

EPS, TP and Rating changes

(% change)	EPS		TP		Rating
	T+1	T+2	Chg	Up/Dn	
Mirvac Group	0	0	0	6	O (O)
Shandong Weigao Group Medical	0	(4)	(3)	(5)	U (U)
Standard Chartered	(5)	(6)	0	(6)	U (U)
Crompton Greaves	(7)	(10)	7	(8)	U (U)
Cummins India	(4)	(4)	(3)	(6)	N (N)
Punjab National Bank	(5)	0	0	6	N (N)
Sun TV Network	(4)	(4)	0	21	O (O)
Tata Motors Ltd.	1	4	10	14	O (O)
United Spirits Ltd.	(3)	(4)	0	11	O (O)
Asiana Airlines	n.m	(17)	0	(14)	U (U)
Chipbond	(7)	(6)	0	25	O (O)
Tripod Technology	(4)	(9)	(6)	19	N (N)
Asia Aviation	(23)	(21)	2	(1)	U (U)
PTT Global Chemical	10	1	6	20	O (O)

Connecting clients to corporates

Hong Kong / China

BAT Malaysia (BATO.KL)

Date 18 November, Hong Kong
Coverage Analyst Foong Wai Loke

Sa Sa International Holding (0178.HK) Post results

Date 19 November, Hong Kong
Coverage Analyst Isis Wong

DGB Financial Group (139130.KS)

Date 22 November, Hong Kong
Coverage Analyst Gil Kim

BTS Group Holdings PCL (BTS.BK)

Date 25-26 November, Hong Kong
Coverage Analyst Warayut Luangmettakul

Singapore

DGB Financial Group (139130.KS)

Date 20-21 November, Singapore
Coverage Analyst Gil Kim

Others

Japan and Korea Corporate Day

Date 18 November, Hong Kong

APAC Financials Corporate Day

Date 03-04 December, Singapore/Hong Kong
Coverage Analyst Sanjay Jain

Contact cseq.events@credit-suisse.com or Your usual sales representative.

Top of the pack ...

Tata Motors Ltd. (TAMO.BO) – Maintain O

Jatin Chawla (4)

New report: Decent quarter; thesis remains intact

PTT Global Chemical (PTTGC.BK) – Maintain O

Paworamon (Poom) Suvarnatemee, CFA (5)

More good news

Credit Suisse Executive Panel

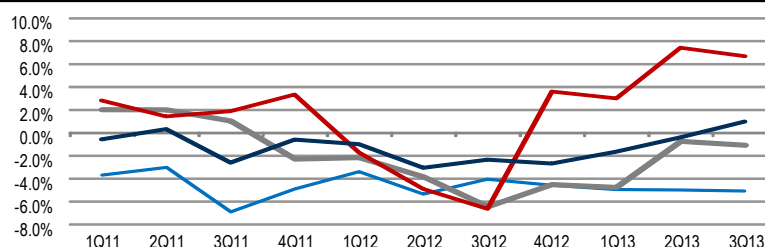
Richard Kersley (6)

Turning point confirmed

CS pic of the day

Lenovo Group Ltd. "Think progress. Think Lenovo. 2QFY14 review"

YoY % global PC ASP change: Lenovo PC's ASP improvements have exceeded the overall market by 400 bp in the last five quarters, driven by its leading position in corporate PC with 19.4% market share in 3Q13.



Source: Gartner, Credit Suisse

... and the whole pack

Global

Credit Suisse Executive Panel

Richard Kersley (6)

Turning point confirmed

Regional

Asia Small-Cap Sector

Kenny Lau, CFA (7)

David & Goliath small-cap weekly: A running horse or a sleeping nag

Australia

Mirvac Group (MGR.AX) – Maintain O

John Richmond (8)

\$552mn acquisitions deliver yield plus growth

China

China Economics

Dong Tao (9)

Export growth beats consensus in October

China Economics

Dong Tao (10)

Rebounding inflation puts PBoC in a dilemma

Franshion Properties (China) Limited (0817.HK) – Maintain O

Jinsong Du (11)

MoM decline in October sales due to high base, but FY numbers should still exceed expectations

Shandong Weigao Group Medical (1066.HK) – Assuming Coverage with U

Iris Wang (12)

3Q13 results preview: May slightly miss but less impacted by the anti-corruption campaign

Vipshop Holdings Limited (VIPS.N) – Maintain N

Evan Zhou (13)

3Q preview: All eyes on 3Q OPM and 4Q guidance

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Asian indices – performance

(% change)	Latest	1D	1W	3M	YTD
ASX300	5352	(0.4)	(0.2)	6.8	15.7
CSEALL	5855	(0.3)	(1.7)	(4.8)	3.8
Hang Seng	22744	(0.6)	(2.2)	4.3	0.4
H-SHARE	10391	(0.8)	(2.7)	8.2	(9.1)
JCI	4477	(0.2)	(0.8)	(3.5)	3.7
KLSE	1804	(0.1)	(0.1)	1.4	6.8
KOSPI	1985	(1.0)	(2.7)	5.5	(0.6)
KSE100	23367	0.6	3.2	0.6	38.2
NIFTY	6141	(0.8)	(2.6)	10.3	4.0
NIKKEI	14086.8	(1.0)	(1.7)	3.5	35.5
TOPIX	1176.4	(0.7)	(1.5)	3.1	36.8
PCOMP	6355	(1.3)	(3.5)	(0.8)	9.3
RED CHIP	4451	(0.9)	(1.9)	5.7	(1.8)
SET	1405	(1.4)	(1.7)	(1.9)	0.9
STI	3177	(0.8)	(0.7)	(1.6)	0.3
TWSE	8230	(0.7)	(1.9)	4.8	6.9
VNINDEX	499	(0.3)	0.3	(0.4)	20.5

Thomson Financial Datastream

Asian currencies (vs US\$)

(% change)	Latest	1D	1W	3M	YTD
A\$	1.1	(0.8)	(0.6)	2.5	(9.8)
Bt	31.5	0.2	(0.9)	(0.9)	(2.9)
D	21100.0	-	-	0.0	(1.2)
JPY	99.2	0.6	(0.5)	(2.3)	(12.5)
NT\$	29.5	(0.1)	(0.1)	1.6	(1.5)
P	43.2	(0.2)	0.0	1.0	(5.1)
PRs	107.4	0.0	(0.5)	(4.8)	(9.6)
Rp	11413.0	(0.1)	(0.7)	(9.7)	(14.2)
Rs	62.5	0.0	(1.2)	(2.6)	(12.0)
S\$	1.2	0.2	(0.3)	1.1	(2.0)
SLRs	131.1	(0.0)	(0.1)	0.4	(2.6)
W	1064.9	0.1	(0.4)	4.5	(0.0)

Thomson Financial Datastream

Global indices

(% change)	Latest	1D	1W	3M	YTD
DJIA	15761.8	1.1	0.9	2.2	20.3
S&P 500	1770.6	1.3	0.5	4.7	24.1
NASDAQ	3919.2	1.6	(0.1)	7.1	29.8
SOX	501.0	1.2	(0.9)	6.2	30.4
EU-STOX	2881.5	(0.1)	0.3	5.3	11.8
FTSE	6708.4	0.2	(0.4)	1.9	13.7
DAX	9078.3	(0.0)	0.8	8.9	19.3
CAC-40	4260.4	(0.5)	(0.3)	4.5	17.0
10 YR LB	2.7	5.7	4.8	6.1	56.4
2 YR LB	0.3	10.0	0.2	2.7	25.5
US\$E	1.3	(0.5)	(1.0)	0.4	1.2
US\$Y	99.2	(1.1)	(0.5)	(2.3)	(12.5)
BRENT	104.4	1.3	(1.2)	(2.0)	(6.7)
GOLD	1288.6	(1.5)	(2.1)	(1.9)	(23.1)
VIX	12.9	(7.3)	(2.9)	(3.8)	(28.4)

Thomson Financial Datastream

MSCI Asian indices – valuation & perf.

