY14-16.
- International business is seeing sequential improvement in margins. The base of Africa margins turns favourable going ahead and the worst for Indonesia margins is also behind with the company taking gradual price increases.
- Gross margin expansion should come off for GCPL as the impact of the INR depreciation on palm oil prices will play out, in our view. However, we do not expect gross margin decline as mix is improving and promotions on soaps have been withdrawn. We also believe that ad spends have peaked out and will gradually come off.
- We maintain OUTPERFORM and expect GCPL to deliver a 25%-plus EPS CAGR over FY14-16 as the peak of the brand investment phase is behind while the benefits of the innovation pipeline should keep playing out.

Bbg/RIC	**GCPL IN / GOCP.BO**	**Price (29 Nov 13, Rs)**			**883.95**
Rating (prev. rating)	**O (O)**	**TP (prev. TP Rs)**			**940.00 (940.00)**
Shares outstanding (mn)	340.38	Est. pot. % chg. to TP			6
Daily trad vol - 6m avg (mn)	0.3	52-wk range (Rs)			952.6 - 704.9
Daily trad val - 6m avg (US$ mn)	3.6	Mkt cap (Rs/US$ bn)			300.9/ 4.8
Free float (%)	37.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders	Godrej Group	Absolute (%)	3.1	9.4	20.4
		Relative (%)	4.2	(2.3)	11.9

Year	03/12A	03/13A	03/14E	03/15E	03/16E
Revenue (Rs mn)	48,662	64,074	78,994	93,993	109,214
EBITDA (Rs mn)	8,554	9,824	12,038	14,923	18,056
Net profit (Rs mn)	5,866	7,059	7,987	10,225	12,791
EPS (Rs)	17.2	20.7	23.5	30.0	37.6
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Rs)	n.a.	n.a.	24.0	29.8	37.0
EPS growth (%)	14.8	20.3	13.2	28.0	25.1
P/E (x)	51.3	42.6	37.7	29.4	23.5
Dividend yield (%)	0.5	0.6	0.7	0.8	1.1
EV/EBITDA (x)	36.6	32.2	26.5	20.9	16.8
P/B (x)	10.7	9.1	7.8	6.5	5.5
ROE (%)	25.8	23.0	22.2	24.1	25.3
Net debt(cash)/equity (%)	42.6	45.1	43.6	22.6	3.4

Note 1: Godrej Consumer is a leading fast moving consumer goods company in India with market leadership in home insecticides and hair colours. The company also has a large international business across Africa, Indonesia, Latin America and the UK.

Click here for detailed financials

India business is likely to continue its best-in-industry performance, led by innovations: The India business has delivered the highest domestic sales and volume growth among peers. The key driver has been the exceptionally high success rate of innovations. We expect the recent launched innovations to further ramp up and new innovations to flow through, which will sustain the high growth rates.

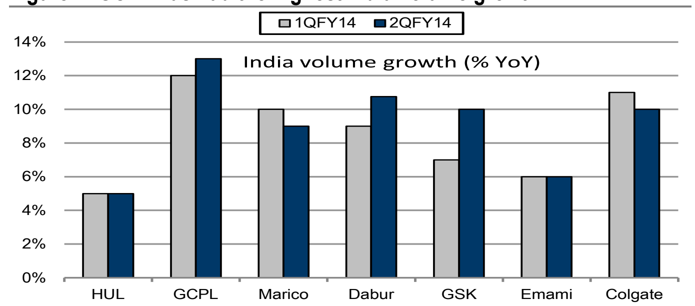
Consolidated margins have bottomed, India ad spends and international margins will drive expansion: GCPL's EBITDA margins have come off 500 bp over FY10-13, a direct consequence of the ~600 bp jump in ad spends to support the strong innovation pipeline. We are now seeing ad spends peak, and expect a gradual moderation over three years. Also, international margins have started showing a gradual trend improvement in Africa and Indonesia. We expect consolidated margins to expand over FY14-16.

Figure 1: Innovation pipeline looks very strong for FY15

Innovation	Remarks
Crème sachets	Ramp up in South India, rural as distribution gaps get filled
Fast Card	Disruptive price point and product format, can be a huge penetration tool for rural markets
Repellent (Dengue)	Consumer awareness of the day time protection from mosquitos for dengue protection
Repellent (New segments)	Roaches, flies, lizards are new segments where GCPL is focusing innovation. In India mosquito repellants contribute 90% to repellants vs ~50% for other Asian countries
Air care	High growth niche segment, GCPL gaining share

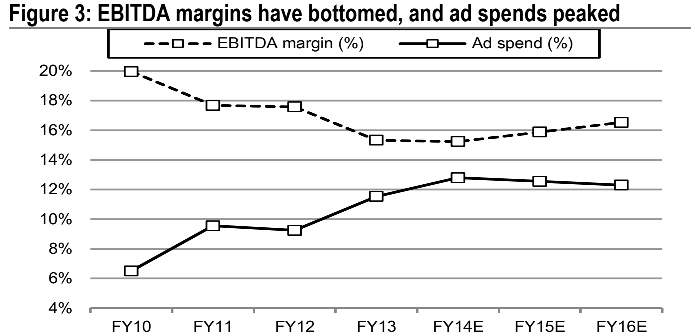
Source: Company data, Credit Suisse estimates

Figure 2: GCPL has had the highest India volume growth



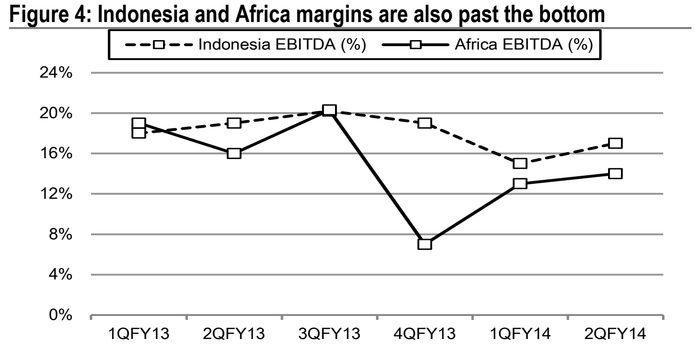
Source: Company data

Figure 3: EBITDA margins have bottomed, and ad spends peaked



Source: Company data, Credit Suisse estimates

Figure 4: Indonesia and Africa margins are also past the bottom



Source: Company data

HCL Technologies -- Maintain OUTPERFORM

2014 could be the year for some multiple expansion

EPS: ◄► TP: ◄►

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- 75% returns in 2013 but no movement in P/E multiple: The strong performance of the stock in 2013 has been largely driven by earnings growth and the 67% earnings revision over the year. Some P/E re-rating could be the next trigger for the stock.
- Growth in software services will be required for re-rating: While FY13 infrastructure management revenue was up 36% YoY, software services was up just 5%. Pick-up in discretionary spending could help software services growth—management comments indicate that sequential growth numbers could move from the sub-1% levels to 2.5%+ some time in FY14.
- There could be further upward earnings revisions as well: While the extent is unlikely to be similar to that in 2013, some upside in revenue growth and margins could surprise positively.
- The recent muted price performance gives yet another opportunity to buy: Strong stock performance during the year and concerns about lack of growth in software have led to relatively muted stock performance recently. The stock remains our top pick in the sector. HCL Tech is a NJA Focus List stock.

Bbg/RIC	**HCLT IN / HCLT.BO**	**Price (29 Nov 13 , Rs)**			**1,086.55**
Rating (prev. rating)	**O (O)**	**TP (prev. TP Rs)**			**1,425 (1,425)**
Shares outstanding (mn)	698.72	Est. pot. % chg. to TP			31
Daily trad vol - 6m avg (mn)	1.3	52-wk range (Rs)			1160.4 - 613.8
Daily trad val - 6m avg (US$ mn)	20.9	Mkt cap (Rs/US$ bn)			759.2/ 12.2
Free float (%)	38.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders	Nadar family - 62%	Absolute (%)	0.1	4.7	69.5
		Relative (%)	1.3	(7.0)	61.0
Year	**06/12A**	**06/13A**	**06/14E**	**06/15E**	**06/16E**
Revenue (US$ mn)	4,152	4,687	5,360	6,182	7,112
EBITDA (US$ mn)	774	1,041	1,279	1,414	1,605
Net profit (US$ mn)	479	724	914	1,016	1,141
EPS (Rs)	35	56	78	86	97
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Rs)	n.a.	n.a.	79	82	87
EPS growth (%)	50	63	39	10	12
P/E (x)	25.6	17.0	13.5	12.1	10.8
Dividend yield (%)	1.4	1.2	1.9	3.8	3.8
EV/EBITDA (x)	15.6	11.0	8.6	7.6	6.5
P/B (x)	6.4	5.1	4.1	3.6	3.1
ROE (%)	25.1	33.4	33.9	31.7	30.5
Net debt(cash)/equity (%)	(5.8)	(30.0)	(38.4)	(41.4)	(45.1)

Note 1: HCL Technologies is a large Indian IT services company.

Click here for detailed financials

75% returns in 2013 but no movement in P/E multiple

While earnings growth and earnings revision have totally driven the strong stock performance in 2013, some P/E expansion, along with earnings growth, could be the driver of stock returns in 2014.

Growth in software services will be required for re-rating

We are not unduly worried about infra being the sole engine of growth for HCLT. First, infra is nowhere close to becoming a saturated market for Indian companies. Second, infra growth for HCLT has been accelerating, even from a strong base. For example, this business grew 36% in FY13 but has grown at over 40% YoY in each of the last three quarters.

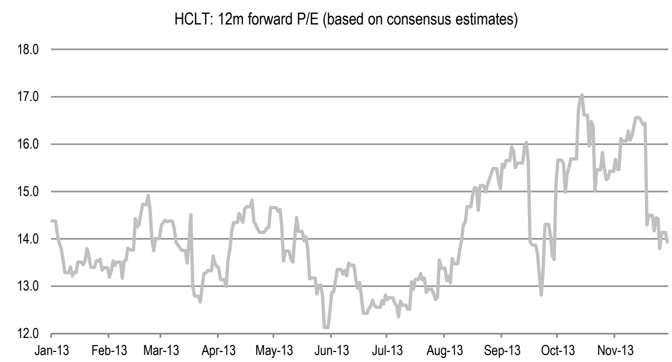
However, the lack of a well-rounded growth has been a key reason for P/E multiples to remain low, especially given that software services form two-third of total revenue. Software services have been growing at 0.5% to 1% QoQ for the past few quarters. Management comment about FY14 growth being better than the FY13 growth of 5% implies sequential growth rates picking up to at least 2.5% through the rest of FY14. If that does indeed happen, it could be a trigger for some multiple expansion. Improvement in discretionary spending could be one driver for such acceleration in growth.

There could be further upward earnings revisions as well

While the extent is unlikely to be anywhere close to the 2013 revisions, both revenue and margins could surprise somewhat. As mentioned in the previous section, growth in infra has accelerated from an already high base. Any pick-up in software services will help overall growth significantly given its two-thirds contribution to overall revenue.

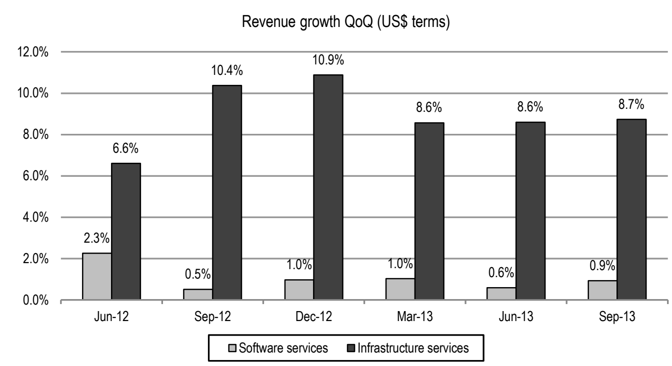
1Q FY14 margins were 420 bp above FY13 aggregate – we have assumed 190 bp margin expansion in FY14 so there is possibly some upside risk. Pick-up in software service can also aid margins slightly as that business has 200+ bp higher margins than infra and has demonstrated the same extent of margin expansion in recent quarters that infra has. Margins in the BPO business improved from -3% in FY12 to 5% in FY13. While BPO is under 5% of revenue, any further improvement can help overall margins slightly as well.

Figure 1: No change in 12m forward P/E multiple in 2013



Source: Thomson Reuters

Figure 2: Software services growth has been very muted



Source: Company data

Ping An -- Reinstating Coverage with OUTPERFORM

New report: Reinstating coverage with OUTPERFORM **EPS: ◄► TP: ▲**

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- We reinstate coverage on Ping An with an OUTPERFORM rating (click *here* for full report) and a HK$88 target price. Despite the recent strong performance (up 25% in 4Q13), Ping An continues to trade at a discount to peers. The two (inter-related) issues that, in our view, are key to removing (some of) the discount are the banking division and its capital position. The less investors are concerned with these two factors, the more the discount for the insurance operations should reduce.
- At the current share price, Ping An Life trades at a 10% discount to China Life despite materially higher growth momentum. Using China Life multiples, implied valuation of the bank is 0.6x book value. In our view, the good news is that Ping An has the ability to act to reduce investor concerns.
- Catalysts: Improving monthly trends, approval of Rmb15 bn bank capital injection, additional sub-debt issues and investment markets (noting strong rise in bond yields in recent months).
- Our HK$88.00 target price is based on 7.5x value of new business for life, 2.0x book for P&C and 0.9x book for the bank.

Bbg/RIC	2318 HK / 2318.HK	Price (29 Nov 13 , HK$)			72.30
Rating (prev. rating)	O (R)	TP (prev. TP HK$)			88.00
Shares outstanding (mn)	7,916.14	Est. pot. % chg. to TP			22
Daily trad vol - 6m avg (mn)	14.8	52-wk range (HK$)			73.2 - 48.9
Daily trad val - 6m avg (US$ mn)	110.2	Mkt cap (HK$/US$ bn)			479.4/ 61.8
Free float (%)	100.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders	CP Group 15.6%	Absolute (%)	19.2	33.0	24.9
		Relative (%)	14.4	20.4	14.7

Year	12/11A	12/12A	12/13E	12/14E	12/15E
Life GWP (Rmb mn)	124,094	134,851	154,343	175,951	200,585
P&C GWP (Rmb mn)	83,708	99,089	111,604	128,345	147,597
Net profit (Rmb mn)	19,475	20,050	31,188	32,391	35,088
EPS (Rmb)	2.50	2.53	3.94	4.09	4.43
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Rmb)	n.a.	n.a.	3.64	4.26	4.84
EPS growth (%)	8.7	1.2	55.5	3.9	8.3
P/E (x)	22.7	22.4	14.4	13.9	12.8
NTA per share (Rmb)	12.3	15.4	18.2	20.5	23.1
EV per share (Rmb)	29.8	36.1	43.0	50.4	59.0
Dividend yield (%)	0.7	0.8	1.5	1.6	1.7
EV/EBITDA (x)	8.4	8.4	7.6	6.7	5.4
P/B (x)	3.4	2.8	2.5	2.3	2.0
ROE (%)	16.0	13.8	18.3	17.0	16.7
P&C combined ratio (%)	94.1	97.5	98.3	98.3	97.3

Ping An is a financial conglomerate group in China. It is the No. 2 market player in both life and non-life insurance market. It also has banking, securities and trust business.

Click here for detailed financials

Capital not as bad as headlines suggest

Ping An's solvency ratio decreased to 163% at the end of June 2013 from 186% at the end of December 2012, due to its dividend (-2%), new business growth (-7%) and bank bond redemption and new capital rules (-14%). However, the capital position is not as bad as headlines suggest—with Ping An able to improve the ratios through debt issuance rather than equity issuance as highlighted below:

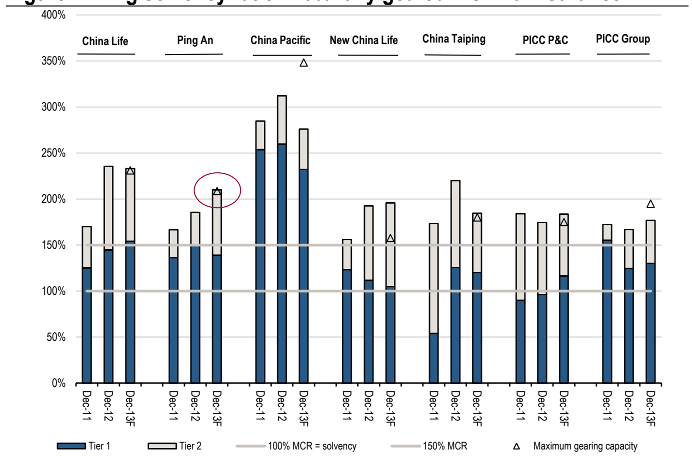
(1) Convertible bond issued: Solvency ratio increases to 181%

Ping An has now received full approval from the CSRC, having first applied for approval in December 2011. Including this issue, Ping An's solvency ratio increases from 163% to 181% at 30 June 2013.

(2) Insurance division's debt capacity maximised: Solvency increases to 210%

If we assume maximum issuance of debt in insurance and bank divisions (to 50% of tier 1 or 33% total gearing), this would boost the total capital ratios of the group to 210%—above that of many peers which are mostly already fully geared.

Figure 1: Ping solvency ratio 210% fully geared—China Insurance



Source: Company data, Credit Suisse estimates, triangle highlights maximum gearing ration allowed under insurance regulations.

Ping An Life still trading at a 10% discount to China Life

Despite much higher growth rates in its Life insurance division, Ping An Life's implied valuation is 10% below China Life—with new business growth for Ping An at 14% in 1H13 relative to China Life being flat—with China Life only targeting single-digit growth for 2014.

Figure 2: Ping An Life's implied valuation 10% below China Life

Ping Life implied valuation (using peer multiples for other divisions)

Ping An - SOTP valuation (HK$) - implied life valuation			
Life insurance	45.77	1.17x EV	China Life at 1.3x
Property & Casualty	10.79	2.15x book	PICC P&C at 2.1x
Bank	12.08	1x book	Ping An Bank multiple
Securities	1.49	1x book	Peers trading on 1.2-1.6x
Corporate / other	2.17	1x book	
Current price (HK$)	**72.30**		

Source: Company data, Credit Suisse estimates

Using China Life multiples for life division, the implied valuation multiple for the bank division is 0.6x book (peers on 0.8-1.0x).

Regional

Asia Small-Cap Sector

David & Goliath Small-Cap Weekly: The alternate Macau gaming plays

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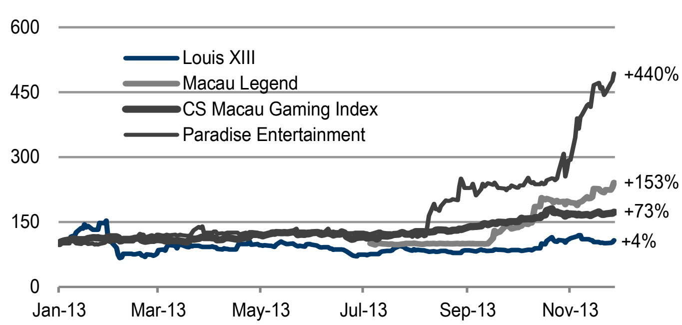
- The latest issue of our regional small-cap weekly, David & Goliath (D&G), has been published. For the full version of this note, please click **here**.
- In our new Macau gaming sector report, *Take time off,* we recommend investors concerned about the short-term relative performance trim their positions in selected Macau gaming large caps, as we believe the sector will extend the past month's underperformance in the next two to three months.
- The smaller gaming plays have taken advantage of the positive sentiment towards Macau gaming fundamentals to catch up fiercely since September 2013. Louis XIII and Paradise Entertainment have raised funds on strong price performance.
- Macau Legend, which has announced that it will consider debt/equity fund raising of ~US$300 mn to complete the Macau Fisherman's Wharf project, is a candidate for potential fund-rising. In this issue of D&G, we include 17 small-cap stories from the region, with two key stories—Skyworth and Erajaya Swasembada.

Figure 1: Alternate Macau gaming plays catching up and raising funds



Source: Datastream, Credit Suisse estimates

Cover story: The alternate Macau gaming plays

In our new Macau gaming sector report, ***Take time off***, we recommend investors concerned about the short-term relative performance trim their positions in selected Macau gaming large caps, as we believe the sector will extend the past month's underperformance in the next two to three months.

Smaller Macau gaming stocks raised funds

On the other hand, the smaller gaming plays have taken advantage of the positive sentiment towards Macau gaming fundamentals to catch up fiercely since September 2013. For these alternate Macau gaming plays, what is coming along with their strong price performance, is usually fund-raising activities:

- Louis XIII (0577.HK, HK$8.41, Not rated), which is developing a 945,000 sq ft exclusive luxury hotel and casino entertainment complex in Cotai Strip, raised HK$420 mn in early November 2103 via share placement and CB after its share price rose 44% in one month.
- Paradise Entertainment (1180.HK, HK$4.21, Not rated), which supplies patent gaming products to Macau and overseas casinos, such as Live Multi Game, raised HK$77 mn in early November 2013 via share placement after its share price jumped 238% in three months.

Macau Legend is a candidate for potential fund-raising

With share price rising 154% since mid-September 2013, Macau Legend (1680.HK, HK$6.06, NEUTRAL, TP HK$4.95) is a candidate for potential fund-rising—it has announced that it will consider debt/equity fund raising of about US$300 mn to complete the Macau Fisherman's Wharf (MFW) project. There is an increased likelihood for it successfully getting the first batch of 116 tables from a total of 350 tables from DICJ in 1H14. D&G believes that the market is narrowing the execution-risk discount on the NAV of the MFW project, which Credit Suisse estimates to be HK$6.99/share.

Figure 2: DCF calculation of the MFW project

NPV (cash flow 2013-2018E) (HK$ mn)	2,560
Terminal value (HK$ mn)	41,434
DCF value (HK$ mn)	43,990
Less: Net debt as at end-2013E (HK$ mn)	(428)
NAV (HK$ mn)	43,563
NAV/share (HK$)	**6.99**

Source: Credit Suisse estimates.

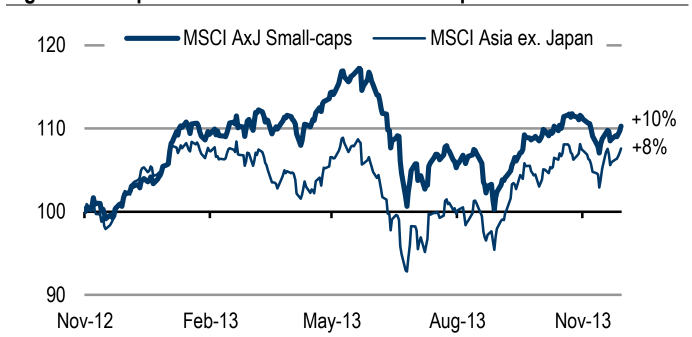
Davids of the week

In this issue of D&G weekly, we include 17 small-cap stories in the region. The two key small-cap stories are as follows:

China: A new share price uptrend should begin, once Skyworth's (0751.HK, HK$4.64, OUTPERFORM, TP HK$5.10) monthly TV shipment resumes YoY growth. The stock trades at 8.2x FY3/14E P/E with 10% potential upside (Kenny Lau, CFA, kenny.lau@credit-suisse.com).

Indonesia: Erajaya Swasembada (ERAA.JK, Rp1,050.00, OUTPERFORM, TP Rp2,000.00) is due to start iPad mini distribution in Dec-13 with more sales from Blackberry Q10 expected. The stock trades at 5.8x 2104E P/E with 90% potential upside (Priscilla Tjitra, priscilla.tjitra@credit-suisse.com).

Figure 3: Rel. performance of MSCI AxJ small-cap and MSCI AxJ indices



Source: Datastream, Credit Suisse estimates

Australia

Rio Tinto -- Maintain OUTPERFORM

Getting it done...increase earnings and TP

EPS: ▲ TP: ▲

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- We reiterate our OUTPERFORM rating on Rio Tinto (Rio) after outlining a lower capex and faster pathway to complete the flagship 360 Pilbara iron ore expansion.
- As a result we increase our earnings forecasts by 4%, 2% and 7% over 2013–15E. As the balance sheet rapidly improves we boost our dividend expectation to a 15% increase this year (ahead of 7% consensus). Our valuation increases to US$68/share (from $66) resulting in target price increases to A$75/£40 from A$73/£39.
- Rio Tinto trades at a 25% discount to our revised valuation and at a P/E of 9x/11x forecasts in both 2014 and 2015 on our conservative base case iron ore prices ($104/t 2014 and $90/t 2015, spot $136).
- As a result of the earnings upgrades and lower capex, our FCF forecasts for the next two years have expanded by ~13% from $4.6 bn/$7.7 bn to $5 bn/$8.7 bn or a FCF yield on Plc of 5%/9% or 10%/15% on spot commodity prices. Full report

Bbg/RIC	**RIO AU / RIO.AX**	**Price (28 Nov 13 , A$)**			**64.42**
Rating (prev. rating)	**O (O)**	**TP (prev. TP A$)**			**75.00 (73.00)**
Shares outstanding (mn)	1,848.42	Est. pot. % chg. to TP			16
Daily trad vol - 6m avg (mn)	2.2	52-wk range (A$)			72.1 - 50.2
Daily trad val - 6m avg (US$ mn)	142.5	Mkt cap (A$/US$ bn)			107.4/ 98.0
Free float (%)	90.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders		Absolute (%)	1.6	10.5	13.6
		Relative (%)	3.1	6.6	(6.3)

Year	**12/11A**	**12/12A**	**12/13E**	**12/14E**	**12/15E**
Revenue (US$ mn)	60,537	50,942	49,871	48,993	49,919
EBITDA (US$ mn)	28,636	19,125	20,957	19,967	20,532
Net profit (US$ mn)	15,549	9,269	10,139	9,650	10,345
EPS (US$)	8.03	5.01	5.49	5.22	5.60
- Change from prev. EPS (%)	n.a.	n.a.	3.5	2.4	6.9
- Consensus EPS (US$)	n.a.	n.a.	4.99	5.49	5.83
EPS growth (%)	13.2	(37.6)	9.5	(4.8)	7.2
P/E (x)	7.3	11.7	10.7	11.3	10.5
Dividend yield (%)	2.5	2.8	3.3	3.6	4.0
EV/EBITDA (x)	3.8	6.2	5.6	5.7	5.4
P/B (x)	2.1	2.3	2.2	2.0	1.8
ROE (%)	28.0	18.7	21.1	18.4	17.7
Net debt(cash)/equity (%)	20.5	34.1	30.8	25.3	17.3

Note 1: ORD/ADR=1.00. Note 2: Rio Tinto Limited is engaged in minerals exploration, development, production and processing. The Company's product groups include aluminum, copper, diamonds and minerals, energy, and iron ore.

Click here for detailed financials

Delivering what the market wants: We reiterate our OUTPERFORM rating on Rio Tinto after outlining a lower capex and faster pathway to complete the flagship 360 Pilbara iron ore expansion. As a result we increase our earnings forecasts by 4%, 2% and 7% over 2013–15E. As the balance sheet rapidly improves we boost our dividend expectation to a 15% increase this year (ahead of 7% consensus). Our valuation increases to US$68/share (from $66) resulting in target price increases to A$75/£40 from A$73/£39.

Rio Tinto is fast delivering what the market has been seeking from large cap miners with a more conservative lower capex growth path and a fast deleveraging of the already healthy balance sheet, positioning it to deliver the oft spoken about higher returns for shareholders.

Investor Seminar to fill in the detail: With the key news out of the way the Investment Seminar on Tuesday is likely to fill in the additional detail such as official capex guidance for 2014 ($12 bn consensus / $10.8 bn CS) and 2015 ($9 bn CS and consensus) as well as the exact split of which mines the growth tonnes are to come from (three of the four slated brownfield expansions is from 100% owned mines). We will also be keen to hear the go-forward strategy for the Canadian iron ore business.

Rio Tinto trades at a 25% discount to our revised valuation and at a P/E of 9x/11x forecasts in both 2014 and 2015 on our conservative base case iron ore prices ($104/t 2014 and $90/t 2015, spot $136). As a result of the earnings upgrades and lower capex our FCF forecasts for the next two years have expanded by ~13% from $4.6bn/$7.7bn to $5 bn/$8.7 bn or a FCF yield on Plc of 5%/9% or 10%/15% on spot commodity prices.

Earnings and dividend impact is positive

Below (Fig 1) is a table showing our revised iron ore production assumptions for Rio. The biggest change is in the 2015–16 period. We had been assuming production of 303.5mt in FY15 (Australia) and Rio is now suggesting >330mt and with 360mt to be achieved in FY18.

Figure 1: Changes in our Australian iron ore production profile (100% basis, kt)

RIO - Australian iron ore production profile (100% basis)	FY12	FY13F	FY14F	FY15F	FY16F	FY17F	FY18F
Old	239,381	250,828	284,500	303,500	325,000	345,000	360,000
New	239,381	250,828	290,000	330,000	342,500	352,500	360,000

Source: Credit Suisse estimates

The earnings impact is most keenly felt in 2015F with EPS up 7%. We have also upgraded our 4Q CY13 iron ore price assumption from US$115/t (China fines CFR) to US$130/t. This sees CY13 EPS up by 3.5% and we now assume 15% increase in the 2013 dividend to US$1.92/share (was US$1.67/share).

The balance sheet also de-gears at a modestly faster rate given lower capex and we now see gearing (ND:ND+E) reaching 15% at end 2015 compared to our previous estimate of 16%—but this is after we have assumed a higher dividend payout.

Valuation gets a lift

Our DCF based SOTP valuation for Rio increases from US$66.1/share to US$68.1/share.

This is an extract from Paul McTaggart's Rio Tinto report, Getting it done...increase earnings and TP published on 28 November 2013. For details, please see the CS Research and Analytics website.

China

China Economics

NBS PMI showed sustained growth stabilisation

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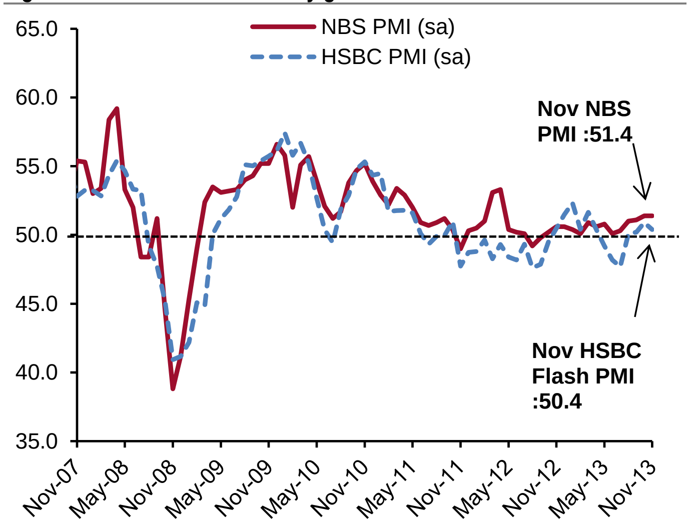
- The NBS manufacturing PMI released stood at 51.4 in November, unchanged from the previous month and above the Bloomberg consensus of 51.1. The New Orders Index moderated slightly by 0.2 pp to 52.3. This score is in expansion territory, but is probably affected by the early arrival of cold weather in northern China.
- The development of official PMI continues to support our view that the growth stabilisation is sustainable and the headline GDP growth can stay in the range of 7.5-8.0%.
- We describe the ongoing trend as weak expansion. It does not suggest a growth slowdown in 4Q as some bears suggested, but further upward momentum is missing. This number is consistent with our current GDP forecast for 4Q13, i.e., 7.7% YoY.
- The reform initiatives launched at the party plenum did not seem to have a major impact on purchasing managers' sentiment. We will keep a close eye on whether the tightened liquidity, expressed in bond yields, causes any cash flow problems and inventory correction at the industry level.

Figure 1: NBS PMI reflects steady growth



Source: NBS, Markit Economics, Credit Suisse

The official manufacturing PMI released by the NBS stood at 51.4 in November, unchanged from the previous month and above the Bloomberg consensus of 51.1. Production activities stayed resilient with the output index increasing by 0.1 pp to 54.5. Continued steady production performance in the previous months showed its positive pass-on effect to employment. The employment index increased most among the key sub-indices in November, by 0.4 pp to 49.6, though it is still below the 50 benchmark. The New Export Orders Index gained by 0.2 pp to 50.6, and the Imports Index was up by 0.5 pp to 50.5. These reflect steady underlying trade growth in the month.

On the other hand, the New Orders Index moderated slightly by 0.2 pp to 52.3. This score is in expansion territory, but is probably affected by the early arrival of cold weather in northern China. Similarly, stocks of major inputs index were down by 0.8 pp to 47.8, reflecting the continued trend of de-stocking. This came along with the 0.8 pp fall in the input prices index.

The development of official PMI continues to support our view that the growth stabilisation is sustainable and the headline GDP growth can stay in the range of 7.5-8.0%. We describe the ongoing trend as weak expansion. It does not suggest a growth slowdown in 4Q as some bears suggested, but further upward momentum is missing. The fall in input prices seems suggesting that the pricing power in the upstream is still absent. This set of number is consistent with our current GDP forecast for 4Q13, i.e., is 7.7% YoY. Together with GDP growth seen in previous quarters, this should yield annual GDP growth of 7.6% for full-year 2013.

The reform initiatives launched at the party plenum did not seem to have a major impact on purchasing managers' sentiment. We will keep a close eye on whether the tightened liquidity, expressed in bond yields, causes any cash flow problems and inventory correction at the industry level.

Figure 2: Summary of NBS PMI

	PMI	New orders	Output	Employment	Stocks of major inputs	New export orders	Input prices	Imports
Sep-13	51.1	52.8	52.9	49.1	48.5	50.7	54.5	50.4
Oct-13	51.4	52.5	54.4	49.2	48.6	50.4	53.3	50.0
Nov-13	**51.4**	**52.3**	**54.5**	**49.6**	**47.8**	**50.6**	**52.5**	**50.5**
Change	**0.0**	**-0.2**	**0.1**	**0.4**	**-0.8**	**0.2**	**-0.8**	**0.5**

Source: NBS, Credit Suisse

China Securities Sector -- Maintain OVERWEIGHT

Resumption of IPO—in the price already

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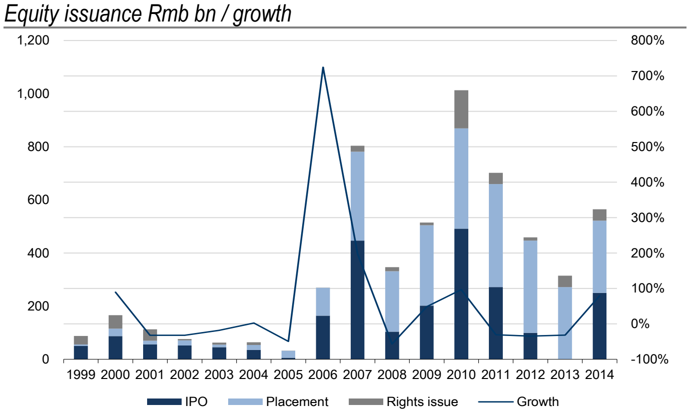
- CSRC over the weekend published new IPO rules which signalled the resumption of IPO market in China after more than a year.
- The Chinese IPO system will move towards a registration-based system while the regulator has also raised the standards of information disclosure and penalty for misconduct. It is estimated 50 companies will be listed on A share by the end of Jan-14 with 700 companies in the pipeline according to CSRC.
- We highlight that this is positive for the brokers and will be the main driver of 2014 earrings—note that we forecast Rmb250 bn IPO in total compared with Rmb0/100/272 bn in 2013/2012/2011. Citic is the most leveraged to the investment banking business as it was 40% of the fee income in 2012 compared with just 15% for Haitong and Galaxy despite that more new listings would be in the SME and ChiNext boards than previously.
- We have increased our target prices for Citic and Galaxy to HK$16.5 and HK$7.0, respectively, on higher 2014E earnings and we reiterate an OUTPERORM rating on Galaxy, which is trading at 17x P/E well below peers (22-30x), while Citic's valuation is at the high end given its low ROE.