MSCI Index	EPS grth.		P/E (x)		Performance		
	13E	14E	13E	14E	1D	1M	YTD
Asia F X Japan	18	12	11.7	10.4	(0.4)	-1.6	(0.8)
Asia Pac F X J.	14	12	12.4	11.1	(0.6)	-0.5	0.8
Australia	(2)	10	16.5	15.0	(1.3)	4.2	5.6
China	11	10	9.5	8.6	(1.0)	-2.6	(3.5)
Hong Kong	11	11	15.8	14.3	(0.4)	-1.0	5.2
India	15	16	14.4	12.5	(1.0)	1.5	(9.0)
Indonesia	17	16	13.8	11.8	(0.6)	1.8	(15.6)
Japan	34	50	23.9	15.9	(0.8)	-1.8	36.6
Korea	33	13	8.9	7.8	(1.5)	0.3	0.7
Malaysia	1	10	16.3	14.8	(0.0)	2.1	4.3
Pakistan	14	18	9.3	7.8	0.35	6.5	21.3
Philippines	8	13	19.2	17.8	(1.3)	-0.9	5.2
Singapore	2	9	14.4	13.2	(0.8)	1.9	0.1
Sri Lanka	16	11	13.7	12.3	(1.2)	-0.3	3.7
Taiwan	33	12	15.1	13.5	(0.7)	-1.6	3.7
Thailand	19	13	12.1	10.7	(1.7)	-0.3	(4.4)

* IBES estimates

Hong Kong
Hong Kong Property Sector – Maintain MW Joyce Kwok (14)

New report: A trading season for developers

Cheung Kong Holdings (0001.HK) – Maintain O Joyce Kwok (15)

Three large-scale projects due for launch to meet FY13 sales target

Sino Land (0083.HK) – Maintain O Joyce Kwok (16)

The best (The Avenue) is yet to come

Sun Hung Kai Properties (0016.HK) – Maintain O Joyce Kwok (17)

Contracted sales catching up well

Standard Chartered Plc (2888.HK) – Maintain U Sanjay Jain (18)

Investor day: Key things to focus on

Wheelock and Company Limited (0020.HK) – Maintain O Joyce Kwok (19)

Strong executor as a HK developer

India
Crompton Greaves (CROM.BO) – Maintain U Amish Shah, CFA (20)

2Q14: Operating results in line; sustainability in overseas turnaround key to watch

Cummins India (CUMM.BO) – Maintain N Amish Shah, CFA (21)

2Q14 below estimates, outlook remains challenging

Dr. Reddy's (REDY.BO) – Maintain O Anubhav Aggarwal (22)

Roadshow feedback: US pipeline visibility until 2020 and aims to be top five in biosimilars

Indian Oil Corp Limited (IOC.BO) – Maintain N Sanjay Mookim (23)

Higher subsidy and inventory gains help IOC post a profit

Max India Ltd (MAXI.BO) – Maintain O Ashish Gupta (24)

Life insurance profitability healthy, turnaround in hospitals, specialty films business on track

Punjab National Bank Ltd (PNBK.BO) – Maintain N Ashish Gupta (25)

Problem asset addition elevated

Sun TV Network (SUTV.BO) – Maintain O Jatin Chawla (26)

Ad revenues disappoint; digitisation benefits starting to kick in

Tata Motors Ltd. (TAMO.BO) – Maintain O Jatin Chawla (4)

New report: Decent quarter; thesis remains intact

United Spirits Ltd. (UNSP.BO) – Maintain O Arnab Mitra (27)

2Q FY14: Working capital increased, margins disappointed

Indonesia
Bakrie Telecom PT (SubBTEL.JK) – Maintain U Colin McCallum, CA (28)

3Q13 results: Sub-scale and getting smaller

PT Tambang Batubara Bukit Asam Tbk (e PTBA.JK) – Maintain N Ami Tantri (29)

On track to achieve target railway capacity of 18.5 mn tons p.a. by year-end

Japan
Marubeni Corp (8002) – Maintain O Jun Yamaguchi (30)

2Q: Gavilon profit guidance cut a negative surprise; focus on prospects for recovery

Nippon Telegraph and Telephone (9432) – Maintain O Hitoshi Hayakawa (31)

1H: Better shareholder returns outweigh operational headwinds

Malaysia
Malaysia Property Sector Tan Ting Min (32)

New report: JLW—Property prices unlikely to fall

Singapore
QUE Hospitality Trust (OUER.SI) – Maintain O Yvonne Voon (33)

Key takeaways from post-inaugural results investor luncheon

Wilmar International (WLIL.SI) – Maintain N Tan Ting Min (34)

Prospects appear better

South Korea
Asiana Airlines (020560.KS) – Maintain U Timothy Ross (35)

3Q13 results underperform expectations

Lotte Shopping (023530.KS) – Maintain N A-Hyung Cho (36)

3Q OP weaker than consensus expectation

Taiwan

Taiwan Financial Sector

Chung Hsu, CFA (37)

Oct 2013 results : Banks lagged, insurers steady, brokers better

Chipbond (6147.TWO) – Maintain O

Jerry Su (38)

Simpal acquisition to show synergy by 2Q14

Tripod Technology (3044.TW) – Maintain N

Pauline Chen (39)

Over-corrected, but likely a value trap in the near term

Thailand

Asia Aviation (AAV.BK) – Maintain U

Annuar Aziz (40)

3Q FY13 results disappoint on lower fares

PTT Global Chemical (PTTGC.BK) – Maintain O

Paworamon (Poom) Suvarnatemee, CFA (5)

More good news

Robinson Department Store Pcl (ROBI.BK) – Maintain N

Karim P. Salamatian, CFA (41)

Not yet in the clear

SAVE THE DATE

Japan and Korea Corporate Day

November 18, 2013, Hong Kong

This is the only Hong Kong based corporate day in November bringing Japanese and Korean corporates together at one location. A timely event after the 3Q result announcements, this corporate day brings together key institutional clients and corporates, giving investors access to corporates from both countries.



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

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Top of the pack ...

Tata Motors Ltd. ----- Maintain OUTPERFORM

New report: Decent quarter; thesis remains intact

EPS: ▲ TP: ▲

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- Adjusted for the one-off incentives of GBP79 mn, JLR margins at 16.1% were lower than our expectations of 17.2%. Despite an increase in share of China from 21% to 26% QoQ and a higher share of RR Sport (up 6% QoQ), ASPs too were flat QoQ.
- We believe this would have been on account of poor mix in China and FX (-80 bp on margins). China had more of Evoque and Freelander for the quarter and less RR Sport leading to very inferior product mix which should reverse in 3Q. Other than ASP improvement, it would also help offset any further negative impact on margins from currency in coming quarters.
- FCF generation was at robust ~GBP430 mn for the quarter and stands at ~GBP100 mn for 1H, despite significant increase in capex spends, allaying fears of no FCF.
- Domestic EBITDA margins remained weak at ~1%, in line with our expectations. We further cut our domestic EBITDA by ~20% and we are now forecasting a loss in FY15 as well. However, we increase our JLR estimates by ~5% resulting in a ~4% increase in our consolidated numbers. Our TP increases to Rs440. [Click here](#) for full report.

Bbg/RIC	TTMT IN / TAMO.BO	Price (08 Nov 13, Rs)	385.00
Rating (prev. rating)	O (O) TP (prev. TP Rs)	440.00 (400.00)	
Shares outstanding (mn)	2,736.71	Est. pot. % chg. to TP	14
Daily trad vol - 6m avg (mn)	9.05	52-wk range (Rs)	395.2 - 255.3
Daily trad val - 6m avg (US\$ mn)	45.6	Mkt cap (Rs/US\$ bn)	1,053.6/ 16.9
Free float (%)	66.0	Performance	1M 3M 12M
Major shareholders	Tata Sons	Absolute (%)	0 37.0 37.2
		Relative (%)	(0.7) 27.9 26.6
Year	03/12A	03/13A	03/14E 03/15E 03/16E
Revenue (Rs mn)	1,656,545	1,888,176	2,305,566 2,589,117 2,956,322
EBITDA (Rs mn)	237,005	265,689	356,144 404,444 452,795
Net profit (Rs mn)	135,165	98,926	138,857 157,646 176,648
EPS (Rs)	42.6	31.0	43.5 49.4 55.4
- Change from prev. EPS (%)	n.a.	n.a.	1 4 4
- Consensus EPS (Rs)	n.a.	n.a.	39.3 45.5 55.4
EPS growth (%)	46.4	(27.2)	40.4 13.5 12.1
P/E (x)	9.0	12.4	8.8 7.8 7.0
Dividend yield (%)	1.2	0.6	1.2 1.2 1.2
EV/EBITDA (x)	5.7	5.2	4.0 3.5 3.0
P/B (x)	3.7	3.3	2.5 1.9 1.5
ROE (%)	51.7	28.0	31.7 27.6 24.4
Net debt(cash)/equity (%)	86.4	85.5	70.8 54.6 36.8

Note 1: ORD/ADR=5.00. Note 2: Tata Motors Limited (Tata Motors) is an automobile company. The company is engaged mainly in the business of automobile products consisting of all types of commercial and passenger vehicles, including financing of the vehicles sold by the company.

[Click here](#) for detailed financials

Margins for this quarter were impacted by FX and poor mix within China (which given the supernormal profitability in the country has a big impact). We note that Evoque and Freelander dispatches to China were impacted in 1Q by shortage of 2L engine. We reckon the huge improvement in China's share QoQ is on account of clearing the backlog of lower end Evoque and Freelander. Also RR Sport dispatches to China had not commenced in 2Q leading to a very inferior product mix in China which should reverse in 3Q. On the volume front, outlook remains strong. Both the LR factories at Halewood and Solihull factories are currently running at full utilisation on three-shift basis given the high demand.

Figure 1: JLR 2Q results summary

(GBP mn)	2Q13A	1Q14A	2Q14A	% YoY	% QoQ	2Q14E	vs Est
Volumes (No.)	77,442	90,620	101,931	31.6%	12.5%	101,931	0.0%
Net Sales	3,288	4,097	4,612	40.3%	12.6%	4,678	-1.4%
ASP (GBP)	42,458	45,211	45,246	6.6%	0.1%	45,889	
EBIDTA	486	675	823	69.3%	21.9%	806	2.1%
EBIDTA Margin	14.8%	16.5%	17.8%			17.2%	
Reported PAT	305	304	507	66.2%	66.8%	407	24.6%

Figure 2: Tata Motors standalone 2Q FY14 results summary

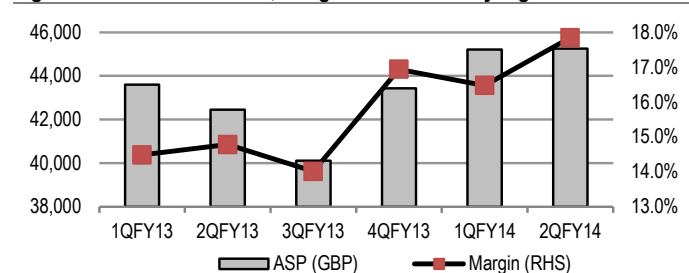
(Rs mn)	2Q13A	1Q14A	2Q14A	% YoY	% QoQ	2Q14E	vs Est
Volumes (No.)	221,090	153,172	151,506	-31.5%	-1.1%	151,506	0.0%
Net Sales	124,814	91,045	88,685	-28.9%	-2.6%	88,853	-0.2%
EBIDTA	6,536	1,052	813	-87.6%	-22.7%	948	-14.2%
EBIDTA Margin	5.2%	1.2%	0.9%			1.1%	
Reported PAT	8,671	7,033	-8,035	-192.7%	-214.3%	-6,049	32.8%

Figure 3: Tata Motors consolidated 2Q FY14 results summary

(Rs mn)	2Q13A	1Q14A	2Q14A	% YoY	% QoQ
Net Sales	434,029	467,847	568,823	31.1%	21.6%
EBIDTA	58,611	67,533	92,730	58.2%	37.3%
EBIDTA Margin	13.5%	14.4%	16.3%		
Reported PAT	21,010	17,628	35,590	69.4%	101.9%

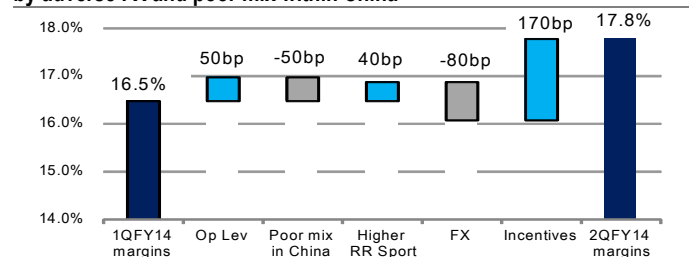
Source: Company data, Credit Suisse estimates

Figure 4: ASP's were stable; margins were aided by higher incentives



Source: Company data, Credit Suisse estimates

Figure 5: Operating Leverage benefit and better product mix was offset by adverse FX and poor mix within China



Source: Company data, Credit Suisse estimates.

Figure 6: SOTP based target price increases to Rs440

	Basis of valuation	Multiple	Value per share (Rs)
Domestic Business	EV/ Sep-15 EBITDA (x)	6.5	50
Net debt			-42
JLR	EV/ Sep-15 EBITDA (x)	4.25	405
Subsidiaries			27
Target Price			440

Source: Company data, Credit Suisse estimates

PTT Global Chemical ----- Maintain OUTPERFORM

More good news

EPS: ▲ TP: ▲

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- PTTGC hosted an analyst meeting on Friday. The company revealed its investment plans for the first time including the long-awaited details of the ethylene debottlenecking plan in 2016.
- PTTGC has agreed with PTT to supply more ethane and LPG gas to add a net ethylene capacity of 90 ktpa or 4% of its capacity. PTTGC also committed to the plan to increase its PX capacity by 18% by 2015. Additionally, PTTGC announced the new project to expand Purified EO and Ethylene Glycol by 27% by 3Q15.
- Short-term concerns about impact of low utilisation of GSP#5 should ease. PTTGC expects cracker utilisation rate of 90% in 4Q13 (up from 75% in 3Q13). PTT's GSP#5 set the target to reach 100% utilisation rate in April. This should give potential upside to our utilisation forecast for PTTGC's cracker of 85% in 2014.
- We raise PTTGC's 2013E profit by 10% by mark-to-market realised stock gain in 3Q13, implying 4Q13 profit of Bt7 bn (before any stock impacts). We raise our TP to Bt95 (from Bt90), in line with regional peers on P/B and ROE and imply FY14E P/B of 1.7x.

Bbg/RIC	PTTGC TB / PTTGC.BK	Price (08 Nov 13 , Bt)	79.25
Rating (prev. rating)	O (O)	TP (prev. TP Bt)	95.00 (90.00)
Shares outstanding (mn)	4,505.98	Est. pot. % chg. to TP	20
Daily trad vol - 6m avg (mn)	12.3	52-wk range (Bt)	80.8 - 59.5
Daily trad val - 6m avg (US\$ mn)	28.0	Mkt cap (Bt/US\$ bn)	357.1/ 11.3
Free float (%)	51.0	Performance	1M 3M 12M
Major shareholders	PTT(49%)	Absolute (%)	1.9 12.8 28.9
		Relative (%)	5.5 14.7 20.0
Year	12/11A	12/12A	12/13E 12/14E 12/15E
Revenue (Bt mn)	500,305	562,811	568,783 630,265 590,202
EBITDA (Bt mn)	47,051	57,279	57,968 65,674 61,089
Net profit (Bt mn)	23,255	34,001	32,486 38,349 33,509
EPS (Bt)	5.17	7.55	7.21 8.51 7.44
- Change from prev. EPS (%)	n.a.	n.a.	10 1 2
- Consensus EPS (Bt)	n.a.	n.a.	7.39 8.23 8.36
EPS growth (%)	42.3	46.0	(4.5) 18.0 (12.6)
P/E (x)	15.3	10.5	11.0 9.3 10.7
Dividend yield (%)	4.3	4.3	4.1 4.8 4.2
EV/EBITDA (x)	9.7	7.6	7.2 6.1 6.2
P/B (x)	1.9	1.7	1.6 1.4 1.4
ROE (%)	12.5	17.2	15.0 16.3 13.1
Net debt(cash)/equity (%)	46.8	32.3	24.4 15.3 6.9

Note 1: PTTGC, formed following the merger of PTTCH and PTTAR in 2011, is the largest fully integrated petrochemical and refining firm in Thailand both in terms of size and product diversification.