Figure 1: We expect IPO volume to be Rmb250 bn next year

Equity issuance Rmb bn / growth



Source: Wind

CSRC over the weekend published new IPO rules which signalled the resumption of IPO market in China after more than a year.

The Chinese IPO system will move towards a registration-based system. Previously it was CSRC approval-based. The new system means improved information disclosure, upon which the investors and market would make the decision of an IPO and be in charge of the pricing too while the CSRC reviews the case.

The focus is on information disclosure and penalty for fraud and misconduct of both listing companies and brokers with selected points from the CSRC document as below.

- The new IPO system would be registration-based.

- The CSRC review time for any IPO is limited to three months (which speeds up the process).

- If fraud information is provided, the company will not be reviewed for IPO for next 36 months.

- The disposal price cannot be lower than IPO price for substantial shareholders.

- The cornerstone investors' lock-up period would be extended by six months if the share price after six months is below the IPO price.

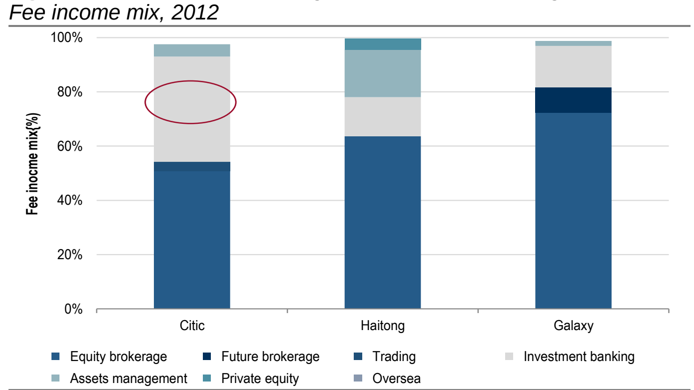
- Highest 10% bid should be excluded from IPO pricing.

- The company needs to make a special disclosure and highlight the risks of price being too high if the IPO valuation is higher than peers

- If profit falls by 50% or the company makes losses in year one, the IPO brokers would be suspended for other IPOs.

Figure 2: Citic is the most leveraged to investment banking

Fee income mix, 2012



Source: Wind, CEIC

It is estimated 50 companies will be listed on A share by the end of January 2014 with 700 companies in the pipeline according to CSRC. We estimate the IPO volume in 2014 to be Rmb250 bn, which is roughly 1.5% of total A share market cap.

We also highlight that Citic is the biggest beneficiary given its highest weighting in the investment banking business.

Valuation metrics

Company	Ticker	Rating (prev. rating)	Price Local	Price Target	TP change (%)	Up/dn to TP (%)	Year T	EPS change (%) T+1	EPS change (%) T+2	EPS T+1	EPS T+2	EPS growth (%) T+1	EPS growth (%) T+2	P/E (x) T+1	P/E (x) T+2	Div. yld (%) T+1	ROE (%) T+1	P/B (x) T+1
Citic Securities (H)	6030.HK	N (N)	19.64	16.50	10	(16)	12/12	2	3	0.44	0.54	15	21	34.9	28.8	—	5.5	1.9
Haitong Sec (H)	6837.HK	R (R)	13.42	—		—	12/12	0	0	0.46	0.53	34	15	23.0	20.0	1.3	6.6	1.5
Galaxy	6881.HK	O (O)	6.41	7.00	8	9	12/12	1	3	0.29	0.30	23	4	17.3	16.7	1.7	9.4	1.4

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

China Insurance Sector -- Maintain OVERWEIGHT

Bancassurance regulation change positive

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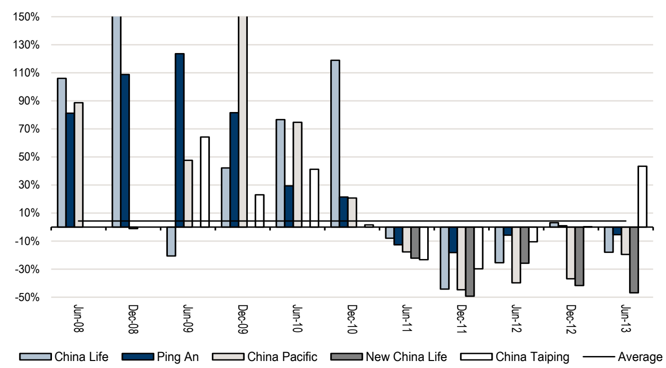
- News reports (*Hexun 28 Nov 2013*) indicate that the CBRC has released a new set of regulations in relation to bancassurance which will be effective from 1 January 2014.
- The key points of the new draft regulations are: (1) insurance staff are allowed back into bank branches and (2) premium collected by banks and postal agencies from the sale of accident insurance, health insurance, term life insurance, whole life insurance and pension annuities should be not less than 20% of total premium.
- The regulations introduced in late 2010 banning agents from bank branches have had a huge impact on volumes (see Fig 1). As such, we see the re-introduction of agents into banks as key to restoring growth in the channel, with margins materially higher if they can increase the protection mix (which is currently single digits according to our channel checks).
- We maintain our OVERWEIGHT view of the sector, with preference for stocks with better agency momentum.

Figure 1: Value of new business growth improving from bottom
China Insurance bancassurance new business premium growth (%)



Source: Reuters, company data, Credit Suisse estimates.

New bancassurance rules to encourage protection sales

News reports (Hexun 28 Nov 2013) indicate that the CBRC has released a new set of regulations in relation to bancassurance sales which will be effective from 1 January 2014. The key points of the new draft regulations are as follows:

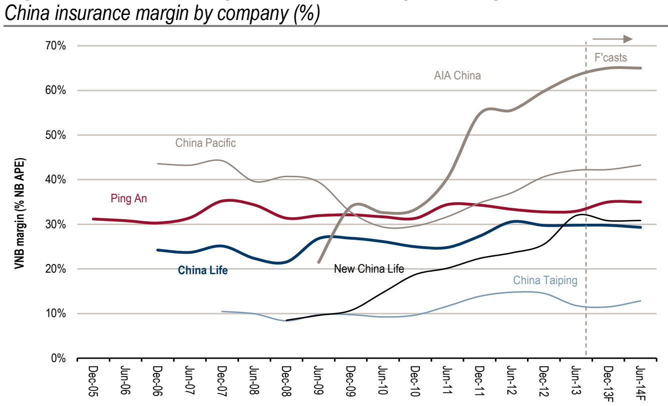
(1) **Insurance staff are allowed back into bank branches** (but required to wear identity tags which clearly indicate that they are not employees of the bank nor the post office) and

(2) **20% of the premium collected must be protection type**—premium collected by banks and postal agencies from the sale of accident insurance, health insurance, term life insurance, whole life insurance and pension annuities should be not less than 20% of total premium they receive).

The regulations introduced in late 2010 banning agents from bank branches have had a huge impact on volumes (see Fig 1). As such, we see the re-introduction of agents into banks as key to restoring growth in the channel, with margins materially higher if they can increase the protection mix (which is currently single digits according to our channel checks). We highlight, however, that this could prove difficult to measure as products are mostly bundled.

Changing the product mix to be more protection type can have a material impact on margins as AIA China has demonstrated can be done in China:

Figure 2: Room for margin improvement (by focusing on protection)
China insurance margin by company (%)



Source: Company data, Credit Suisse estimates.

Investment view

We view that successful execution of the new rules could be a game-changer for the insurers, leading to both an increase in volumes as well as improved margins. We maintain our OVERWEIGHT view of the sector, with preference for stocks with better agency momentum (Ping An and China Pacific).

Figure 3: Valuation metrics – 29 November 2013

Company	Ticker	CS	Price		TP (%)	Up/dn	PE	EPS		EV*		P/EV*		VNB multiple		EV*	VNB
T = Dec 12		Rating	Local	Target	Chg	(%)	T+1	T+1	T+2	T+1	T+2	T+1	T+2	T+1	T+2	T+1	T+1
China Life (H)	2628.HK	NTRL	25.00	22.00	0.0%	-12%	11.9x	1.12	1.65	13.80	15.59	1.4x	1.3x	7.5x	4.8x	13%	4%
Ping An	2318.HK	OPFM	72.30	88.00	0.0%	22%	13.9x	3.94	4.09	43.03	50.37	1.3x	1.1x	5.0x	2.1x	17%	10%
China Pacific	2601.HK	OPFM	32.80	37.50	0.0%	14%	17.0x	1.06	1.52	16.67	18.93	1.5x	1.4x	9.5x	6.2x	14%	15%
New China Life	1336.HK	NTRL	27.70	26.00	0.0%	-6%	11.6x	1.33	1.87	20.59	23.17	1.1x	0.9x	0.9x	-1.0x	13%	8%
China Taiping	0966.HK	RSTR	14.92	RSTR			12.6x	0.73	1.18	9.63	13.09	1.5x	1.1x	6.7x	1.8x	36%	15%
PICC Group	1339.HK	NTRL	4.06	4.25	0.0%	5%	13.5x	0.31	0.30	2.30	2.66	1.8x	1.5x	18.9x	13.7x	16%	-2%
PICC P&C*	2328.HK	OPFM	12.86	14.00	0.0%	9%	11.7x	0.99	0.86	4.28	4.93	2.4x	2.1x	na	na	na	na

Source: Reuters, company data, Credit Suisse estimates. VNB multiples adjust for P&C division at 1.9x book value and bank at 0.9x book value.

Hidili Industry International Development Limited ----------------------Maintain NEUTRAL

Dispose non-core assets to strengthen cash flows

EPS: ▲ TP: ◄►

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- Hidili announced that it will sell its lithium assets in Sichuan to a third party, Sichuan Guoli, for Rmb414 mn cash. Hidili estimates the transaction will be completed by 27 December and it will book a Rmb103 mn one-off gain from the disposal.
- The lithium business is a non-core asset of Hidili and nearly has had no earnings contribution over the past three years. We view this disposal as a further positive step for Hidili to sell non-producing assets to strengthen its tight cash flows, finance the new coal mine projects and lower the debt ratio, after the proposed disposal for its Yunnan coal mines in May.
- We estimate Hidili will remain loss-making in FY13 due to production interruptions. A re-rating of the stock is still pending for the potential earnings' recovery in 2014, if the production resumption and new mines contributions be well delivered.
- We revise up FY13E and FY14E earnings to factor in the disposal gain and lower financial costs. We maintain our NEUTRAL rating with a target price of HK$1.3.

Bbg/RIC	**1393 HK / 1393.HK**	**Price (29 Nov 13 , HK$)**	**1.30**
Rating (prev. rating)	**N (N) [V]**	**TP (prev. TP HK$)**	**1.30 (1.30)**
Shares outstanding (mn)	2,045.60	Est. pot. % chg. to TP	—
Daily trad vol - 6m avg (mn)	5.3	52-wk range (HK$)	2.61 - 1.21
Daily trad val - 6m avg (US$ mn)	1.0	Mkt cap (HK$/US$ mn)	2,659.3/ 343.0
Free float (%)	47.0		
Major shareholders	Mr Xian Yang 53%		

Performance	**1M**	**3M**	**12M**
Absolute (%)	0.8	(2.3)	(34.3)
Relative (%)	(4.0)	(12.9)	(43.6)

Year	**12/11A**	**12/12A**	**12/13E**	**12/14E**	**12/15E**
Revenue (Rmb mn)	2,862	1,924	929	1,735	2,190
EBITDA (Rmb mn)	1,409	582	11	625	874
Net profit (Rmb mn)	713.6	(147.4)	(197.6)	81.8	284.1
EPS (Rmb)	0.35	(0.07)	(0.10)	0.04	0.14
- Change from prev. EPS (%)	n.a.	n.a.	n.m	11	(1)
- Consensus EPS (Rmb)	n.a.	n.a.	(0.04)	0.03	0.13
EPS growth (%)	6.4	n.m.	n.m.	n.m.	247.4
P/E (x)	3.0	n.m.	n.m.	25.8	7.4
Dividend yield (%)	6.8	0	0	0	0
EV/EBITDA (x)	5.2	15.6	639.7	11.4	7.9
P/B (x)	0.3	0.3	0.3	0.3	0.3
ROE (%)	9.8	(2.0)	(2.8)	1.1	3.9
Net debt(cash)/equity (%)	68.0	94.6	64.6	69.0	63.6

Note 1: ORD/ADR=100.00. Note 2: Hidili is a premium coal production and development company, with major coal assets located in Sichuan, Guizhou, Yunnan of China.

Click here for detailed financials

We move our valuation base to 2014E earnings. Our target price is based on 0.3x book value on 2014E.

Figure 1: Earnings and valuation sensitivity – Hidili

Hidili	**EBITDA**	**EPS**	**EV/EBITDA 2014E**			
	2014E	2014E	3x	4x	5x	4x
	US$/t	Rmb/sh	HK$/sh	HK$/sh	HK$/sh	HK$/sh
Bear	40.0	-0.025	-0.4	-0.1	0.2	-0.1
Base	50.0	0.040	-0.2	0.2	0.6	**0.2**
Bull	60.0	0.104	0.0	0.5	0.9	0.5
Sensitivity						
For US$10/t spot chgs	*13.0*	*163%*				*0.4*
For US$10/t unit EBITD/	*10.0*	*62%*				*0.3*

Source: Company data, Credit Suisse estimates.

Figure 2: Key assumptions and financials – Hidili

		2011A	**2012A**	**2013E**	**2014E**	**2015E**
Seaborne HCC	US$/t	289	210	159	163	173
China Hebei HCC	US$/t	214	199	169	168	173
QHD thermal coal	US$/t	114	100	88	89	92
ASP	Rmb/t	961	881	697	774	805
Output - raw coal	mn tonnes	4.1	3.5	1.7	3.5	4.2
Output - clean coal	mn tonnes	1.8	1.6	0.6	1.6	1.9
Coal purchased	mn tonnes	0.2	1.1	0.1	-	-
Coal sales volume	mn tonnes	2.6	1.8	1.2	1.9	2.3
Coke sales volume	mn tonnes	0.2	0.2	0.1	0.2	0.2
Sales - HCC	%	62%	62%	57%	64%	67%
Sales - by product	%	24%	27%	28%	23%	23%
Sales - coke	%	6%	9%	5%	10%	8%
Sales - raw coal	%	7%	2%	10%	3%	2%
Unit production cost	Rmb/t	428	444	645	442	450
Unit operating cost	Rmb/t	666	766	1,063	743	721
Unit EBIT-self	Rmb/t	636	367	(65)	253	305
Unit EBITDA-self	Rmb/t	664	390	(35)	283	340
% of coal profit	%	89%	82%	91%	78%	79%
Net Profit	Rmb mn	714	(147)	(198)	82	284
Net Profit (recurring)	Rmb mn	609	(108)	(639)	82	284
EPS	Rmb/sh	0.35	(0.07)	(0.10)	0.04	0.14
EPS (recurring)	Rmb/sh	0.29	(0.05)	(0.31)	0.04	0.14
BV	Rmb/sh	3.69	3.53	3.42	3.47	3.61
Net debt	Rmb mn	5,307	6,988	4,644	5,016	4,812
Operating cash flow	Rmb mn	1,584	658	(131)	277	454
Investing cash flow	Rmb mn	(2,180)	(1,429)	2,076	(650)	(250)
Free cash flow	Rmb mn	(596)	(772)	1,945	(373)	204
ROE	%	10%	-2%	-3%	1%	4%
ROIC	%	7%	7%	-1%	3%	4%
Net gearing	%	70%	96%	66%	70%	65%

Source: Company data, Credit Suisse estimates.

Figure 3: Assets summary – Hidili

(Raw coal)	Stake	**2011A**	**2012A**	**2013E**	**2014E**	**LT**
Current assets	%	mn t	mn t	mn t	mn t	mn t
Sichuan	100%	1.6	1.1	0.0	0.6	0.6
Guizhou	100%	1.3	1.6	1.6	2.9	3.6
Yunnan	100%	1.2	0.8	0.3	-	-
Total - consolidated	100%	**4.1**	**3.5**	**1.9**	**3.5**	**4.2**
Total - attributable	100%	**4.1**	**3.5**	**1.9**	**3.5**	**4.2**
yoy	%	*-3%*	*-14%*	*-46%*	*84%*	*20%*

Source: Company data, Credit Suisse estimates.