Click here for detailed financials

Firm commitment from PTT on ethane supply

PTTGC has concluded with PTT on ethane supply for the debottlenecking of PTTGC's 1 mn t cracker. The net increase in capacity is 90 ktpa or 4% of its total ethylene capacity. The investment cost is US\$285 mn with an expected IRR of 17% and targeted completion of 2016. Feedstock would be both ethane (60%) and LPG (40%). PTT plans to install an equipment to extract more ethane from current gas feedstock of GSP without requiring additional natural gas feedstock from the Gulf of Thailand. PTTGC said that the pricing formula would be similar to current pricing structure though we would not be surprised if there are changes to the formula before then. We see more details related to the ethylene debottlenecking plan as positive since we always had doubt on the availability of gas feedstock for the expansion project.

Expansion of PX capacity by 18% by 4Q15.

PTTGC also disclosed its plan to add PX and BZ capacity by 18% and 13% by debottlenecking its ARO#2 unit. This is estimated to give additional EBITDA of US\$34/year with total investment cost of US\$129 mn. The plan is to tie-in with the planned turnaround of the plant in 4Q15. Beyond the influx of supply in 2014-15, we are positive on PX price outlook as we see limited feedstock as key to limiting supply addition of PX producers.

New announcement on Purified EO and EG expansion.

PTTGC revealed its plan to improve catalyst usage at TOGC plant to expand capacity of Purified EO and EG (Ethylene Glycol) by 27% (90 ktpa). Management expects an IRR of around 18% and completion by 3Q15. PTTGC will study for a possibility to expand into a more downstream high-valued products within Ethylene Oxide chain.

Crackers utilisation rate is rising

PTTGC's share price had earlier hit by news that its crackers may not be able to run at high capacity until PTT's GSP#5 (supplying ethane to PTTGC) completes the repair work of its Waste Heat Recovery Unit in August 2014. PTTGC clarified that its crackers are currently running at the average utilisation rate of 88% (3Q13's 75%) and plan to raise to 92% in December. PTT's GSP#5 is planning to ramp up its utilisation to 100% by April with temporary unit for the WHRU. PTTGC plans to run its crackers at the average utilisation of 90% in 2014. We conservatively assume 85% utilisation rates in our forecast.

TP raised to Bt95, mark-to-market earnings with stock gain

We revise up PTTGC's 2013 profit by 10% by mark-to-market realised stock gain in 3Q13, implying 4Q13 profit of Bt7 bn (before any stock impacts). We raise our TP to Bt95 (from Bt90) set it in line with regional peers on P/B and ROE. Our TP implied FY14E P/B of 1.7x.

Figure 1: Regional valuation comparison table in FY14

Companies	Rt	Price (lccy)	TP (lccy)	U/D	EPS growth	P/E (x)	P/B (x)	ROE	Div. yield	EV/EBITDA (x)
FPC	O	75.9	85.6	13%	30%	17.2	2.3	13%	2%	19.3
NYPC	N	63.1	61.0	-3%	31%	15.8	2.0	12%	3%	13.3
FCFC	N	80.2	74.0	-8%	29%	17.2	2.3	13%	2%	11.8
FPCC	U	78.0	69.0	-12%	35%	20.3	3.0	15%	3%	14.4
Avg. Taiwan					31%	17.6	2.4	13%	2%	14.7
Hanwha	N	22.5k	23k	2%	234%	11.9	0.6	5%	0%	9.4
Lotte Chem	O	207k	280k	35%	62%	11.1	1.0	9%	1%	5.5
LG Chem	O	284k	400k	41%	29%	9.9	1.4	14%	2%	5.8
SK Innovation	O	140.5k	170k	21%	25%	9.2	0.7	8%	2%	6.5
Avg. Korea					87%	10.5	0.9	9%	1%	6.8
PTTGC	O	79.3	95.0	20%	18%	9.3	1.4	16%	5%	6.1
IVL	U	24.7	21.0	-15%	67%	18.5	1.8	10%	2%	10.2
Avg. Thailand					42%	13.9	1.6	13%	3%	8.1
RIL	O	875.5	1,044	19%	9%	12.5	1.4	11%	1%	9.7
PChem	N	6.8	6.6	-3%	7%	13.0	2.2	17%	4%	6.2
Avg. regional					48%	13.8	1.7	12%	2%	9.8

Source: Company data, Credit Suisse estimates

Credit Suisse Executive Panel

Turning point confirmed

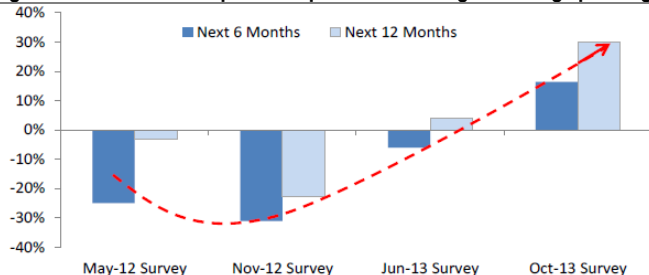
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- Over the last fortnight, we have re-polled our panel of 135 corporates in Europe and the US to analyse their spending plans. The timely signal of a turn in Europe we saw in June is being confirmed here without the benefit of yesterday's ECB rate cut.
- Our survey shows a positive balance of European companies expecting to raise spending versus those cutting it. A net balance of +16% compares with -26% a year ago.
- (1) The survey underlines our economists' above-consensus growth forecasts for Europe and specifically the periphery. We believe they all grow in 2014. (2) Our strategy team's overweight on Europe sits well with this. (3) Momentum remains behind a cyclical sector call. (4) US corporate spending exposure is our strategists' favoured route, though the story is broadening.
- In keeping with the categories of corporate spending surveyed, we highlight key stocks to play the theme: WPP, ITV, Cap Gemini, & Whitbread in Europe and Marriot, Cognizant, Oracle and Emerson in the US. Credit Suisse also has a European cyclicals basket, CSERDMCY. Full report

Figure 1: Balance of European companies increasing vs cutting spending



Source: Credit Suisse Executive Panel

Over the last fortnight, we have re-polled our panel of 135 corporates in Europe and the US to analyse their spending plans. The timely signal of a turn in Europe we saw in June is being confirmed here without the benefit of yesterday's ECB rate cut. Our survey shows a positive balance of European companies expecting to raise spending versus those cutting it. A net balance of +16% compares with -26% a year ago.

While the starting point was exceptionally weak, the turnaround in the periphery is particularly marked: In Spain, for example, while a net 40% of respondents suggested they had cut spending in the last 6 months, a net 10% say they will be increasing it in the next 6 months. However, whatever is happening in Continental Europe, the strongest responses of the group come in the UK.

The US stays strong: While Europe may be seeing the bigger momentum change, the headline readings in the US are still stronger (+47% vs +16%) even though the debt ceiling squabbles may have taken the edge off this survey's readings. As we have shown in other research, the US, in our view, offers both cyclical and structural (e.g., shale) end markets that support the spending outlook.

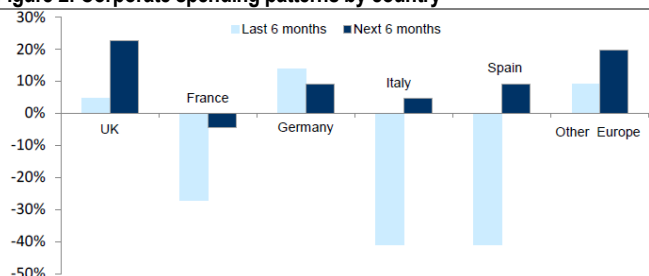
Implications: (1) The survey underlines our economists' above-consensus growth forecasts for Europe and specifically the periphery. We believe they all grow in 2014. (2) Our strategy team's overweight on Europe sits well with this. (3) Momentum remains behind a cyclical

sector call. (4) US corporate spending exposure is our strategists' favoured route, though the story is broadening.