Hong Kong

Hong Kong Banks Sector --- Maintain MARKET WEIGHT

Declining trade finance loans drag down system loan growth in Oct

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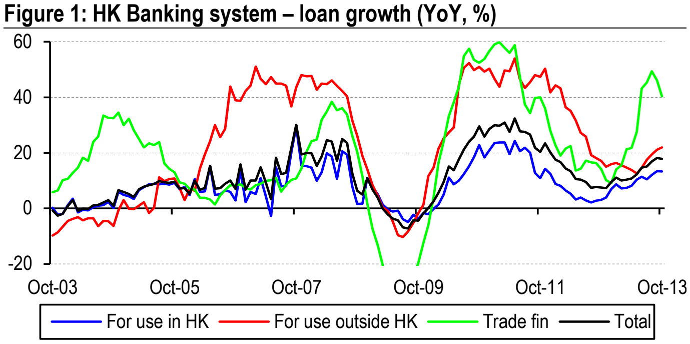
- After surprising on the upside for most part of the year, HK banking system loans barely grew in Oct (+0.1% MoM / +15.1% YTD) as (1) trade finance loans (9% of the book) shrunk 4% MoM (still up 53% YTD) and (2) partly due to seasonality, Oct loan growth has been weaker in past few years, possibly due to Golden Week holiday. The decline in trade finance loans is in sharp contrast to the strong HK trade data in Oct (exports/imports up 2-4% MoM).
- Loans for use outside HK (24% of loan book) continued to grow at a steady pace 1.2% MoM (18.3% YTD) after rising by ~13% in four months to Sep, probably indicating better liquidity conditions in China. Loans for use in Hong Kong were up just 0.2% MoM (9.7% YTD).
- Deposit growth of 0.8% MoM (8.1% YTD) was entirely driven by RMB deposits (+7.1% MoM, +30% YTD). HKD funding cost increased by 2 bp MoM to 0.34% (up 9 bp since April lows) and system net interest margins were down 2 bp QoQ to 1.41% in 3Q13. Increasing funding cost could weigh on NIMs of smaller banks.
- Trade finance loan growth was unusually strong until August and as these short-term loans mature, it could drag down the reported overall loan growth for the next few months.

Figure 1: HK Banking system – loan growth (YoY, %)



Source HKMA, CEIC, Credit Suisse

Strong demand for foreign currency loans

Loan growth ex-trade finance was 0.6% MoM. Despite the decline in trade finance loans (mainly USD), overall foreign currency loans were up 1.5% MoM. Even for loans for use in HK, HKD loans were down 1.4% MoM while foreign currency loans were up 6.0% MoM (foreign currency (ex RMB) LDR has increased by 12 pp YTD to 75.4%). Mortgage loan growth continues to remain weak (+0.2% MoM / 3.9% YTD). Money supply (M3) growth remained steady at 12.4% YoY (from 12.5% YoY).

Foreign currency (mainly US$) loans continue to grow strongly

Figure 2: Banking system loan growth (October 2013, %)

(%)	HK$ bn	% shr	5Y	YoY '11	YoY '12	YoY O-13	QoQ 1Q13	QoQ 2Q13	QoQ 3Q13	MoM O-13	YTD O-13
Use in HK	3,945	62	8.9	12.5	7.0	13.3	1.2	5.0	3.0	0.2	9.7
Use outside HK	1,878	29	25.6	41.8	15.9	22.0	3.3	4.3	8.4	1.2	18.3
Trade finance	584	9	22.4	28.0	9.1	40.4	19.3	23.9	7.8	-4.2	52.6
Total loans	6,406	100	13.6	20.2	9.6	17.8	3.0	6.3	5.0	0.1	15.1
Loans in HK$	3,560	56	8.2	11.9	5.5	9.4	0.8	3.9	3.0	-1.0	6.8
Loans in FC	2,846	44	23.4	36.9	16.3	30.3	6.4	9.6	7.6	1.5	27.4
Mortgage*	902	14	8.5	8.2	8.4	6.3	1.8	1.5	0.4	0.2	3.9

*Mortgage loan data from residential mortgage survey Source: HKMA, Credit Suisse

Deposit growth in Oct entirely driven by RMB deposits

RMB deposits were up 7.1% MoM as RMB internationalisation gets on a fast track (as per the recent commentary from PBOC).

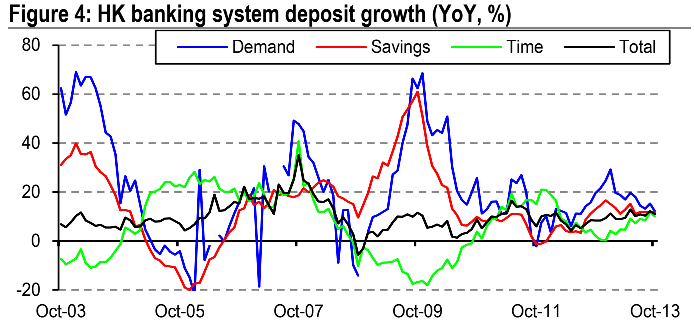
Figure 3: Banking system deposit growth (Oct 2013, %)

(%)	HK$ bn	% shr	5Y	YoY 2011	YoY 2012	YoY O-13	QoQ 1Q13	QoQ 2Q13	QoQ 3Q13	MoM O-13	YTD O-13
Demand	1,192	13	21.7	10.1	24.6	12.0	-0.5	3.5	4.1	1.5	8.8
Savings	3,665	41	17.1	-0.3	16.5	11.7	0.8	-1.7	6.3	2.8	8.3
Time	4,116	46	2.2	20.8	0.2	9.9	0.9	3.8	4.2	-1.2	7.8
Total	8,973	100	9.1	10.6	9.3	10.9	0.7	1.5	5.0	0.8	8.1
HK$	4,348	48	8.0	3.4	11.7	7.4	-0.3	0.0	4.5	-0.2	4.1
FC	4,625	52	10.1	18.7	7.0	14.4	1.6	3.0	5.5	1.6	12.2
US$	2,795	31	6.6	8.1	13.3	10.2	-2.6	3.5	7.2	0.6	8.8
RMB dep (Rmb)	782	100	63.9	87	2.5	40.9	10.8	4.5	4.6	7.1	29.6
Demand	143	18	26.4	50	-30.0	18.9	16.8	-11.6	6.0	5.4	15.4
Time	639	82	96.4	109	16.3	46.9	9.2	8.9	4.3	7.4	33.3
Overall LDR	71.4			66.9	67.1	71.4	68.7	71.9	71.9	-0.5	4.3

Source: HKMA, Credit Suisse

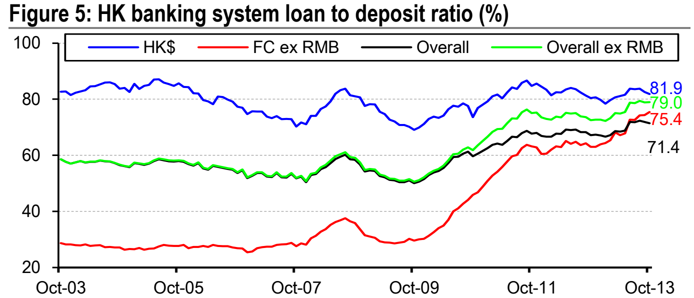
Deposit growth driven by savings/demand deposits

Figure 4: HK banking system deposit growth (YoY, %)



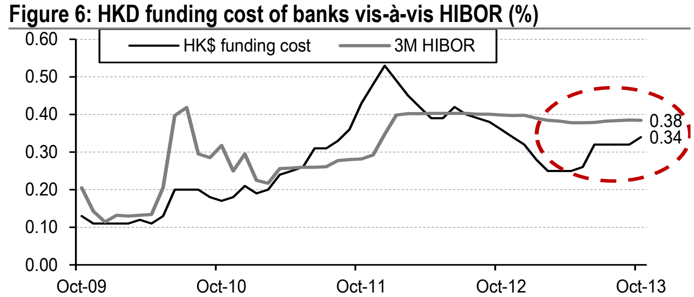
Overall loan-deposit ratio is 71.4%, ex-RMB LDR is 79.0%

Figure 5: HK banking system loan to deposit ratio (%)



HKD funding cost up by 9 bp in the past six months

Figure 6: HKD funding cost of banks vis-à-vis HIBOR (%)



Source for charts 4-6: HKMA, CEIC, Credit Suisse

Macau Gaming Sector

Macau Gaming Research Sentiment Indicator suggests sentiment not overheated

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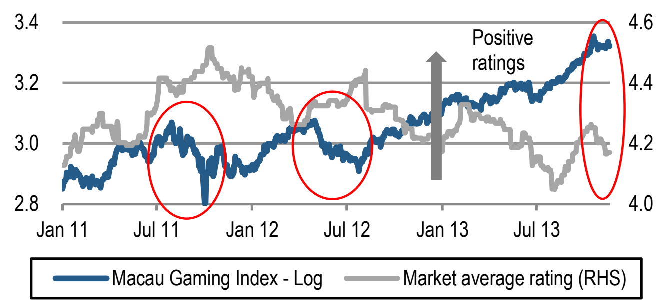
- In our new sector report, ***Take time off***, we introduce the unique Macau Gaming Research Sentiment Indicator to measure the market sentiment towards the Macau gaming sector by tracking the changes of investment ratings by sell-side analysts.
- We studied the relationship between gaming stock prices and the changes in analysts' investment ratings in the period from January 2011 to November 2013. It suggests that analysts tend to lag the stock prices when they make their investment recommendations.
- Analysts' downgrades were seen in March 2013 when the broader market peaked. The gaming sector resumed the rally in April on stronger-than-expected GGR and operators' earnings. Large-scale upgrades were seen from mid-August to end-September.
- The sentiment indicator is lower than that in the past two sector peaks. It softened recently as a result of some investment rating downgrades. We believe that sentiment is not overheated. It supports our view that the sector should underperform the market in the next two to three months, but a deep correction is unlikely.

Figure 1: CS Macau Gaming Sentiment Indicator and Gaming Index



Source: Bloomberg, Credit Suisse Research

Macau Gaming Research Sentiment Indicator

In our new sector report, ***Take time off***, we introduce the unique Macau Gaming Research Sentiment Indicator. To measure the market sentiment towards the Macau gaming sector, we have studied the relationship between gaming stock prices and the changes in investment ratings by sell-side analysts (Figure 1). To track the changes of investment ratings, we weigh all these ratings by assigning a score according to the investment recommendation. We then calculate the daily average score of the six Macau gaming stocks by referring to all the investment ratings. The score ranges from 1 to 5, where the score is higher when more positive investment ratings are recorded, and vice versa. The daily scores form a time series—the Macau gaming research sentiment indicator.

Analysts' recommendations tend to lag stock prices

In the period from January 2011 to November 2013, we note that the sentiment indicator rose before or even after the peak of the Macau gaming share prices in the last two big sector corrections in 3Q11 and 2Q12. When the sentiment indicator ended the uptrend to fall, the gaming stock prices also bottomed to recover. It suggests that sell-side analysts tend to lag the stock prices when they make their investment recommendations—despite the peak of the prices, they maintained their stance and even turned to be more bullish by raising their ratings. After seemingly misjudging the stock price movement for a few months, analysts downgraded their investment ratings. As the downgrades came late, the sector prices may have bottomed out.

Large-scale upgrades seen from mid-Aug to end-Sept 2013

The current sector price rally began in August 2012, when the sell-side analysts started to downgrade their investment ratings amid the negative sentiment toward the China economy. The short-lived investment rating upgrades began in January 2013 and downgrades were seen in March when the broader market peaked amid the completion of the China restocking. Analysts were proven to be too cautious, as the Macau gaming sector resumed the rally in April on stronger-than-expected GGR and gaming operators' earnings. Large-scale upgrades were seen from mid-August to end-September.

Expect sector to underperform with no deep correction

The Macau gaming research sentiment indicator currently stands at 4.2, lower than the 4.4 we witnessed when the sector peaked in 3Q11 and 2Q12. The indicator has softened recently as a result of some investment rating downgrades. We believe that market sentiment is not overheated. It also supports our view that the gaming sector should underperform the market in the next two to three months, but a deep correction is unlikely—we do not see the Chinese economic slowdown and the bullishness of the market sentiment towards the gaming stocks at the peak of the two big sector corrections.

Figure 2: Valuation comps of Macau gaming stocks by pecking order

Company	Ticker	Market cap (US$ mn)	Price (l.c.)	CS rating	TP (l.c.)	Pot. up/down (%)	P/E (x) 13E	P/E (x) 14E	EV/EBITDA (x) 13E	EV/EBITDA (x) 14E	Dividend yield (%) 13E	Dividend yield (%) 14E	Price performance (%) 1M	Price performance (%) 3M	Price performance (%) 1Y
MPEL	MPEL.OQ	19,718	35.59	O	42.40	19.1	30.5	22.2	15.6	13.2	-	0.9	6.6	30.9	133.2
SJM	0880.HK	17,800	24.85	O	29.00	16.7	17.9	15.8	12.6	10.6	4.2	4.8	-4.2	25.8	35.9
Wynn Macau	1128.HK	19,907	29.75	O	33.20	11.6	20.5	19.4	17.2	16.7	4.4	4.3	0.8	23.7	34.3
Sands China	1928.HK	60,996	58.65	N	62.00	5.7	27.3	21.0	21.6	17.1	3.7	4.8	4.5	26.1	77.5
Galaxy	0027.HK	33,027	60.70	N	65.60	8.1	25.4	20.5	20.0	16.5	-	-	3.1	23.5	105.4
MGM China	2282.HK	13,531	27.60	N	27.00	-2.2	20.4	17.5	16.4	14.3	3.8	3.9	2.2	15.2	90.3
Sector average							**24.9**	**20.0**	**18.6**	**15.5**	**2.6**	**3.2**	**2.9**	**24.9**	**81.1**

Source: Company data, Credit Suisse estimates.

Japan

Honda Motor ---------- Maintain OUTPERFORM

Still expecting benefit from new-model offensive **EPS: ▲ TP: ▲**

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- We reiterate our OUTPERFORM rating on Honda Motor, fine-tune our earnings estimates to reflect forex assumption changes, and raise our target price from ¥4,570 to ¥5,060 (potential upside 17%).
- We forecast consolidated OP of ¥848.4bn and ¥980bn for FY3/14 and FY3/15, respectively (I/B/E/S consensus ¥824.2bn and ¥940.0bn; FY3/14 guidance ¥780bn). Our forex assumptions for 4Q FY3/14 onward are ¥102/$ (previously ¥100/$) and ¥43/BRL.
- Catalysts: (1) solid sales in Japan, China, India, and Indonesia, (2) 2H results, and (3) attainment of a 30% shareholder return ratio with a share buyback. Risks: (1) global sales falling short of expectations, and (2) a greater-than-forecast increase in fixed costs.
- We base our ¥5,060 TP on end-FY3/15E BPS of ¥3,574 and a fair-value P/B of 1.42x (previously 1.29x). This multiple is a 10% discount to our fair-value FY3/15E P/B of 1.57x (assumes ROE of 12.3% (12%) and a 7.9% (7.8%) cost of equity). Implied P/E is 12.2x. Full report

Bbg/RIC	**7267 JP / 7267.T**	**Price (29 Nov 13 , ¥)**			**4,330.00**
Rating (prev. rating)	**O (O)**	**TP (prev. TP ¥)**			**5,060 (4,570)**
Shares outstanding (mn)	1,802.29	Est. pot. % chg. to TP			17
Daily trad vol - 6m avg (mn)	5.7	52-wk range (¥)			4365.0 - 2700.0
Daily trad val - 6m avg (US$ mn)	213.7	Mkt cap (¥/US$ bn)			7,803.9/ 76.4
Free float (%)	80.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders		Absolute (%)	9.2	22.1	58.8
		Relative (%)	4.7	8.3	(2.6)

Year	**03/12A**	**03/13A**	**03/14E**	**03/15E**	**03/16E**
Revenue (¥ bn)	7,948	9,878	12,173	13,031	13,328
EBITDA (¥ bn)	525	831	1,212	1,378	1,455
Net profit (¥ bn)	211.5	367.1	622.3	741.2	767.0
EPS (¥)	117	203	348	413	428
- Change from prev. EPS (%)	n.a.	n.a.	1.9	3.6	4.4
- Consensus EPS (¥)	n.a.	n.a.	337	391	442
EPS growth (%)	(60.3)	72.7	71.7	18.8	3.5
P/E (x)	36.9	21.4	12.4	10.5	10.1
Dividend yield (%)	1.4	1.8	1.8	2.4	2.5
EV/EBITDA (x)	20.3	13.8	9.9	8.8	8.2
P/B (x)	1.8	1.5	1.3	1.2	1.1
ROE (%)	4.8	7.8	11.6	12.3	11.7
Net debt(cash)/equity (%)	63.2	71.0	71.6	67.5	59.6

Note 1: ORD/ADR=1.00. Note 2: "HONDA MOTOR CO., LTD. develops, manufactures, and distributes motorcycles, automobiles, and power products such as generators and farm machinery. The Company also operates a financial credit business

Click here for detailed financials

We reiterate our OUTPERFORM rating on Honda Motor, fine-tune our earnings estimates to reflect forex assumption changes, and raise our target price from ¥4,570 to ¥5,060 (potential upside 17.5%). For more details on our basic stance, please refer to our 11 November report, *Honda Motor: Emerging markets taking up role as growth driver*.

We forecast consolidated OP of ¥848.4bn and ¥980bn for FY3/14 and FY3/15, respectively (I/B/E/S consensus ¥824.2bn and ¥940.0bn; FY3/14 guidance ¥780bn). Our forex assumptions for 4Q FY3/14 onward are ¥102/$ (previously ¥100/$) and ¥43/BRL. We maintain our essential view on Honda. We continue to view FY3/14 as a period of investment in the future. Therefore, while we do not anticipate any dramatic rise in profitability, we forecast growth in sales volume and profit. This is especially true for the emerging markets of China, India, Indonesia, and Mexico, where we expect new model launches to contribute. Outside of China, we see compact cars (the Global Compact Series including the Fit, the Brio series, and the N series) as the main growth driver. We also expect Honda to meet its target of a 30% shareholder return ratio.

Catalysts: (1) solid sales in Japan, China, India, and Indonesia, (2) 2H results, and (3) attainment of a 30% shareholder return ratio with a share buyback. Risks: (1) global sales falling short of expectations, and (2) a greater-than-forecast increase in fixed costs.

We base our ¥5,060 TP on end-FY3/15E BPS of ¥3,574 and a fair-value P/B of 1.42x (previously 1.29x). This multiple is a 10% discount to our fair-value FY3/15E P/B of 1.57x (assumes ROE of 12.3% (12%) and a 7.9% (7.8%) cost of equity). Implied P/E is 12.2x.

(This is an extract from the Honda report published on 29 November 2013. For details, please see the CS R&A website.)

Figure 1: Earnings summary

			Sales		Operating profit		Profit Before Tax		Net profit		EPS	
			¥mn	YoY (%)	¥mn	YoY (%)	¥mn	YoY (%)	¥mn	YoY (%)	¥	YoY (%)
Consolidated												
Mar-13	A		9,877,947	24.3	544,810	135.5	488,891	89.9	367,149	73.6	202.7	72.7
Mar-14	**CS E**	**(new)**	**12,173,316**	**23.2**	**848,414**	**55.7**	**840,622**	**71.9**	**622,285**	**69.5**	**348.0**	**71.7**
		(prev)	12,100,316	22.5	830,414	52.4	822,622	68.3	611,099	66.4	341.4	68.4
	CoE		12,100,000	22.5	780,000	43.2	765,000	56.5	580,000	58.0	321.8	58.8
	IBES E		11,946,576	20.9	824,226	51.3	821,876	68.1	611,826	66.6	337.2	66.4
Mar-15	**CS E**	**(new)**	**13,031,000**	**7.0**	**980,000**	**15.5**	**1,002,000**	**19.2**	**741,248**	**19.1**	**413.5**	**18.8**
		(prev)	12,871,000	6.4	937,000	12.8	959,000	16.6	715,337	17.1	399.0	16.9
	IBES E		12,746,941	6.7	940,001	14.0	955,481	16.3	704,433	15.1	389.8	15.6
Mar-16	**CS E**	**(new)**	**13,328,000**	**2.3**	**993,000**	**1.3**	**1,015,000**	**1.3**	**766,970**	**3.5**	**427.9**	**3.5**
		(prev)	13,162,000	2.3	943,000	0.6	965,000	0.6	736,841	3.0	409.9	2.8
	IBES E		13,617,867	6.8	1,056,567	12.4	1,084,518	13.5	794,693	12.8	438.5	12.5

Source: Company data, Credit Suisse estimates.

Mazda Motor ---Upgrade to OUTPERFORM

FY3/15 could see peak margins; again looking undervalued with aid of weak yen **EPS: ▲ TP: ▲**

Issei Takahashi / Research Analyst / 81 3 4550 7884 / issei.takahashi@credit-suisse.com

- We upgrade Mazda Motor from Neutral to OUTPERFORM and revise our earnings estimates and valuations to reflect a change in our forex assumptions. We raise our target price from ¥500 to ¥600 (potential return 27.1%). Click here for full report.
- In FY3/15, we expect the launch of three new models to fuel steep growth in sales, pushing margins to a new high. We also believe yen weakness has the stock looking undervalued again.
- We forecast consolidated OP of ¥190 bn in FY3/14 and ¥246 bn in FY3/15 (I/B/E/S consensus ¥179 bn and ¥214.8 bn, respectively; guidance for FY3/14 is ¥160 bn). Our forex assumptions for 4Q FY3/14 and beyond are ¥102/US$ (previously ¥100/US$) and ¥138/€ (¥130/€).
- We expect top-line effects driven by the new Mazda3, Mazda2, and CX-3 to combine with yen depreciation in supporting record profits and margins, but also look for the product mix to worsen between the Mazda3 launch and 1H FY3/16. Growing volume will likely be key.

Bbg/RIC	**7261 JP / 7261.T**	**Price (28 Nov 13, ¥)**			**472.00**
Rating (prev. rating)	**O (N) [V]**	**TP (prev. TP ¥)**			**600.00 (500.00)**
Shares outstanding (mn)	4,208.15	Est. pot. % chg. to TP			27
Daily trad vol - 6m avg (mn)	67.5	52-wk range (¥)			475.0-129.0
Daily trad val - 6m avg (US$ mn)	272.6	Mkt cap (¥/US$ bn)			1,982.0/ 19.4
Free float (%)	80.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders		Absolute (%)	5.6	19.2	265.1
		Relative (%)	1.1	5.4	203.6

Year	**03/12A**	**03/13A**	**03/14E**	**03/15E**	**03/16E**
Revenue (¥ bn)	2,033	2,205	2,709	3,000	3,200
EBITDA (¥ bn)	30.1	113.9	248.1	313.8	315.8
Net profit (¥ bn)	(107.7)	34.3	118.1	245.3	172.0
EPS (¥)	(57.6)	11.5	(0.1)	10.2	12.1
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (¥)	n.a.	n.a.	36.4	52.2	53.6
EPS growth (%)	n.m.	n.m.	244.2	107.7	(29.9)
P/E (x)	n.m.	41.0	11.9	5.7	8.2
Dividend yield (%)	0	0	0	2.5	2.5
EV/EBITDA (x)	75.6	19.8	9.5	7.4	7.1
P/B (x)	3.0	2.8	2.3	1.7	1.5
ROE (%)	(24.0)	7.1	21.3	34.2	19.3
Net debt(cash)/equity (%)	61.6	52.7	61.7	41.6	26.4

Note 1: ORD/ADR=10.00. Note 2: Mazda Motor Corporation manufactures and sells automobiles, trucks, auto parts, and its accessories. The Company operates its business worldwide.

Click here for detailed financials

Catalysts/risks

Catalysts include: (1) firm sales, underpinned by new models; (2) favorable results, leading to higher consensus forecasts; and (3) a smaller-than-expected rise in costs. Risks: (1) lower-than-expected global sales volume; (2) early tapering of demand for the aging CX-5 and Mazda6; and (3) a sharper-than-expected rise in fixed costs.

Valuation

Our ¥600 target price is based on fair-value P/B of 2.17x (previously 1.87x) applied to our FY3/15 BPS estimate of ¥277. Our multiple is a 10% discount to the theoretical P/B of 2.4x derived from tax-adjusted FY3/15E ROE of 22.8% (20.3%) and cost of equity of 9.5% (9.2%). Using a normalised tax rate, implied P/E is 10.8x.

Figure 1: Earnings summary

			Sales		Operating profit		Recurring profit		Net profit		EPS	
			¥mn	YoY (%)	¥mn	YoY (%)	¥mn	YoY (%)	¥mn	YoY (%)	¥	YoY (%)
Consolidated												
Mar-13	A		2,205,270	8.5	53,936	NM	33,087	NM	34,304	NM	11.5	NM
Mar-14	**CS E**	**(new)**	**2,709,317**	**22.9**	**189,962**	**252.2**	**139,970**	**323.0**	**118,126**	**244.4**	**39.5**	**244.2**
		(prev)	2,689,317	21.9	179,962	233.7	140,495	324.6	118,297	244.9	39.6	244.7
	CoE		2,650,000	20.2	160,000	196.6	123,000	271.7	100,000	191.5	33.5	191.4
	IBES E		2,681,592	21.6	178,987	231.9	137,335	315.1	108,753	217.0	36.2	215.1
Mar-15	**CS E**	**(new)**	**3,000,000**	**10.7**	**246,000**	**29.5**	**246,891**	**76.4**	**245,341**	**107.7**	**82.1**	**107.7**
		(prev)	2,945,000	9.5	217,000	20.6	217,891	55.1	222,630	88.2	74.5	88.2
	IBES E		2,892,591	7.9	214,777	20.0	209,795	52.8	156,630	44.0	52.0	43.7
Mar-16	**CS E**	**(new)**	**3,200,000**	**6.7**	**246,000**	**0.0**	**247,388**	**0.2**	**171,953**	**-29.9**	**57.5**	**-29.9**
		(prev)	3,143,000	6.7	217,000	0.0	218,388	0.2	153,369	-31.1	51.3	-31.1
	IBES E		3,095,331	7.0	240,396	11.9	236,616	12.8	159,924	2.1	53.5	2.9

Source: Company data, I/B/E/S, Credit Suisse estimates

(This is an extract from the Mazda Motor report published on 29 November 2013. Please see R&A for details.)

Figure 2: Shipment forecasts

	FY13 1Q A	FY13 2Q A	FY13 3Q CSE	FY13 4Q CSE	FY08 A	FY09 A	FY10 A	FY11 A	FY12 A	FY13 CSE	FY14 CSE	FY15 CSE	FY13 CoE
Volume by location(unit:k)													
Japan	54	62	64	85	220	219	206	226	226	265	244	243	232
North America	91	87	120	122	348	304	367	362	370	420	476	476	403
Europe	39	46	56	63	293	227	208	171	158	204	265	293	194
Others	71	74	70	74	255	213	319	257	299	289	355	397	301
Total	**255**	**269**	**310**	**344**	**1,116**	**963**	**1,100**	**1,016**	**1,053**	**1,178**	**1,341**	**1,409**	**1130**
Volume by location (yoy)													
Japan	0%	2%	53%	23%	-14%	-1%	-6%	10%	0%	17%	-8%	0%	3%
North America	2%	1%	40%	12%	-10%	-13%	21%	-1%	2%	14%	13%	0%	9%
Europe	22%	28%	47%	20%	-9%	-22%	-8%	-18%	-8%	29%	30%	11%	23%
Others	-1%	3%	-10%	-4%	-7%	-16%	49%	-19%	16%	-3%	23%	12%	1%
Total	**3%**	**5%**	**27%**	**12%**	**-10%**	**-14%**	**14%**	**-8%**	**4%**	**12%**	**14%**	**5%**	**7%**
Mazda2	29	32	36	44				206	171	141	180	238	
Mazda3	64	60	91	100				315	292	315	415	391	
Mazda6	34	37	36	39				96	93	146	148	143	
Mazda5	11	14	22	27				87	57	74	73	74	
RX-8	-	-	-	-				1	1	0	0	0	
Roadster/MX-5/Miata	3	3	2	3				13	12	12	13	14	
Tribute	-	-	-	-				3	0	0	0	0	
B-series	18	16	17	17				43	78	68	68	68	
CX-3	-	-	-	-				0	0	0	36	72	
CX-5	65	75	73	77				32	212	290	290	285	
CX-7	1	-	-	-				81	5	1	0	0	
CX-9	8	7	9	9				44	38	33	34	42	
Verisa	1	1	2	2				8	5	5	5	5	
MPV	0	1	1	1				4	2	3	2	2	
Others	20	23	21	26				83	87	90	76	76	
Total	**255**	**269**	**310**	**344**	**1,116**	**963**	**1,100**	**1016**	**1053**	**1178**	**1341**	**1409**	**1,130**
Full Sky Activ Ratio								**0%**	**24%**	**48%**	**78%**	**81%**	

Source: Company data, Credit Suisse estimates

Malaysia

Malaysia Strategy --

New Syariah—compliant equity list—16 additions and 158 deletions

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- A revised list of Malaysian equities that qualify for Islamic investment took effect on 29 November 2013. The list now has a total of 653 stocks—16 additions and 158 deletions. Islamic fund managers in Malaysia have six months to dispose of securities that are non-compliant.
- Figure 1 highlights the 15 largest companies (by market cap) removed from the Syariah list—YTL Power, Bumi Armada, SP Setia, Air Asia, Oriental Holdings, Tan Chong, Parkson, Dutch Lady, Keck Seng, MRCB, Amway, Tasek, MCIL, Tropicana and Panasonic. Within this list, we have OUTPERFORM ratings on Bumi Armada and Air Asia, hence any major weakness in share price is an opportunity to accumulate, in our opinion.
- Figure 2 lists down stocks that have been added to the Syariah-complaint list. Out of this list, we have an OUTPERFORM rating on Air Asia X.
- We highlight the stocks that are Syariah compliant and have OUTPERFORM ratings—Axiata, Digi, Gamuda, IJM Corp, IJM Land, Maxis, Sime, Tenaga, Air Asia X and UEM Sunrise.

The new Syariah-compliant equity list

A revised list of Malaysian equities that qualify for Islamic investment, compiled by the SC, took effect today (29 November 2013), in an attempt to internationalise Malaysia's Islamic finance industry.

Islamic fund managers in Malaysia have six months to dispose of securities that are excluded from the list, which now has a total of 653 Syariah-compliant stocks—16 stocks were added while 158 stocks were removed.

Malaysia has the largest base of Islamic funds that had RM83.2 bn in assets under management as of June 2013.

Figure 1: 15 largest companies removed from Syariah list

Ticker	Company	Mkt cap (RM mn)	ADV (RM mn)	Weighting	Pot outflow (RM mn)	No of days
YTLP MK	YTL Power	12,888	14.8	1.21%	1,004	68
BAB MK	Bumi Armada	11,785	7.7	1.10%	918	119
SPSB MK	SP Setia	7,253	7.0	0.68%	565	81
AIRA MK	AirAsia	6,674	24.7	0.62%	520	21
ORH MK	Oriental Hldgs	5,465	1.2	0.51%	426	352
TCM MK	Tan Chong	4,276	2.0	0.40%	333	165
PKS MK	Parkson	3,869	3.2	0.36%	301	94
DLM MK	Dutch Lady	3,135	0.7	0.29%	244	330
KS MK	Keck Seng	2,694	1.3	0.25%	210	156
MRC MK	MRCB	2,328	5.1	0.22%	181	35
AMW MK	Amway	1,989	0.3	0.19%	155	599
TC MK	Tasek	1,846	0.1	0.17%	144	1,085
MCIL MK	MCIL	1,738	0.8	0.16%	135	161
TRCB MK	Tropicana	1,398	4.2	0.13%	109	26
PMM MK	Panasonic	1,376	0.3	0.13%	107	374

Source: SC, Credit Suisse estimates.

We highlight in Figure 1, the 15 largest companies (by market capitalisation) removed from the Syariah list—YTL Power, Bumi Armada, SP Setia, Air Asia, Oriental Holdings, Tan Chong, Parkson, Dutch Lady, Keck Seng, MRCB, Amway, Tasek, MCIL, Tropicana and Panasonic. Within this list, we have OUTPERFORM ratings on Bumi Armada and Air Asia, hence, any major weakness in share price is an opportunity to accumulate, in our opinion.

Figure 2 lists down stocks that have been added to the Syariah-complaint list. Among them are new listings of AirAsia X, Berjaya Auto, Caring, UMW O&G and Westport.

Out of this list, we have an OUTPERFORM rating on Air Asia X.

Figure 2: Companies added to the Syariah compliant list

Ticker	Company	Mkt cap (RM mn)	ADV (RM mn)	Weighting	Pot outflow (RM mn)	No of days
MCH MK	Matrix Con	969	2.2	0.09%	79	37
AAX MK	AirAsia X	2,465	2.4	0.24%	201	84
PEP MK	PPB Group	17,451	5.4	1.71%	1,423	263
TRB MK	Takaso	42	1.4	0.00%	3	2
ABM MK	ABM Fujiya	106	0.1	0.01%	9	113
DRB MK	DRB-Hicom	4,698	5.6	0.46%	383	68
BAUTO MK	Berjaya Auto	1,228	6.3	0.12%	100	16
CARING MK	Caring	351	1.9	0.03%	29	15
NHB MK	Naim Indah	848	3.1	0.08%	69	22
SOLID MK	Solid Auto	109	0.8	0.01%	9	11
UMWOG MK	UMW O&G	7,372	63.6	0.72%	601	9
WPRTs MK	Westport	8,627	8.5	0.85%	704	83
MEDA MK	Meda Inc	359	0.2	0.04%	29	176
GOP MK	Gopeng	133	0.0	0.01%	11	618
SONA MK	Sona Petrol	614	5.6	0.06%	50	9

Source: SC, Credit Suisse estimates.

Although we had earlier highlighted Felda GV, Petronas Chemicals, Pos, IJM Corp, MAS and YTL Corp as being at risk of being removed from the Syariah list, they were retained.

Syariah-compliant stocks that we like

In Figure 3, we highlight the stocks that are Syariah compliant and have OUTPERFORM ratings. They include Axiata, Digi, Gamuda, IJM Corp, IJM Land, Maxis, Sime, Tenaga, Air Asia X and UEM Sunrise.

Figure 3: Stocks with O/P ratings and are Syariah compliant

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
Tenaga	TNB MK	9.86	O/P	10.9	13.5	13.7	12.3	1.4	2.5%	10.5%
Axiata	AXIATA MK	6.72	O/P	7.75	21.7	22.0	19.4	2.8	3.6%	12.6%
Sime Darby	SIME MK	9.65	O/P	10.8	15.7	16.4	14.1	1.8	3.0%	11.0%
Digi	DIGI MK	4.87	O/P	5.95	31.4	23.8	20.9	128.1	4.1%	537.7%
Maxis	MAXIS MK	7.03	O/P	9	28.4	27.2	26.4	8.8	5.7%	32.4%
Gamuda	GAM MK	4.76	O/P	5.5	19.8	14.8	11.9	1.8	2.4%	13.6%
UEM Sun	UEMS MK	2.3	O/P	3.5	21.6	18.3	15.4	1.8	1.3%	9.7%
IJM Corp	IJM MK	5.85	O/P	7.28	19.3	13.9	11.5	1.3	1.5%	9.8%
AirAsia X	AAX MK	1.04	O/P	1.25	18.2	14.2	7.1	1.7	0.0%	12.2%
IJM Land	IJMLD MK	2.6	O/P	3.8	18.2	13.5	10.8	1.2	1.6%	8.9%

Source: Credit Suisse estimates

Alliance Financial Group BHD -- Maintain OUTPERFORM

Weaker-than-expected 1H FY14 results **EPS: ◄► TP: ◄►**

Danny Goh / Research Analyst / 60 3 2723 2083 / danny.goh@credit-suisse.com

- Alliance's 1H FY14 net profit of RM269 mn (+1% YoY) is weaker than expected (47% of street's, 42% of CS's FY14). While PPOP grew 5% YoY, provision write-backs were lower YoY. ROE of 13.2% (FY13 = 14%) so far is below our forecast of 15.1%. One-off items during 1H FY14 include a RM30 mn bancassurance sign-on fee and RM22 mn in rationalisation costs.
- On a QoQ basis, 2Q FY14 net profit was down 5% QoQ, largely due to weaker non-interest income. We expect coming quarters' performance to be better.
- Loan growth picked up to 12% (vs 8% annualised in 1Q FY14). CASA growth slowed to 3% (from 23% annualised in 1Q FY14). NIM was stable. Costs grew only 1% despite a one-off rationalisation cost (-6% YoY without one-off item). Gross impaired loan ratio improved to 1.7% at the end of 2Q FY14 (from 2.1% at end-FY13).
- The stock trades at 11x calendarised 2014E P/E (1.9x P/BV), below peer avg of 12x. We like the stock for it is projected to deliver the most ROE improvement over next three years as it has a healthy capital position. Despite the weaker-than-expected 1H FY14 results, we maintain our forecasts pending a management update.