Stocks and sectors: In keeping with the categories of corporate spending surveyed, we highlight key stocks to play the theme—**WPP, ITV, Cap Gemini, and Whitbread in Europe and Marriot, Cognizant, Oracle and Emerson in the US.** Credit Suisse also has a European cyclicals basket, **CSERDMCY**.

The survey responses re-affirm the macro story. Company spending plans in the periphery may not be as strong as those more broadly in Europe (+7% versus +15%) though they are now positive. Moreover, the view of companies in Spain and Italy for the six months ahead versus the six months looking back has turned around sharply (Figure 2). While there is a danger of falling foul of small sample sizes, we do note the strongest responses coming from the UK—another feature consistent with our macro views. The UK is the strongest cyclical story in Europe.

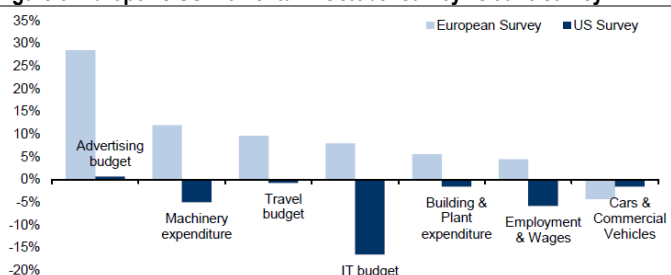
Figure 2: Corporate spending patterns by country



Source: Credit Suisse proprietary survey

US versus Europe: While the momentum change in Europe is striking and arguably the most interesting feature of the survey, we wouldn't lose sight of the fact that the US is where the absolute story for corporate spending is strongest, with a balance of +16% in Europe versus +47% in the US. What is strong has essentially stayed strong in the survey for the US. Surprisingly perhaps, the views of demand conditions haven't notably changed. However, the survey was taken around the time of the debt ceiling negotiations, and that may have had an impact.

Figure 3: Europe vs US momentum: October survey vs June survey



Source: Credit Suisse proprietary survey

This is an extract from Richard Kersley's Credit Suisse Executive Panel report, Turning point confirmed published on 08 November 2013. For details, please see the CS Research and Analytics website.

Regional

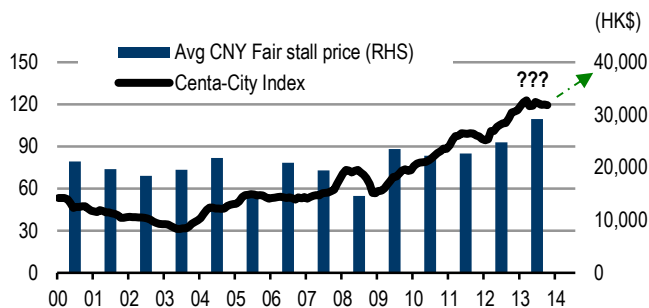
Asia Small-Cap Sector

David & Goliath small-cap weekly: A running horse or a sleeping nag

Kenny Lau, CFA / Research Analyst / 852 2101 7914 / kenny.lau@credit-suisse.com

- 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](#).
- We have talked about the interesting positive correlation between CNY fair stall bid prices and Hong Kong residential property prices. The projection for 2013 made a year ago was 'in-band,' when the stall bid price rose 9% YoY, and the property prices have marginally risen 3% year-to-date.
- The average CNY stall bid price rose 18% YoY to HK\$29,231. The higher bid price predicts that the Hong Kong property prices will rise in the 2014 Year of the Horse. It is a clear 'out-of-band' projection when the consensus expectation is a property price decline in a wide range of double-digits from 10-40% in 2014.
- It has been our view that the bid price is a reflection of the general public's confidence of the economy. In this issue of D&G, we include 32 small-cap stories from the region, with two key stories—Johnson Electric and Acer Group.

Figure 1: CNY average fair stall bid price and HK property price index



Source: Centaline Property Agency, HKSAR Government, Credit Suisse estimates

Cover story: A running horse and a sleeping nag

Readers of D&G should remember that in the past few years, D&G has talked about the interesting positive correlation between Chinese New Year (CNY) fair stall bid prices and Hong Kong residential property prices, namely that property prices in the lunar year ahead show the same trends as fair stall bid prices.

The in-band 2013 projection is correct

The projection for 2013 made a year ago was 'in-band,' when the stall bid price rose 9% YoY with the wide expectations of higher property prices on limited supply. Amid the impact of the special stamp duties, the property prices have marginally risen 3% year-to-date, helping preserve the good track record of this tongue-in-cheek projection.

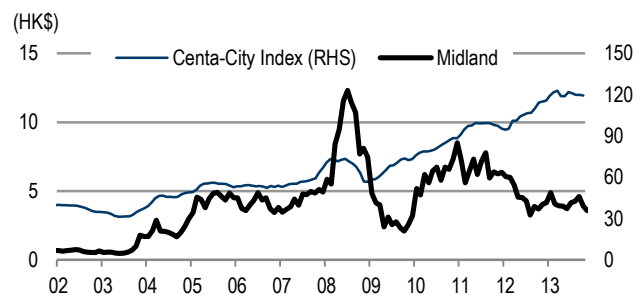
2014 projection of a rise in property price is out-of-band

What is the projection for 2014? The average CNY stall bid price rose 18% YoY to HK\$29,231 (Figure 1). The higher bid price projects that the Hong Kong property price will rise in the 2014 Year of the Horse. It is a clear 'out-of-band' projection when the consensus expectation is a property price decline in a wide range of double-digits from 10-40% in 2014.

Bid price is a reflection of public's confidence of economy

There is statistical evidence but no scientific theory to explain the CNY fair stall bid price effect. It has been D&G's view that the bid price is a reflection of the general public's confidence of the economy. It is interesting to note that despite the consensus gloomy view on the property prices, the stall bid price still rises 18% YoY to hit the record highs. The flagship cooked food stall is even let at HK\$540,000 for seven days, 80% higher than last year. No wonder the cooked food stall winner is planning not to only sell fish balls, siu mai and other dim sum, but also abalones!! Otherwise, he needs to sell a bowl of 10 fish balls at HK\$20 in every 20 seconds all day round in the seven days to breakeven.

Figure 2: Performance of Midland shares and HK property price index



Source: Datastream, Centaline Property Agency, Credit Suisse estimates

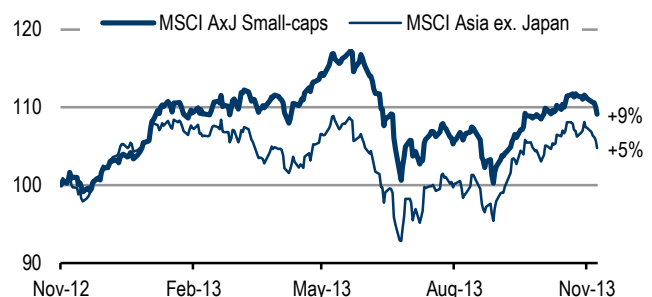
Dauids of the week

In this issue of D&G weekly, we have included 32 small-cap stories in the region. The two key small-cap stories are as follows:

Hong Kong: We have upgraded rating of Johnson Electric (0179.HK, HK\$5.86, OUTPERFORM, TP HK\$6.45), on its stronger-than-expected margin improvement after years of business and product realignments. The stock trades at 11.1x FY3/15E P/E with 10% potential upside (Kenny Lau, CFA, kenny.lau@credit-suisse.com).

Taiwan: We have lowered forecasts of Acer Group (2353.TW, NT\$16.5, UNDERPERFORM, TP NT\$11.0) on reduced 4Q13 guidance with Chairman/CEO stepping down and a restructuring. The stock trades at 308x 2104E P/E with 33% potential downside (Thompson Wu, thompson.wu@credit-suisse.com).

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



Source: Datastream, Credit Suisse estimates

Australia
Mirvac Group ----- Maintain OUTPERFORM
\$552mn acquisitions deliver yield plus growth
EPS: ▼ TP: ◀▶

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- \$552mn acquisitions: Across three transactions, MGR has acquired two Melbourne CBD office assets (367 and 477 Collins St) and the Harbourside Shopping Centre in Sydney for a total of \$552 mn plus \$32 mn costs. [Full report](#).
- Deal accretion offset by \$500 mn capital reallocation: We estimate EPS accretion of 0.8% in FY14 and 1.4% in FY15. Despite this, MGR kept FY14 EPS guidance unchanged at 11.7-12.0¢, allowing some buffer in our view for the \$500 mn capital reallocation proposed for its AGM.
- Portfolio overview: 367 Collins St was acquired for \$6,012/m2, which compares well with comps (\$6,373/m2 avg.) and also offers rental upside given its short 3.5-year WALE and 13% under-renting (albeit lower on an effective basis).
- MGR remains our preferred diversified REIT: The net impact of today's acquisitions and proposed \$500 mn capital reallocation have seen our EPS fall by ~1%. Our NAV remains unchanged at \$1.87, with transaction costs offset by forecast asset growth.

AGM. We estimate initial 3% full-year EPS dilution from the reallocation, given lower capitalised interest (which should reverse over time) and a higher taxable income. The quality of earnings would improve, however, reducing reliance on capitalised interest.

Figure 1: EPS accretion of 0.8% in FY14 and 1.4% in FY15

	Value	Yield	NOI/Expense
Interest expense	584	5.45%	-31.828
NOI initial yield	552	6.90%	38.088
Net			6.3
FY14 EPS accretion			0.8%
FY15 EPS accretion			1.4%
NOI initial yield excl. rent guarantee	552	6.55%	36.1
Net			4.3
FY14 EPS accretion			0.6%
FY15 EPS accretion			0.9%
NOI fully let yield	552	7.40%	40.848
Net			9.0
FY14 EPS accretion			1.2%
FY15 EPS accretion			2.0%

Source: Company data, Credit Suisse estimates

Portfolio overview: 367 Collins St was acquired for \$6,012/m2 which compares well with comps (\$6,373/m2 avg.) and also offers rental upside given its short 3.5-year WALE and 13% under-renting (albeit lower on an effective basis). We also see merit in up-weighting to Melbourne. 477 Collins St will likely be developed into a 51,000m2 office tower with an end value of ~\$471 mn which may see ~\$25 mn in profit for a 50% sell-down, plus fees. Harbourside has short-term upside through tenant remixing (low occupancy costs of 15.7% support future rent growth) with long-term upside through mixed-use development, and was acquired on a 6.75% cap rate.

MGR remains our preferred diversified REIT: The net impact of today's (7 Nov) acquisitions and proposed \$500 mn capital reallocation have seen our EPS fall by ~1%. Our NAV remains unchanged at \$1.87, with transaction costs offset by forecast asset growth. MGR trades at a 4% discount to NAV, delivers a 5.1% DPS yield and has a three-year EPS CAGR of 6.2%.

(This is an extract from John Richmond's report, "\$552mn acquisitions deliver yield plus growth," published on 07 November 2013. For details, please see the CS Research & Analytics website.)

Bbg/RIC	MGR AU / MGR.AX	Price (07 Nov 13 , A\$)	1.76		
Rating (prev. rating)	O (O)	TP (prev. TP A\$)	1.87 (1.87)		
Shares outstanding (mn)	3,664.94	Est. pot. % chg. to TP	6		
Daily trad vol - 6m avg (mn)	13.1	52-wk range (A\$)	1.80 - 1.43		
Daily trad val - 6m avg (US\$ mn)	23.2	Mkt cap (A\$/US\$ mn)	6,450.3/ 6,113.6		
Free float (%)	99.3	Performance	1M 3M 12M		
Major shareholders		Absolute (%)	2.9 6.7 18.5		
		Relative (%)	(2.4) (0.6) (1.5)		
Year	06/12A	06/13A	06/14E	06/15E	06/16E
EBITDA (A\$ mn)	465.4	446.0	604.2	630.0	680.1
Net profit (A\$ mn)	366.3	377.6	437.9	449.0	479.1
EPS (A\$)	0.11	0.11	0.12	0.12	0.13
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (A\$)	n.a.	n.a.	0.12	0.12	0.13
EPS growth (%)	1.7	2.0	9.5	2.5	6.7
P/E (x)	16.4	16.1	14.7	14.3	13.4
Dividend yield (%)	4.8	5.0	5.1	5.2	5.6
EV/EBITDA (x)	17.9	19.2	15.6	15.5	14.8
ROE (%)	5.8	5.8	6.5	6.7	7.1
Net debt(cash)/equity (%)	32.6	35.5	47.2	50.0	51.5
NAV per share (A\$)	—	—	—	—	—
Disc./prem.) to NAV (%)	—	—	—	—	—

Note 1: Mirvac Group (MGR) is an internally managed, diversified property group. Mirvac has two core divisions: Property Investment (across retail, commercial and industrial assets) and Development (residential and commercial development).

[Click here for detailed financials](#)

\$552mn acquisitions: Across three transactions, MGR has acquired two Melbourne CBD office assets (367 and 477 Collins St) and the Harbourside Shopping Centre in Sydney for a total of \$552 mn plus \$32mn costs. MGR will fund the acquisitions with debt at a marginal cost of ~5.45%, seeing gearing lift to 27.7%. The assets provide a 6.9% passing yield (6.55% excl. rent guarantees), rising to 7.4% on a fully-let basis, and offer upside through asset repositioning and development, playing to MGR's core capabilities.

Deal accretion offset by \$500 mn capital reallocation: We estimate EPS accretion of 0.8% in FY14 and 1.4% in FY15. Despite this, MGR kept FY14 EPS guidance unchanged at 11.7-12.0¢, allowing some buffer in our view for the \$500 mn capital reallocation proposed for its

China

China Economics

Export growth beats consensus in October

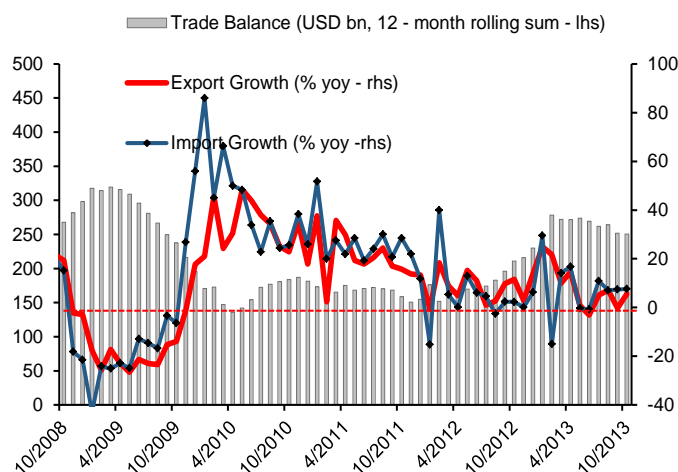
Dong Tao / Research Analyst / 852 2101 7469 / dong.tao@credit-suisse.com

- China's exports grew 5.6% YoY in October while imports rose 7.6% YoY, compared with consensus of 1.7% and 7.4%, respectively.
- The export growth figure was in line with what was reported regarding the order flows on ground, but substantially better than the gloomy performance of down by 10.9% at the Guangdong Trade Fair. We wish to point out that the fair is increasingly marginalised, hence no longer a good leading indicator for exports.
- The October export figure is particularly significant, as it kicks off the shipment for the Christmas sales. The feedback we have received from the manufacturing exporters suggests that order flows are in mid-single digit growth. This trend is likely to continue into next year, though we do not sense a further pick-up in purchasing managers' confidence.
- For imports, price declines in energy and commodities masked the improvement in demand. Machinery imports led the mild recovery, while imports of commodities also saw strengthening. In our view, the current growth stabilisation, supported by infrastructure investment and housing construction, will continue, but may not see much further acceleration from here on.

October export figure is particularly significant, as it kicks off the shipment for the Christmas sales. The feedback we have received from manufacturing exporters suggests that order flows are in mid-single digit growth, indicating a mild recovery in global demand. This trend is likely to continue into next year, though we do not sense a further pick-up in purchasing managers' confidence. Orders from Southeast Asia and the US were strong, and those from Europe are back to positive growth, those from Japan are in substantial contraction.