Bbg/RIC	AFG MK / ALFG.KL	Price (29 Nov 13 , RM)			4.94
Rating (prev. rating)	**O (O)**	**TP (prev. TP RM)**			**5.63 (5.63)**
Shares outstanding (mn)	1,548.11	Est. pot. % chg. to TP			14
Daily trad vol - 6m avg (mn)	1.6	52-wk range (RM)			5.73 - 4.04
Daily trad val - 6m avg (US$ mn)	2.6	Mkt cap (RM/US$ mn)			7,647.6/ 2,372.1
Free float (%)	71.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders	Vertical 29%; EPF 14%	Absolute (%)	(4.8)	(2.2)	20.5
		Relative (%)	(4.6)	(7.1)	7.7

Year	03/12A	03/13A	03/14E	03/15E	03/16E
Pre-prov Op profit (RM mn)	658.6	693.8	877.2	1,045.3	1,181.5
Net profit (RM mn)	479.4	538.0	635.9	710.0	807.5
EPS (CS adj. RM)	0.31	0.35	0.41	0.46	0.52
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (RM)	n.a.	n.a.	0.37	0.40	0.45
EPS growth (%)	17.1	12.2	18.2	11.7	13.7
P/E (x)	16.0	14.2	12.0	10.8	9.5
Dividend yield (%)	2.7	3.3	3.7	4.2	4.8
BVPS (CS adj. RM)	2.37	2.60	2.83	3.08	3.37
P/B (x)	2.08	1.90	1.75	1.60	1.47
ROE (%)	13.7	14.0	15.1	15.5	16.2
ROA (%)	1.3	1.3	1.3	1.3	1.4
Tier 1 Ratio (%)	12.0	12.7	11.5	10.9	10.5

Note 1: Alliance Financial Group provides various financial products & services including merchant banking, stockbroking, unit trust management and investment advisory via its 100% owned subsidiaries, primarily Alliance Bank. Note 2: Dividend yield is net.

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Gross loans grew 12.4% annualised in 1H FY14 (vs 13% in FY13, system's 10.6%). The fastest-growing loan segment was consumer loans (+17%) followed by corporate loans (10%) while SME loans grew at a modest pace of 3%. Loans in the Southern and Central regions were the key growth drivers (+24% and 12%, respectively). Loans in Sabah grew 7% and the Northern region grew 5% while Sarawak loans shrank 1%.

Deposits grew 4% annualised (vs system's +6.7%). CASA growth slowed to 3% annualised (vs system's 10%) in 1H FY14 following a 4% QoQ contraction in 2Q FY14 (23% annualised in 1Q FY14). The loan-to-deposit ratio stood at 82% as at the end of 2Q FY14 (from 78% at end-FY13). CASA ratio slipped to 33.4% at end-2Q FY14 (35.8% in 1Q FY14, 33.6% at end-FY13). Alliance's CASA ratio remains superior to the industry average of 25%.

NIM was stable QoQ at 2.27% in 2Q FY14 (down 17 bp from 2.44% in 4Q FY13), driven by higher funding costs. NIM so far has fallen below the management's target of 2.35%. However, efforts to curtail deposit growth and increase the loan-to-deposit ratio should help stabilise NIM.

Non-interest income grew 16% YoY in 1H FY14, driven largely by a one-off bancassurance sign-on fee of RM30 mn. Excluding this, non-interest income would be lower by 2% YoY mainly due to weaker investment income (-42% YoY). The non-interest income ratio rose to 28.9% in 1H FY14 but would be lower at 24.5% if we exclude the bancassurance fee (vs 27% in FY13). Management aims to raise the non-interest income ratio to 30% and is focusing on enhancing Treasury sales, gains from trading and investment securities, transaction banking and wealth management services. The group's bancassurance tie-up with Manulife should also contribute positively to future non-interest income.

Costs were well contained and only grew 1.2% YoY in 1H FY14 despite a one-off rationalisation expense of RM22 mn. Excluding the one-off item, costs would have declined 6% YoY. Excluding one-off items (bancassurance income, rationalisation cost), the cost-to-income ratio was 45.8% (vs 47.0% unadjusted and 48.0% in FY13).

Asset quality improved, as the gross impaired loan ratio trended lower QoQ to 1.7% at end-2Q FY14 (vs 1.9% at end-1Q FY14, 2.1% at end-FY13). Provision coverage rose to 87% (82% at end-FY13). Due to a combination of lower recoveries and higher collective assessment allowance, the group recorded a net write-back of RM0.4 mn (RM16 mn write-back in 1H FY13).

Healthy capital position. Alliance's core equity capital ratio stood at 10.8% and RWCR at 14.8%.

Figure 1: Summary of results

Year-end Mar 31 (RM mn)	1H14	1H13	YoY%	CS FY14F	% CS FY14E	% Street FY14	2Q14	1Q14	QoQ%	2Q13	YoY%
Net interest income	482.7	489.0	(1)	1,098.3	43.9	n.a.	244.4	238.3	2.5	252.0	(3.0)
Non-interest income	196.2	169.3	15.9	450.4	43.6	n.a.	70.4	125.9	(44.1)	87.0	(19.1)
Revenue	678.9	658.3	3.1	1,548.8	43.8	45.9	314.7	364.2	(13.6)	339.0	(7.1)
Operating expenses	(319.2)	(315.4)	1.2	(671.6)	47.5	n.a.	(144.3)	(174.9)	(17.5)	(154.3)	(6.4)
PPOP	359.7	342.9	4.9	877.2	41.0	48.8	170.4	189.3	(10.0)	184.7	(7.7)
Provisions	0.4	16.3	(98)	(17.2)	(2.2)	n.a.	5.7	(5.4)	207.0	7.1	(18.6)
PBT	360.1	357.1	0.8	860.0	41.9	47.5	176.2	184.0	(4.2)	190.8	(7.7)
Net profit	269.0	266.5	1.0	635.9	42.3	46.9	131.2	137.8	(4.8)	141.9	(7.5)

Source: Company data, Credit Suisse estimates, IBES estimates.

RHB Capital Berhad --- Maintain OUTPERFORM

9M13 results on track to beat street's estimates following a sharp QoQ rebound **EPS: ◄► TP: ◄►**

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- RHB's 9M13 net profit of RM1.33 bn (-4% YoY) is on track to exceed street's full-year estimate (9M13 NP = 76% of street, 73% of CS) following a sharp 36% QoQ net profit rebound in 3Q13. In 9M13, net profit decline was mainly due to a sharp rise in LLP while PPOP grew 11% YoY.
- 3Q13 net profit grew 36% QoQ (+15% YoY) driven by PPOP growth of 13% QoQ and a 76% QoQ decline in LLP. ROE improved to 11.2% annualised (9.9% at end 2Q13), slightly below management's target of 12%.
- Loans grew 12% (in line with management target) while deposits shrank 2% (deliberate effort to manage funding cost). The loan-to-deposit ratio rose to 89% as at 3Q13 (81% in end12). NIM expanded to 2.28% (+5bps QoQ). Credit cost improved to 11 bp in 3Q (49 bp in 1H). CET 1 ratio stands at 8.6%.
- We maintain OUTPERFORM on RHB, which trades at 9x 2014E P/E (1.2x P/BV) versus peer average of 12x. We expect positive street earnings momentum to drive a re-rating of the stock.

Bbg/RIC	**RHBC MK / RHBC.KL**	**Price (29 Nov 13 , RM)**			**7.61**
Rating (prev. rating)	**O (O)**	**TP (prev. TP RM)**			**8.80 (8.80)**
Shares outstanding (mn)	2,546.91	Est. pot. % chg. to TP			16
Daily trad vol - 6m avg (mn)	1.7	52-wk range (RM)			8.85 - 7.21
Daily trad val - 6m avg (US$ mn)	4.2	Mkt cap (RM/US$ mn)			19,382.0/ 6,011.8
Free float (%)	27.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders	EPF (48%); ADCB Holdings (25%)	Absolute (%)	(4.6)	1.7	1.3
		Relative (%)	(4.4)	(3.2)	(11.4)

Year	**12/11A**	**12/12A**	**12/13E**	**12/14E**	**12/15E**
Pre-prov Op profit (RM mn)	2,404.5	2,423.1	2,928.0	3,365.2	3,828.0
Net profit (RM mn)	1,502	1,672	1,817	2,192	2,511
EPS (CS adj. RM)	0.68	0.67	0.72	0.84	0.94
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (RM)	n.a.	n.a.	0.69	0.80	0.87
EPS growth (%)	3.3	(1.6)	6.7	18.1	11.8
P/E (x)	11.2	11.4	10.6	9.0	8.1
Dividend yield (%)	2.7	2.4	2.8	3.3	3.7
BVPS (CS adj. RM)	5.19	6.06	6.58	7.19	7.85
P/B (x)	1.47	1.26	1.16	1.06	0.97
ROE (%)	14.0	12.6	11.4	12.4	12.7
ROA (%)	1.1	1.0	0.9	1.0	1.1
Tier 1 Ratio (%)	12.3	12.1	11.6	11.6	11.8

Note 1: RHB Capital Berhad is a Malaysia-based investment holding company whose subsidiaries provide commercial and merchant banking, and related financial services.

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Loan growth accelerated to 11.9% annualised (10.4% in 1H13), in line with management's target of 12% and ahead of system's 10.2%. Key drivers of loan growth were retail (15.2% annualised) and corporate loans (12.5%), while SME loans shrank (-3%). Management is confident of sustaining the pace of growth in 4Q13.

EASY: RHB has added 23 new EASY outlets year-to-date (now at 268 outlets and no new outlets in 3Q13), largely in post offices. Loans through EASY amounted to RM6.3 bn at end-3Q13 (+35% annualised) and accounted for 5% of the group's total loans and 9.4% of PPOP (6.4% of group's PBT). ASB accounts for 73% of EASY's loan base and remains the key growth driver.

Deposits contracted 1.1% in 9M13 (-1.5% annualised), below system's 8.1% growth and management's target of 10% growth. Government and corporate deposits declined 30% and 4% annualised, respectively, while retail deposits grew 18%. Management has deliberately controlled deposit growth to manage funding cost and expects to fall short of its deposit growth target. CASA growth of 5% annualised in 9M13 is slower than system's 9.2%. We understand that the group will likely be more aggressive in efforts to grow CASA in 4Q13. CASA ratio improved to 22.4% (vs 21.3% at end-2012). The loan-to-deposit ratio rose to 89% (81% as at end-12). We believe management will step up deposit growth initiatives once the loan-to-deposit ratio (LDR) surpasses 90%.

NIM improved QoQ to 2.28% in 3Q13 (2.23% in 2Q13, 2.19% in 4Q12, 2.18% in 2012), due to higher loan yield (+18 bp YTD), faring better than management's target to preserve NIMs (guidance of <5 bp contraction in 2013). The increase in LDR has helped.

Non-interest income grew 61% YoY and the non-interest income ratio improved to 34.4% (from 26.8% in 9m12), boosted mainly by OSK IB. Main growth driver was fee income, which grew 91% YoY on the back of higher brokerage (+411%), fund management (+369%) and FOREX gain (+31%). Investment income grew 5% YoY despite volatility in the bond market. Synergy from OSK-RHB IB integration of RM95 mn in 9M13 already surpassed management's target of RM63 mn for full year.

Costs grew 41% YoY mainly due to the impact from OSK IB acquisition. The cost-to-income ratio rose to 51.5% in 9M13 from 45.5% in 9M12; 47.5% in FY12. Management's target is to reduce the cost-to-income ratio to <50%. According to management, excluding OSK IB and one-off integration cost (RM19 mn), cost grew 8% YoY.

Asset quality: The impaired loan ratio trended back down to 2.9% as at 3Q13 having experienced an uptick to 3.2% in 2Q13 (2.7% end-2012). RHB made RM43 mn provision for a RM400 mn corporate loan that was classified as impaired last quarter. In 9M13, the group has made cumulative RM178 mn provisions for two problem loans and made a one-off RM58 mn write-off due to tightening of model used to determine collective assessment allowance. However, due to strong recoveries, LLP declined 76% QoQ. Overall 9M13 provisions grew 398% YoY. Credit cost trended back down to 11 bp in 3Q13 from 49 bp in 1H13. 9M13 average credit cost of 36 bp is in line with management's full-year credit cost guidance of 30-35 bp. Barring a significant deterioration in financial health of the abovementioned problem account, management expects credit cost to be within its guidance.

Capital: Management indicated that the group's pro forma BASEL 3 CET 1 ratio is 8.6%, implying the group has sufficient capital.

Figure 1: Summary of results

Year-end Dec 31 (Rm mn)	9M2013	9M2012	YoY%	% CS FY13E	% Street FY13	3Q2013	2Q2013	QoQ%	3Q2012	YoY%
Net interest income	2,838.9	2,536.3	11.9	72.9	n.a.	979.3	947.0	3.4	871.6	12.4
Non-interest income	1,490.1	927.2	60.7	68.2	n.a.	554.3	485.5	14.2	273.8	102.4
Revenue	4,329.0	3,463.6	25.0	71.2	76.4	1,533.6	1,432.4	7.1	1,145.5	33.9
Operating expense	(2,228.2)	(1,576.7)	41.3	70.8	n.a.	(762.0)	(747.8)	1.9	(526.4)	44.7
PPOP	2,100.8	1,886.9	11.3	71.7	79.9	771.6	684.6	12.7	619.1	24.6
Loan-loss provisions	(314.3)	(63.1)	397.7	62.2	n.a.	(32.1)	(131.6)	(75.6)	21.2	(251.7)
PBT	1,787.7	1,824.3	(2.0)	73.8	72.6	739.8	553.7	33.6	640.3	15.5
Net profit	1,326.7	1,376.9	(3.6)	73.0	75.8	559.1	410.3	36.3	487.5	14.7

Source: Company data, Credit Suisse estimates, IBES estimates.

Sime Darby -- Maintain OUTPERFORM

Indonesian FFB output fell sharply by 28% YoY **EPS: ▼ TP: ▼**

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- Sime's 1Q FY14 net profit of RM489 mn was below market expectation, coming in at 14% of full-year market estimate. Sime 1Q FY14 EBIT and core net profit fell 45% and 51% YoY, respectively.
- All divisions disappointed, but FFB output in Indonesia fell sharply by 28% YoY. Sime believes that the outlook for the plantation sector should improve because FFB production is recovering, CPO prices are rising and fertiliser cost is lower YoY.
- Sime has announced its FY14 targets: a net profit of RM2.80 bn (vs. our forecast of RM3.35 bn) and ROE of 10%. Sime has a history of low-balling its KPIs.
- We have trimmed FY14, FY15 and FY16 earnings forecasts by 3%-5%, and have therefore revised down our target price to RM10.70. Maintain OUTPERFORM because Sime is the cheapest of the big cap Malaysian plantation stocks, trading at CY14 P/E of 15.9x vs. FGV at 16.2x, KLK at 23.3x and IOI at 17.8x.

Bbg/RIC	SIME MK / SIME.KL	Price (29 Nov 13 , RM)			9.65
Rating (prev. rating)	O (O)	TP (prev. TP RM)			10.70 (10.80)
Shares outstanding (mn)	6,009.46	Est. pot. % chg. to TP			11
Daily trad vol - 6m avg (mn)	6.2	52-wk range (RM)			9.75 - 8.95
Daily trad val - 6m avg (US$ mn)	18.3	Mkt cap (RM/US$ bn)			58.0/ 18.0
Free float (%)	39.1	**Performance**	**1M**	**3M**	**12M**
Major shareholders	PNB (47.5%)	Absolute (%)	0.9	2.8	7.6
		Relative (%)	1.2	(2.2)	(5.2)

Year	06/12A	06/13A	06/14E	06/15E	06/16E
Revenue (RM mn)	47,602	46,771	44,793	48,019	49,293
EBITDA (RM mn)	7,020	5,619	6,019	6,782	7,291
Net profit (RM mn)	4,150	3,701	3,352	4,000	4,374
EPS (RM)	0.69	0.62	0.56	0.67	0.73
- Change from prev. EPS (%)	n.a.	n.a.	(5)	(3)	(4)
- Consensus EPS (RM)	n.a.	n.a.	0.59	0.64	0.68
EPS growth (%)	13.3	(10.8)	(9.4)	19.3	9.3
P/E (x)	14.0	15.7	17.3	14.5	13.3
Dividend yield (%)	3.6	3.5	2.9	3.4	3.8
EV/EBITDA (x)	8.9	11.3	9.8	8.6	7.8
P/B (x)	2.2	2.1	1.8	1.7	1.6
ROE (%)	16.6	13.9	11.4	12.2	12.5
Net debt(cash)/equity (%)	17.5	20.0	2.3	0.4	(3.1)

Note1:Sime Darby Berhad is a Malaysia-based investment holding company. Its six business segments are plantation, property, industrial, motors, energy and utilities, and others..