For imports, price declines in energy and commodities masked improvement in demand. Machinery imports led the mild recovery, while imports for commodities also saw strengthening. In our view, the current growth stabilisation, supported by infrastructure investment and housing construction, will continue, but may not see much further acceleration from this point on. China needs structural reforms in order to re-engage private investment, the crucial missing link in the economy at this moment.

Figure 1: Trade data showed steady performance



Source: General Administration of Customs, Credit Suisse

China's exports grew 5.6% YoY in October while imports rose 7.6% YoY, compared with consensus of 1.7% and 7.4%, respectively. China recorded US\$31.1 bn trade surplus. On a 12-month rolling basis, surplus for October was US\$251 bn versus US\$252 bn in the previous month. The export growth figure was in line with what was reported regarding the order flows on ground, but substantially better than the gloomy performance of down by 10.9% at the Guangdong Trade Fair. We wish to point out that the Guangdong Trade Fair is increasingly marginalised, hence no longer a good leading indicator for exports. The online B2B services have taken out a big share of the traditional trade event. Further Guangdong has lost its edge as China's trade hub because of production line relocation.

China Economics

Rebounding inflation puts PBoC in a dilemma

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- China's inflation accelerated to an eight-month high of 3.2% YoY in October. Industrial production growth accelerated to 10.3% YoY and fixed asset investments grew 19.3% YoY.
- The most significant change is inflation has confirmed an upward trend again. This poses a dilemma to the PBoC. It needs to maintain growth stability, yet can't afford losing control of inflation. More importantly, it must stop deposit money exiting from banks and into property market.
- This forces PBoC turning more hawkish despite the official "neutral stance". It is our view that PBOC is quietly shifting to a neutral stance with a tightening bias. We expect it to avoid symbolically significant measures, such as interest rate or reserve requirement ratio, but to drain liquidity through open market operations. We argue that among major central banks in the world, PBOC is the first one starting the tapering process.
- The real economy continues to improve, but the growth-related issues have yet been addressed. The current rebound is driven by the old engines, and investment interest in the private sector remains low. That requires structural resolutions to fix.

supports our observation that infrastructure investments are restarted. Retail sales grew 13.3% YoY, versus consensus of 13.4%.

PBOC's dilemma. The most significant change in this set of data is inflation, as it has confirmed an upward trend again after a moderation since March when pork prices started to decline. At this moment, while industrial inflation is missing, food prices and rents are heading upwards. Even PBOC acknowledged the potential inflationary pressure in its 3Q13 Monetary Report. We argue that the dip in CPI over the past months were largely driven by a significant fall in pork prices, as pig farmers slaughtered hogs and rushed to the market out of H7N9 fear. People's diet has now normalised but it takes time to resume supply. Meanwhile, rents are moving up quickly, along with housing prices. We suspect commodity inflation could accelerate after jumps in commercial rents.

The rising prices and inflation prospects pose a dilemma to the central bank's monetary policy. PBOC needs to maintain growth stability, yet cannot afford losing control of inflation. More importantly, it must stop deposit money exiting from the banks and into the property market—we observed large-scale deposit base shift in October and November. That forces its monetary policy stance turning more hawkish despite the official "neutral stance". It is our view that PBOC is quietly shifting to a neutral stance with a tightening bias. We expect it to avoid symbolically significant measures, such as interest rate or reserve requirement ratio, but to drain liquidity through open market operation. What it did in October is illustrative. It took Rmb102.5 bn out from the system by not adding new liquidity when existing reverse repo positions matured. When the market started to feel uncomfortable, it injected twice with Rmb13 and Rmb16 bn—not exactly compensating the net liquidity drain and aiming comforting the market sentiment. We think that this is likely to be the new pattern. After a decade of credit expansion, the credit condition has turned, although the degree of contraction is likely to be mild to avoid upsetting the market. Given the ample liquidity and the lack of demand for capital in the real economy, the tightening may not be felt much by the real economy and the market for a while, but still we argue that among the major central banks in the world, PBOC is the first one starting the tapering process.

Real economy continues to improve. For the data from the real economy, strengthening continues, although the pace of strengthening is rather slow. We emphasise the sequential improvement in fixed asset investments in October, which indicates continued infrastructure investment and housing investment. This is not particularly strong by the standards of past years, but is reasonably strong by the standards of this year. This is a result of Beijing's quiet easing in social financing, lifting local government's ability to fund their investment projects. The Li administration has also been tolerant to the heated activities in housing and land markets, compared with the Wen Jiabao administration. Infrastructure and housing investments are the two pillars of supporting the current growth stabilisation.

Despite stabilised growth momentum, the growth-related issues have yet been addressed. The current rebound is driven by the old engines, infrastructure and housing, which do not seem sustainable. Investment interest in the private sector remains low. That requires structural resolutions to fix. As we always argued that the country needs opening the services sector to private capital, breaking SOE monopoly and lowering corporate tax rates in order to re-engage private investment.

Figure 1: Summary of October macroeconomic data

(% YoY, unless otherwise stated)	Oct	Sep	Aug	Jul	Jun	May
Fixed asset investments	19.3	19.6	21.5	20.1	19.2	20.3
% MoM, sa	1.43	1.34	1.56	1.50	1.48	1.45
Industrial production	10.3	10.2	10.4	9.7	8.9	9.2
%mom, sa	0.86	0.73	0.93	0.89	0.75	0.7
Retail sales	13.3	13.3	13.4	13.2	13.3	12.9
% MoM, sa	1.19	1.26	1.13	1.25	1.24	1.18
Headline CPI	3.2	3.1	2.6	2.7	2.7	2.1
% MoM, nsa	0.1	0.8	0.5	0.1	0.0	-0.6
Food CPI	6.5	6.1	4.7	5.0	4.9	3.2
% MoM, nsa	-0.4	1.5	1.2	0.0	0.0	-1.6
Non-food CPI	1.6	1.6	1.5	1.6	1.6	1.6
% MoM, nsa	0.3	0.4	0.1	0.2	0.0	-0.1
Services CPI	3.1	2.9	2.7	2.7	2.7	2.8
% MoM, nsa	0.4	0.5	0.2	0.6	0.2	0.0

Source: NBS, Credit Suisse research

China's headline inflation accelerated to an eight-month high of 3.2% YoY in October. Food inflation accelerated to 6.5% YoY and contributed 2.1% directly to the headline. Pork prices inflation remained on the upward cycle at 5.2% YoY. Non-food inflation remained at 1.6% YoY, service inflation accelerated to 3.1% YoY. More persistent inflation components continued to be the pulling factors; rents increased 4.5% YoY; household service costs increased 8.0% YoY. The acceleration of inflation is in line with our view that inflation uncertainties remain high. The low base probably played some role in October inflation, but we believe the shift-up is not one-off. Inflationary pressure is likely to come from more persistent factors, such as pork prices, rent and household service cost. We expect the headline inflation to accelerate towards 3.5% by the end of 2013.