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Sime's 1Q FY14 results were in line

Sime's 1Q FY14 net profit of RM489 mn was below market expectation, coming in at 14% of full-year market estimate. Sime 1Q FY14 EBIT and core net profit fell 45% and 51% YoY, respectively.

- Plantations' 1Q FY14 EBIT fell 62% YoY, below expectations, as FFB output fell 16% YoY (with Indonesian output falling sharply by 28% YoY and Malaysian output falling 8% YoY) and palm oil prices averaged 14% lower YoY. Downstream operations turned in to a gain of RM11 mn in 1Q FY14 vs. a loss of RM25 mn in 1Q FY13.
- Industrial 1Q FY14 EBIT fell 15% YoY, primarily because of the consolidation in the Australian mining sector. EBIT from Malaysia and Australia fell YoY. Sime's current order book is trending down with a 15% QoQ fall to RM2.8 bn.
- Motors' EBIT fell 34% YoY, due to stiff competition in China and Australia while Singapore saw tighter credit lending.

Figure 2: Sime 1Q FY14 EBIT breakdown

EBIT (RM mn)	1Q FY14	1Q FY13	% YoY chg	4QFY13	% QoQ chg
Plantation	254.7	674.7	-62%	380.7	-33%
Property	60.9	59.2	3%	275.0	-78%
Industrial	321.6	379.4	-15%	364.5	-12%
Motors	105.0	158.5	-34%	200.3	-48%
Energy & utilities	55.5	57.2	-3%	24.8	124%

Source: Company data

Sector outlook

Plantation: Although 1Q FFB output fell by 16% YoY, Sime expects the full year FFB output to eventually be up by 2-3% YoY. The CPO price outlook has improved. Cost is also lower YoY due to a 15% YoY fall in fertiliser cost.

Industrial: Market conditions remain weak.

Motors: Management expects FY14 profits to fall YoY primarily due to keen competition. All markets expect Malaysia to remain tough.

Property: We believe that cooling measures in Malaysia, including the hike in RPGT and the removal of DiBs, will depress the property market.

New FY14 KPIs—low balling again?

Sime has announced its FY14 targets: a net profit of RM2.80 bn (vs. our forecast of RM3.35 bn) and ROE of 10% (vs. our forecast of 11.4%). Note that Sime has a history of low-balling its KPIs. Same time last year, Sime announced FY13 net profit target of RM3.2 bn and it eventually achieved a net profit of RM3.7 bn.

Sime targets to deliver a market cap of RM100 bn in the medium term vs. RM57 bn currently, via organic and inorganic (potential M&A) growth.

Dividend reinvestment plan

Sime's dividend reinvestment plan (DRP) will provide shareholders with an option to reinvest their cash dividends in new Sime shares at a discount to the market price. The exercise is expected to be completed by end-1Q CY14. If the participation rate is 100%, Sime estimates that its share cap could increase by 2.9%. The DRP allows Sime to retain some cash for future investments.

Sime—a big cap laggard

We have trimmed FY14, FY15 and FY16 earnings forecasts by 3-5%, and have therefore revised down our target price to RM10.70.

Maintain OUTPERFORM on Sime because (1) it is the cheapest of the big cap Malaysian plantation stocks, trading at CY14E P/E of 15.9x vs. FGV at 16.2x, KLK at 23.3x and IOI at 17.8x and (2) we believe that palm oil prices will trend higher in 2014 vs. 2013, and Sime is a plantation proxy.

Figure 1: Sime's 1Q FY14 result review

Year-end 30 June (RM mn)	1Q FY14	1Q FY13	% change YoY	4Q FY13	% change QoQ	CS full-year	% of CS	Market full-	% of market
Sales	10,759.2	11,831.2	-9%	12,930.3	-17%	46,625.9	23%	48,758.4	22%
Operating profit	734.7	1,336.0	-45%	892.5	-18%	4,937.0	15%	4,946.4	15%
PBT	714.2	1,288.6	-45%	1,234.2	-42%	4,909.2	15%	4,858.1	15%
Reported PAT	489.0	990.3	-51%	1,310.6	-63%	3,528.2	14%	3,503.1	14%
Reported EPS (sen)	8.1	16.5	-51%	21.8	-63%	58.7	14%	58.3	14%
EBIT margin (%)	6.8%	11.3%		6.9%		10.6%		10.1%	

Source: Company data, Credit Suisse estimates.

YTL Corp --Maintain NEUTRAL

Cautious outlook with no near-term catalysts

EPS: ▲ TP: ▼

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- YTL is bidding for a 2,000 MW coal-fired power plant project in Malaysia. Market expectations of YTL winning the bid is low. Therefore, a successful bid for Project 3B could be a re-rating catalyst for YTLP.
- YTL Corp's Wessex Water is perceived to be in a low-risk sector, but could be negatively impacted by regulatory changes. Indication from the UK water regulator, OFWAT, is that rates of returns are expected to fall.
- YTL Corp is in the running to bid for the RM40 bn high speed rail (HSR) project between Kuala Lumpur and Singapore, but there are concerns that the project could be delayed.
- We have tweaked our model, raising FY14-15E EPS by 1-3% and rolled over our SOTP-based target price to RM1.70 (-5% from RM1.80). Maintain NEUTRAL rating.

Bbg/RIC	**YTL MK / YTLS.KL**	**Price (29 Nov 13 , RM)**			**1.62**
Rating (prev. rating)	**N (N)**	**TP (prev. TP RM)**			**1.70 (1.80)**
Shares outstanding (mn)	10,739	Est. pot. % chg. to TP			5
Daily trad vol - 6m avg (mn)	7.1	52-wk range (RM)			1.90 - 1.49
Daily trad val - 6m avg (US$ mn)	3.6	Mkt cap (RM/US$ mn)			17,397.1/ 5,397.8
Free float (%)	22.9	**Performance**	**1M**	**3M**	**12M**
Major shareholders	Yeoh family 53%	Absolute (%)	(1.2)	6.6	(8.5)
		Relative (%)	(1.3)	1.4	(21.0)

Year	**06/12A**	**06/13A**	**06/14E**	**06/15E**	**06/16E**
Revenue (RM mn)	20,196	19,973	19,062	20,180	21,900
EBITDA (RM mn)	4,310	4,364	4,457	4,641	4,903
Net profit (RM mn)	1,181	1,274	1,190	1,314	1,503
EPS (RM)	0.11	0.12	0.11	0.12	0.14
- Change from prev. EPS (%)	n.a.	n.a.	3	1	
- Consensus EPS (RM)	n.a.	n.a.	0.12	0.14	0.15
EPS growth (%)	13.5	7.6	(6.4)	10.0	13.8
P/E (x)	14.5	13.5	14.4	13.1	11.5
Dividend yield (%)	2.5	2.3	2.4	2.6	3.0
EV/EBITDA (x)	7.7	7.9	7.9	7.7	7.5
P/B (x)	1.2	1.1	1.0	1.0	0.9
ROE (%)	10.5	10.0	8.7	9.0	9.7
Net debt(cash)/equity (%)	110.2	108.8	104.2	100.1	95.5

Note 1: YTL Corporation Berhad is a Malaysia-based investment holding and management company. Its seven business segments are construction, information technology and e-commerce related business, hotel and restaurant operations, cement manufacturing and trading.

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Project 3B

YTL Corp, through its power unit YTL Power, is bidding for a 2,000 MW coal-fired power plant project in Malaysia called 'Project 3B'. YTL is one of three IPPs bidding for the project (plus Tenaga). Media reports suggest that YTLP has the lowest bid, but have reported that there are unspecified technical issues in the bid. Management refutes these claims. In our view, market expectations of YTL winning the bid is low. Therefore, a successful bid for Project 3B could be a re-rating catalyst for YTLP.

UK Water

YTL Corp's Wessex Water is perceived to be in a low-risk sector, with fixed regulatory framework and inflation-linked cash flows. However, we remain concerned that regulatory changes in the UK water industry could negatively impact on Wessex Water, which accounts for 30% of YTL Corp's pretax profit. UK water company has asked to submit its business plans for the next regulatory period of 2015-20. Pricing is expected to be set in 2014, and indication from the UK water regulator, OFWAT, is that rates of returns are expected to fall.

High speed rail

YTL Corp is in the running to bid for the RM40 bn high speed rail (HSR) project between Kuala Lumpur and Singapore. A successful bid for the project should be a re-rating catalyst, assuming the Malaysian and Singaporean governments actually proceed with the project. At this stage, the government, through the Land Transport Commission (SPAD), is conducting a feasibility study on the HSR project, which is expected to be completed by the end of the year. However, our channel checks seem to indicate that the government is no longer as enthusiastic on the HSR project. We are concerned that this might mean that the project could be delayed.

Maintain NEUTRAL

The fortunes of YTL Corp are intertwined with that of YTL Power, which contributes half of the group's earnings. After the failure to secure an extension for its first generation power purchase agreement (PPA) that expires in 2016, growth in YTL's power generation business hinges on winning the 2,000 MW coal fired power plant project. Competition will be stiff, and we are not optimistic on YTL's chances of the securing the project.

On the back of the recent results, we have tweaked our model and raised our FY14-15E EPS by 1-3%. We have also rolled over our SOTP-based target price to reflect current market valuations, thereby cutting our target price by 5% to RM1.70 (from RM1.80). Given the limited upside potential to the stock, we maintain our NEUTRL rating.

Valuation metrics

Company	Ticker	Rating (prev. rating)	Price		TP Chg (%)	Up/dn to TP (%)	Year	EPS Chg(%)		EPS		EPS grth (%)		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
YTL Corp	YTLS.KL	N (N)	1.62	1.70	(6)	5	06/13	3	1	0.11	0.12	(6)	10	14.4	13.1	2.4	8.7	1.0
YTLP	YTLP.KL	U	1.94	1.40	0	(28)	06/13	0	0	0.13	0.13	(5)	5	15.5	14.8	1.0	9.8	1.5
Tenaga	TENA.KL	O	9.86	10.90	0	11	08/13	0	0	0.72	0.80	(1)	11	13.7	12.3	2.5	10.9	1.4

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

Source: Company data, Credit Suisse estimates

Pakistan

Pakistan Banks Sector -- Maintain OVERWEIGHT

New amnesty scheme likely to boost industrial activity; another positive for medium-term loan growth

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- The government recently announced a new amnesty scheme for businesses with exemption from declaring the source of wealth if they invest in greenfield projects across a range of industries.
- The move was the first major concession to the business community (key support base for the govt) and comes post announcements of a change of guard at the Army and the higher judiciary. Nawaz Sharif, who has offered similar schemes in his previous two tenures, appears to be flexing his muscle as he looks forward to a less active judiciary under the new chief justice.
- We believe the move would encourage a gradual return of capital held overseas, though the quantum would depend on sector-specific initiatives, energy supply situation and law and order.
- Banks would be major beneficiaries as exemptions on access to bank accounts by tax authorities will encourage documentation and boost deposits. Moreover, new investment should result in higher credit appetite which has been lacklustre over the past few years. UBL (30% potential upside) and MCB (21%) remain our top picks best positioned to leverage from the improving business climate.

Valuation metrics

Ticker	Market cap US$mn	Rating	Price (PRs) Local	Target	3M ADTO US$mn	P/E (x) 2013E	2014E	P/B (x) 2014E
MCB.KA	2,711	O	290.27	350	1.5	13.5	11.5	2.3
UBL.KA	1,481	O	131.04	170	1.4	9.2	7.9	1.4
NBPK.KA	1,090	N	55.49	53	2.7	14.5	8.0	0.8

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

New amnesty scheme, a first major concession to appease a key support group

The government has announced a new amnesty scheme for businessmen to whiten their money by granting exemptions from declaring the source of wealth for investments in greenfield projects across a range of sectors. The energy sector, including Thar coal, low cost housing, livestock, mining and projects in KPK and Baluchistan have been earmarked as key focus areas of the new scheme. The move was the first major concession for the business community, a key support base for the government). Nawaz Sharif had offered amnesty in his past tenures as well, with concessions on amounts received on encashment of US dollar bearer certificates (1991) and exemption of special US dollar bearer certificate from levies in 1998.

Timing appears interesting, established industries likely to be added

The announcement of the amnesty scheme appears well timed coming post announcement of change of guard at the Army and superior judiciary the two key power centres. After remaining relatively quiet for the first few months of his tenure, Mr Sharif appears to be flexing his muscle as he looks forward to less active judiciary under the new chief justice. Another interesting aspect is that investment in established industries such as textile spinning, fertilizers, cements, beverages, etc., have been excluded from amnesty though the govt has kept open a window of deliberation with the business community on their subsequent inclusion. We believe, some of these industries such as textiles, sugar and cements will be excluded from the negative list as key business groups are likely to lobby hard for their inclusion.

Can the scheme drive the substantial increase in capital investment?

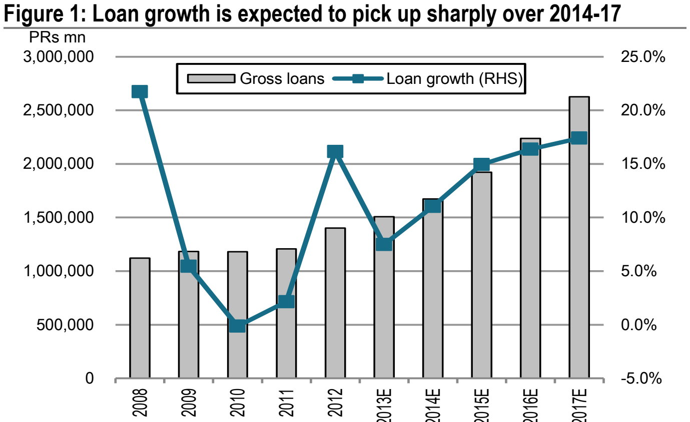
There is a widely held belief business groups in Pakistan hold a substantial amount of wealth overseas due to (1) the inconsistency of government policy and fears of intervention particularly post the 1970s nationalisation and (2) tax evasion/avoidance which has been relatively easy due to a weak legal system. While no official figures are available, this undocumented wealth could range anywhere between 50% and 100% of reported wealth with the quantum varying under different governments. For instance, a huge capital flight was witnessed in the past days of the Musharraf regime given concerns about the macro outlook and policies of previous PPP government.

The important question now is whether this initiative of the PML-N government would be enough to bring some of that money back to the country? The answer to which is in the affirmative in our view, though the quantum of investment would require (i) a more broad-based policy, (ii) additional incentives on taxes and documentation, and most importantly (iii) progress on energy supply and law and order which have been detrimental to industrial growth in the past 5-6 years.

Banks to benefit from higher business activity; UBL and MCB top picks

The banking sector would be a prime beneficiary of any influx of capital and investment due to the amnesty scheme as exemptions on access to bank accounts by tax authorities (a key demand of the businesses) is likely to encourage documentation and boost deposits. Moreover, new investment will result in higher credit appetite which has been lacklustre over the past five years (6% average growth). We expect more favourable business policies of the PML-N government and progress on energy supply to boost credit offtake in the medium term with a three-year CAGR of 14% over 2014-16.

Figure 1: Loan growth is expected to pick up sharply over 2014-17



Source: Company data, Credit Suisse estimates.

We remain OVER-WEIGHT on the sector with UBL (30% potential upside) and MCB (21% upside) best positioned to leverage from the improving business climate given their strong deposit franchise, low leverage and high capital adequacy.

South Korea

Korea Economics ---

Industrial production bounced in October post the automobile strike in the prior month

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- Manufacturing industrial production rebounded by 3% YoY in October, surpassing the consensus expectation of a 0.9% YoY increase. On a sequential basis, manufacturing IP bounced 1.8% MoM (sa).
- The rebound was prompted by the resumption of automobile production after the strike in September, which led to a sequential bounce in car production during the month. The output index bounced by 3% YoY, and gained 2% MoM (sa).
- We maintain our view that Korea's export and industrial production activities should continue to improve, though we think some cyclical softness could set in again in the beginning of 2014, as foretold by the peaking of the CS Basic Material Index in 4Q.
- We expect IP to remain supported in the coming months, while the overall momentum should continue to benefit from prospects of stronger global growth in 2014. The outlook for domestic demand is positive, helped by facility investments and the housing market.

IP rebounded in October

Manufacturing industrial production rebounded by 3% YoY in October, surpassing the consensus expectation of a 0.9% YoY increase. On a sequential basis, manufacturing IP bounced 1.8% MoM (sa), reversed from the 2.5% sequential contraction in September. The rebound was prompted by the resumption of automobile production after the strike in September, which led to a sequential rise in car production during the month. The output index was up by 3% YoY, and gained 2% MoM (sa).

The rebound in October IP is within our expectation. We maintain our view that Korea's export and industrial production activities should continue to improve, as suggested by the strength of the leading indicators of Korea's major trading partners and the momentum of other indices such as the CRB Metal prices and CS Basic Material Index in 4Q (please see Korea: Rising on a stronger global recovery, published 26 September). But that said, cyclical softness can set in again in the beginning of 2014, as foretold by the peaking of the metal indices, but if the global economy continues on a stable recovery trend we expect Korea's production and exports will continue to improve next year.

Other macro data also showed improvement. Producers' shipments rose 3% YoY, reversed from the 5.1% YoY contraction in September. On a sequential basis shipments rose 1.6% MoM (sa). Inventory rose 9.1% YoY, but stayed largely flat at 0.2% MoM (sa). On domestic demand, retail sales rose 1.6% YoY, and was up 1.3% MoM (sa). Equipment investments jumped 14.2% YoY, helped by a 7% YoY gain in machinery investment and a strong 42.2% YoY surge in transport equipment investments. Construction activities continued to improve. The value of construction completed (constant prices) rose 16.5% YoY and was up 2.8% from the previous month. Both building construction and civil engineering were the drivers, up 18.1% YoY and 14.4% YoY, respectively.

A moderate growth ahead

Looking forward, we expect Korea's industrial activities to remain supported in the coming months. Overall momentum should continue to benefit from the prospects of stronger global growth in 2014, though we expect to see some moderation in the near term. We expect Korea's GDP growth to improve to 3.3% in 2014, though our forecast is still weaker than the market consensus of 3.5% growth. We are waiting to see more positive developed market data, in addition to the strong October non-farm payroll data in the US, and the actual start of QE tapering to give us more confidence on the strength of global and Korea's growth in 2014.

Outlook on Korea's domestic demand is positive, in our view, assuming that the global economy and domestic property sector continue to cruise on a moderate recovery path. Although money and new loan growth have remained slow, we expect an improved outlook on the global economy to help raise facility investments in the export sector. Stabilisation in the housing market, driven by improved affordability and narrowed differences between the rental and mortgage yields, are expected to support home construction activities. We believe consumer sentiment may improve further amidst such conditions, giving support to consumer spending.

Figure 1: Summary of October macro-economic data

(% YoY, unless otherwise stated)	4Q12	1Q13	2Q13	3Q13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
Manufacturing industrial production	3.9	-1.5	-0.8	0.1	1.4	-1.4	-2.5	0.9	3.2	-3.7	3.0		
% MoM, seasonally adjusted	0.8	-1.5	0.4	-0.3	0.4	-0.2	0.7	-0.2	1.6	-2.3	2.2		
Consumer sales	1.0	0.1	1.1	0.7	2.1	0.5	0.8	1.0	2.5	-1.2	1.6		
Shipments	1.5	-2.0	-0.7	0.0	1.4	-1.6	-1.9	0.2	4.7	-5.1	3.0		
Inventories	4.1	5.4	2.9	6.4	3.1	2.7	3.2	7.0	3.3	8.9	9.1		
Production capacity	1.3	1.1	1.2	1.6	1.0	1.3	1.2	1.7	1.5	1.6	1.6		
Leading indicator index (% MoM)	0.6	0.2	0.7	0.6	0.5	0.6	0.9	0.8	0.7	0.3	0.8		
Manufacturing confidence index outlook	70.0	76.0	82.0	77.0	80.0	81.0	82.0	78.0	73.0	77.0	82.0	83.0	78.0

Source: National Statistical Office, Bank of Korea, Credit Suisse

Hyundai Marine & Fire--Maintain NEUTRAL

Still facing headwinds **EPS: ▼ TP: ◄►**

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- Hyundai Marine and Fire (HMF) October 2013 NP declined to W20 bn or 8% YoY. YTD NP has dropped by 27% YoY.
- HMF's earnings are tracking worse than expected. The key factor is higher auto claim loss ratio, driven by higher traffic. The risk loss ratio of long-term insurance also edged up, negatively impacted by the seasonality of more working days. Lastly, as expected, growth of long-term protection type is taking a breather.
- Earnings visibility remains low. Improvement in the auto claim loss ratio appears distant as it is too complacent to expect premium hikes, in our view. Growth of long-term protection type insurance is expected to slow further which also puts pressure on risk loss ratios. While the current P/B of 1.0X is near a historical trough, positive catalysts are unlikely to materialise in the near term.
- Reflecting on the higher loss ratio of auto and the long-term segment, we lower our NP estimate for FY13 and FY14 by 12% and 13%, respectively. Our TP of W32,000 is maintained as we roll forward base year to FY14 from FY13.

Bbg/RIC	001450 KS / 001450.KS	Price (29 Nov 13 , W)			31,950
Rating (prev. rating)	N (N)	TP (prev. TP W)			32,000 (32,000)
Shares outstanding (mn)	89.40	Est. pot. % chg. to TP			0
Daily trad vol - 6m avg (mn)	0.2	52-wk range (W)			35400.0 - 27950.0
Daily trad val - 6m avg (US$ mn)	6.3	Mkt cap (W/US$ bn)			2,856.3/ 2.7
Free float (%)	66.9	**Performance**	**1M**	**3M**	**12M**
Major shareholders	Mongyun Chung;	Absolute (%)	3.1	9.4	(4.5)
	21.8%	Relative (%)	2.8	3.2	(10.3)

Year	03/12A	03/13A	12/13E	12/14E	12/15E
Life GWP (W bn)	6,701	7,552	6,062	8,666	9,359
P&C GWP (W bn)	2,230	2,218	1,707	2,273	2,310
Net profit (W bn)	392.5	333.4	217.9	302.0	353.1
EPS (W)	4,882	4,146	2,708	3,754	4,386
- Change from prev. EPS (%)	n.a.	n.a.	(12)	(13)	(7)
- Consensus EPS (W)	n.a.	n.a.	3,339	4,392	5,041
EPS growth (%)	91.1	(15.1)	(34.7)	38.6	16.8
P/E (x)	6.5	7.7	11.8	8.5	7.3
NTA per share (W)	21,691	26,139	25,338	28,492	31,962
EV per share (W)	41,429	48,866	53,416	57,963	62,745
Dividend yield (%)	4.2	3.3	1.9	2.8	2.8
EV/EBITDA (x)	4.1	4.5	6.6	4.7	4.1
P/B (x)	1.5	1.2	1.3	1.1	1.0
ROE (%)	23.8	17.3	10.5	13.9	14.5
P&C combined ratio (%)	96.6	100.4	101.0	101.7	101.1

Note 1: Hyundai Marine & Fire Co., LTD is a property and casualty insurer. The company's products include auto, fire, marine, general liability, leisure, travel, pension and medical insurance

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Earnings tracking worse than expected

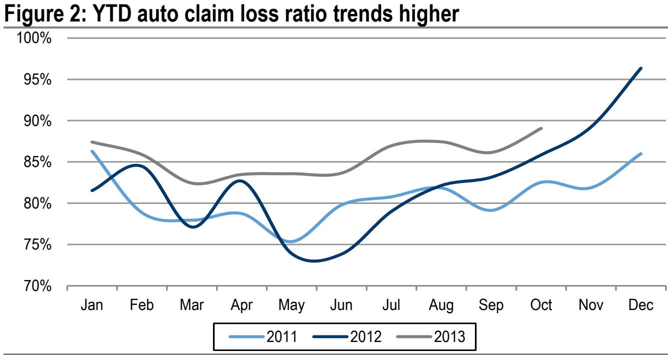
The persistently rising auto claim ratio exerts downward pressure on HMF's earnings. In Oct-13, the claim loss ratio was higher by 3.2 pp YoY and YTD by 5.7 pp. While the rate is capped, heavier traffic volume, arguably due to lower gas price, weighed on claims frequency as well as severity, according to our discussion with the company. As we believe the traffic volume will further increase due to improvement in consumer sentiment, worsening of the auto claim loss ratio is expected. In addition to the auto segment, long-term insurance faces headwinds. In particular, growth in the monthly new business premium of protection-type insurance declined by 5.7% YoY. The risk loss ratio also surged to 88% in October 2013, +5 pp YoY and 11 pp MoM. This was partly due to higher business days in the month (Chuseok was in September). Competition in protection type insurance continues to intensify, despite full penetration, as life insurers began selling low-cost insurance. Hence, we expect to see a further growth deceleration, which would also have a negative impact on the risk low ratio.

Figure 1: HMF—YTD and Oct-13 results summary

Summary P&L (W bn)	FY13 YTD	FY12 YTD	Oct-13	Oct-12	YoY % YTD	YoY % curr. M
Net premiums written	5,644	5,323	821	768	6.0	6.9
Net premiums earned	5,621	5,310	817	773	5.9	5.7
(commercial lines)	231	209	34	30	10.1	12.7
(auto lines)	1,105	1,121	161	162	-1.5	-0.4
(LT lines)	4,286	3,979	622	581	7.7	7.0
Claim loss incurred	4,729	4,400	695	652	7.5	6.6
(commercial lines)	155	152	22	24	2.1	-6.8
(auto lines)	948	898	143	139	5.5	3.3
(LT lines)	3,626	3,350	530	490	8.2	8.2
Operating expense	1,031	949	152	143	8.7	6.7
Underwriting inc./(loss.)	-139	-39	-31	-22	n.m.	n.m.
Net investment income	384	362	61	54	6.0	13.5
Operating profit	244	322	30	32	-24.3	-4.6
Non-recurring inc./(loss.)	-21	-15	-3	-2	n.m.	n.m.
Earnings before tax	224	307	27	29	-27.2	-8.5
Tax	55	74	7	7	-26.0	-8.5
Net profit	169	233	20	22	-27.5	-8.5
Key balance sheet items (W bn)						
Total assets	22,435	19,769	22,435	19,769	13.5	13.5
Total invested assets	17,865	15,300	17,865	15,300	16.8	16.8
Shareholders' equity	1,982	2,023	1,982	2,023	-2.0	-2.0
Catastrophe loss reserves	531	481	531	481	10.5	10.5
Key profitable ratio (%)					YoY pp	YoY pp
Overall claim loss ratio	84.1	82.9	85.1	84.4	1.3	0.7
(commercial lines)	67.4	72.7	65.0	78.6	-5.3	-13.6
(auto lines)	85.8	80.1	89.1	85.8	5.7	3.2
(LT lines)	84.6	84.2	85.2	84.3	0.4	0.9
Expense ratio	18.3	17.8	18.5	18.6	0.4	0.0
Combined ratio	102.4	100.7	103.7	103.0	1.7	0.7
Investment yields	3.9	4.3	4.1	4.3	-0.5	-0.1
ROA	1.3	2.1	1.1	1.4	-0.8	-0.3
ROE	14.2	21.2	12.4	13.3	-7.0	-0.9

Source: Company data, Credit Suisse research.

Figure 2: YTD auto claim loss ratio trends higher



Source: Company data, Credit Suisse research.

01450.KS	Old rating	New rating	Old TP	New TP
Jan 31, 2013	NEUTRAL	NEUTRAL	W33,000	W32,000

CREDIT SUISSE

Thailand

Thailand Residential Property Sector -------------------------------- Maintain OVERWEIGHT

Government agencies' shutdowns create risk on 4Q revenue but risk doesn't appear significant

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- Political protests recently intensified with few government agencies being taken over by protestors. It creates a risk that end-of-the-year property transfers could be hindered and developers might miss their revenue targets as a result.
- Although every developer we talked to is still highly confident that full-year revenue targets can be achieved, we would not overlook this risk. However, the impact on this year's revenue shouldn't be high, possibly off-target in a range of 1-2% only.
- And since we observe companies based on a 'fiscal year' basis, any delays could lead to misses on full-year revenue. But in reality, any transfer delays will likely be a matter of just a month or less. Real impact on operations will actually be quite small.
- We acknowledge that ongoing political protests could create near-term negatives for the sector and property stocks, but if they are not dragged too long, the impact on operations of these developers should not be significant. We continue to like the big property developers and recommend investors bottom-fishing quality players names, including AP, LPN and LH.

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	4.94	10.90	12/12	6.5	4.5	1.0
L.P.N.	LPN.BK	O	18.30	26.00	12/12	10.7	8.5	2.8
Land and Houses	LH.BK	O	9.85	14.50	12/12	14.9	11.8	2.9
Supalai	SPAL.BK	O	16.00	23.60	12/12	9.1	6.6	2.0
Quality Houses	QH.BK	O	2.74	4.00	12/12	9.0	9.4	1.5
Preuksa	PS.BK	N	20.60	24.70	12/12	8.3	8.2	1.9

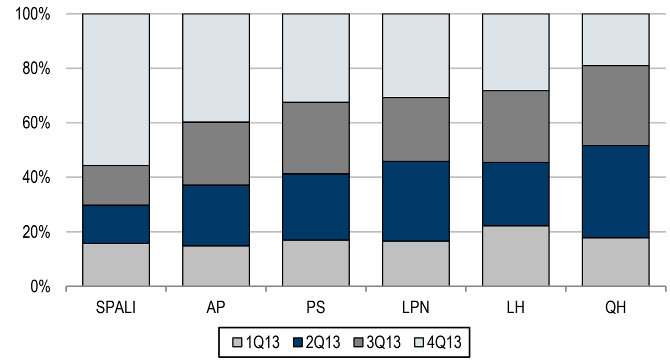
Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM
Source: Company data, Credit Suisse estimates

Government shutdown presents risk on this year's revenue

Political protestors recently adopted a tactic of taking over various government agencies and offices, trying to paralyse the government in order to force the government out of office. It could create a potential risk to property developers as it could delay property transfer process, and result in a risk to revenue booking for the final quarter of this year. And given that 4Q13 is expected to be a good quarter this year for most big listed property developers, accounting for an estimated 19-56% of full-year forecast, the risk on the surface appears substantial (Figure 1).

Of the big six developers under our coverage, SPALI relies the most on 4Q revenue, with 4Q top-line expected to represent more than half (56%) of its full-year revenue. And in the case of AP, PS, LPN and LH, 4Q13 revenues are expected to contribute around 30-40% of full-year revenue. Only for QH we expect 4Q revenue to be relatively small compared to the prior three quarters, as we forecast 4Q will account for 19% of full-year revenue.

Figure 1: 2013F revenue breakdown by quarter



Source: Credit Suisse estimates.

But actual impact could be much less

Per our calls with various developers, the message we received was that (1) revenue booking up to end-November is on track to meet full-year targets, and (2) during last few days, post-government office shutdowns have not led to any signs of a slowdown in the transferring process at all. Every developer we talked to remains confident that their full-year revenue targets can still be achieved despite this political protest.

But even if there are some delays, we believe the final impact still might not be that significant. The reason is that developers have had two months to transfer units already in 4Q before the government agencies' shutdown took place. So should there be any impact, it will last only for a month. On top of that, transfer process is being carried out at the Land Department, which is not the target of the protestors. Hence, even during December, we still expect property transfers. It is more a matter of how efficient the transfers would be. If the transfer process really gets impacted and only half the normal volume can be processed, then the impact on developers' top-lines could range between 3% and 9%, by our estimate. But we think the risk, if any, will more likely be delays of around 10% transfers, of which the impact on full-year revenue will be between 1% and 2%.

Figure 2: Potential impact on developers' top-lines

% delay from normal time to transfer	Minimum impact	Maximum impact
50%	3%	9%
20%	2%	4%
10%	1%	2%

Source: Credit Suisse estimates.

And this is a 'fiscal year' number risk more than a real operational risk

We would also highlight that this is a risk on delays in revenue booking, which then create risk to 2013 revenue numbers. However, it does not lead to buyers' cancellation of units to be transferred. Hence, we could see lower revenue in this fiscal year, but in reality the delay in revenue booking is less than a month. And should that be the case, there will be a lower 2013 revenue number but in turn extra revenue for 2014.

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AirAsia (AIRA.KL, RM2.4)
AirAsia X (AIRX.KL, RM1.04)
Alliance Financial Group BHD (ALFG.KL, RM4.94, OUTPERFORM, TP RM5.63)
Amway (AMW MK, RM12.48)
AP (Thailand) (AP.BK, Bt4.94, OUTPERFORM, TP Bt10.9)
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Berjaya Auto (BAUTO MK , RM1.52)
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China Galaxy Securities Co.,Ltd. (6881.HK, HK$6.41, OUTPERFORM[V], TP HK$7.0)
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China Life (601628.SS, Rmb15.72, NEUTRAL, TP Rmb17.0)
China Pacific (2601.HK, HK$32.8, OUTPERFORM, TP HK$37.5)
China Pacific (601601.SS, Rmb19.57, OUTPERFORM, TP Rmb30.0)
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DRB HICOM (DRBM.KL, RM2.43)
Dutch Lady (DLM MK, RM48.48)
Erajaya Swasembada Tbk (ERAA.JK, Rp1,050, OUTPERFORM[V], TP Rp2,000)
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Galaxy Entertainment Group (0027.HK, HK$60.7)
Gamuda (GAMU.KL, RM4.76)
Godrej Consumer Products Ltd (GOCP.BO, Rs883.95, OUTPERFORM, TP Rs940.0)
Gopeng (GOP MK , RM0.74)
Haitong Securities (600837.SS, Rmb11.76, RESTRICTED [V])
Haitong Securities (6837.HK, HK$13.42, RESTRICTED [V])
Hang Seng Bank (0011.HK, HK$126.5)
HCL Technologies (HCLT.BO, Rs1086.55, OUTPERFORM, TP Rs1425.0)
Hidili Industry International Development Limited (1393.HK, HK$1.3, NEUTRAL[V], TP HK$1.3)
Honda Motor (7267.T, ¥4,330, OUTPERFORM, TP ¥5,060)
Hyundai Marine & Fire (001450.KS, W31,950, NEUTRAL, TP W32,000)
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IJM Land Berhad (IJML.KL, RM2.59)
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Keck Seng (KS MK, RM7.52)
Kuala Lumpur Kepong (KLKK.KL, RM24.5)
L.P.N. Development (LPN.BK, Bt18.3, OUTPERFORM, TP Bt26.0)
Land and Houses (LH.BK, Bt9.85, OUTPERFORM, TP Bt14.5)
Larsen & Toubro (LART.BO, Rs1043.35, UNDERPERFORM, TP Rs713.0)
Macau Legend Development Limited (1680.HK, HK$6.06)
Matrix Con (MCH MK , RM3.22)
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MCB Bank Limited (MCB.KA, PRs290.27, OUTPERFORM, TP PRs350.0)
MCIL (MCIL MK, RM0.995)
Meda Inc (MEDA MK , RM0.8)
Melco Crown Entertainment-ADR (MPEL.OQ, $35.59)
MGM China (2282.HK, HK$27.6)
MRCB (MRC MK, RM1.36)
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New China Life (1336.HK, HK$27.7, NEUTRAL, TP HK$26.0)
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Oriental Hldgs (ORH MK, RM8.61)
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PICC P&C (2328.HK, HK$12.86, OUTPERFORM, TP HK$14.0)
Ping An (2318.HK, HK$72.3, OUTPERFORM, TP HK$88.0)
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