Growth remained steady. Industrial production (IP) growth accelerated to 10.3% YoY in October, beating consensus of 10.0%. On a seasonally adjusted basis, IP grew 0.86% MoM, higher than its prior growth of 0.73%. Fixed asset investments (FAI) grew 20.1% year-to-October, slightly below the consensus of 20.2%. We estimate that FAI grew 19.3% YoY in the month. On seasonally adjusted MoM basis, FAI growth accelerated to 1.43% from 1.34% previously. This

Franshion Properties (China) Limited----- Maintain OUTPERFORM

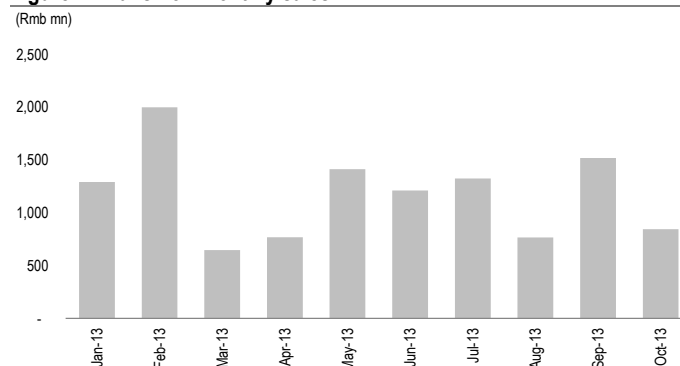
MoM decline in October sales due to high base, but FY numbers should still exceed expectations EPS: ◀▶ TP: ◀▶

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- The MoM decline in Franshion's October contracted sales was due to lower contribution from Beijing. Management said that was not because of Beijing's new housing policies, but its own launch schedule.
- Property contracted sales in October were Rmb844 mn, 44% lower than September's but still 10% higher than August's. September sales were abnormally high because of Beijing sales.
- October volume was actually stronger than September's: +3% MoM, mainly from Chongqing and Qingdao, where prices are much lower than Beijing's. As a result, October ASP was Rmb15,925/sqm, -46% MoM.
- YTD, Franshion's property contracted sales amounted to Rmb11.8 bn (91% of its FY13 target). Franshion will have new saleable resources from Beijing Yizhuang and Suzhou projects (which have higher ASPs) in November and December; so we believe its actual FY13 property contracted sales should be well above its Rmb13 bn target. Maintain OUTPERFORM.

Figure 1: Franshion monthly sales



Source: Company data

Figure 2: Franshion monthly sales, volumes, ASP

	Contracted Sales (Rmb mn)	Contracted Volume (sqm)	Contracted ASP (Rmb/sqm)
Jan-13	1,292	51,200	25,234
Feb-13	2,000	32,000	62,500
Mar-13	648	32,900	19,696
Apr-13	769	49,000	15,694
May-13	1,413	49,400	28,603
Jun-13	1,212	47,800	25,356
Jul-13	1,325	73,900	17,930
Aug-13	768	27,152	28,267
Sep-13	1,520	51,334	29,616
Oct-13	844	53,024	15,925
YTD	11,791	467,710	25,210
FY target	13,000		
YTD target achieved	91%		

Source: Company data

Bbg/RIC	817 HK / 0817.HK	Price (08 Nov 13, HK\$)	2.61
Rating (prev. rating)	O (O)TP (prev. TP HK\$)	3.80 (3.80)	
Shares outstanding (mn)	9,161.49	Est. pot. % chg. to TP	46
Daily trad vol - 6m avg (mn)	5.45	52-wk range (HK\$)	2.93 - 2.22
Daily trad val - 6m avg (US\$ mn)	1.9	Mkt cap (HK\$/US\$ mn)	23,911.5/ 3,084.8
Free float (%)	31.1	Performance	1M 3M 12M
Major shareholders	Sinochem Corporation (63%) Warburg Pincus (6%)	Absolute (%)	(2.2) 1.2 10.1
		Relative (%)	0.4 (2.7) 6.3
Year	12/11A	12/12A	12/13E 12/14E 12/15E
Revenue (HK\$ mn)	6,592	17,176	23,347 29,141 32,422
EBITDA (HK\$ mn)	4,022	6,081	9,104 11,644 12,919
Net profit (HK\$ mn)	1,646	2,158	3,871 4,747 5,377
EPS (HK\$)	0.15	0.20	0.36 0.44 0.50
- Change from prev. EPS (%)	n.a.	n.a.	0 0 0
- Consensus EPS (HK\$)	n.a.	n.a.	0.32 0.39 0.49
EPS growth (%)	35.9	31.1	79.4 22.6 13.3
P/E (x)	17.1	13.1	7.3 5.9 5.2
Dividend yield (%)	1.5	2.7	2.3 2.1 2.5
EV/EBITDA (x)	9.2	6.5	4.1 3.2 2.9
P/B (x)	1.3	1.2	1.0 0.9 0.8
ROE (%)	8.2	9.4	14.9 16.0 15.8
Net debt(cash)/equity (%)	42.5	44.6	35.8 30.8 26.9

Note 1: Franshion PPT is a developer and operator mainly engaged in commercial property projects in PRC, meanwhile also developing residential projects and operating hotel portfolios. The company is a subsidiary of Sinochem Group.

Click here for detailed financials

Land sales already exceeded full-year target

Franshion did not sell any land in October, but its 9M13 land sales already reached Rmb6.2 bn—exceeding its FY13 land sales target of Rmb5 bn. Since land sales can be booked into revenue within the current year, we continue to expect Franshion's land sales to help Franshion's FY13E EPS beat consensus estimates.

Shandong Weigao Group Medical----- Assuming Coverage with UNDERPERFORM

3Q13 results preview: May slightly miss but less impacted by the anti-corruption campaign

EPS: ▼ TP: ▼

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- We assume coverage of Weigao with an UNDERPERFORM rating and a HK\$6.62 TP. Weigao will report 3Q results on 13 Nov. We believe it will slightly miss the consensus EPS of Rmb0.061; guidance of 20% organic growth is very likely to be revised down.
- A-share medtech companies reported 3Q results with decelerating growth (net profit YoY growth 27.6%/17.6%/12.3% in 1Q/2Q/3Q). Mindray's 3Q13 revenue missed consensus by 8% for the anti-corruption campaign impact on its China sales.
- Our proprietary check showed that hospital purchase of low-value consumable is relatively stable, compared with the significant reduced purchase of medical equipment and high-value medical consumable due to anti-corruption campaign. With ~70% revenue from low-value consumables, Weigao is less impacted than other medtech names, in our view.
- Consensus EPS has been revised down by 30% in the past year and thus a big miss is unlikely. Sales team restructuring remain the key downside. Our TP is based on 20x FY14E EPS, given 16.7% 2013-15E EPS CAGR.

Bbg/RIC	1066 HK / 1066.HK	Price (08 Nov 13, HK\$)	6.99
Rating (prev. rating)	U (U) [V]	TP (prev. TP HK\$)	6.62 (6.80)
Shares outstanding (mn)	4,476.37	Est. pot. % chg. to TP	(5)
Daily trad vol - 6m avg (mn)	9.5	52-wk range (HK\$)	10.40 - 6.61
Daily trad val - 6m avg (US\$ mn)	9.8	Mkt cap (HK\$/US\$ mn)	31,289.8 / 4,036.7
Free float (%)	82.9	Performance	1M 3M 12M
Major shareholders	Medtronic 10.94%	Absolute (%)	(5.4) (13.2) (32.8)
		Relative (%)	(3.3) (19.7) (35.9)
Year	12/11A	12/12A	12/13E 12/14E 12/15E
Revenue (Rmb mn)	3,181	3,689	4,299 5,009 5,863
EBITDA (Rmb mn)	981	1,091	1,217 1,460 1,722
Net profit (Rmb mn)	958	996	991 1,194 1,417
EPS (Rmb)	0.22	0.22	0.22 0.26 0.30
- Change from prev. EPS (%)	n.a.	n.a.	0 (4) (5)
- Consensus EPS (Rmb)	n.a.	n.a.	0.23 0.28 0.33
EPS growth (%)	16.8	2.7	(1.9) 19.0 17.1
P/E (x)	25.3	24.7	25.1 21.1 18.0
Dividend yield (%)	1.2	1.1	0.8 0.9 1.1
EV/EBITDA (x)	23.3	21.4	19.0 15.5 12.8
P/B (x)	3.0	2.8	2.6 2.4 2.3
ROE (%)	16.2	11.6	10.7 12.0 13.0
Net debt(cash)/equity (%)	(21.5)	(14.5)	(15.3) (19.1) (21.9)

Note 1: ORD/ADR=4.00. Note 2: Shandong Weigao Group is a leading medical device/consumables manufacturer in China.

[Click here](#) for detailed financials

Medtech companies affected by the anti-corruption

We sampled five A-share five medical equipment companies listed in the China domestic exchange (Figure 1), and their net profit growth (12.3% YoY) significantly decelerated compared with that in 1Q (27.6% YoY) and 2Q (17.6% YoY) (Figure 2).

Chanel check: Low-value consumables relatively stable

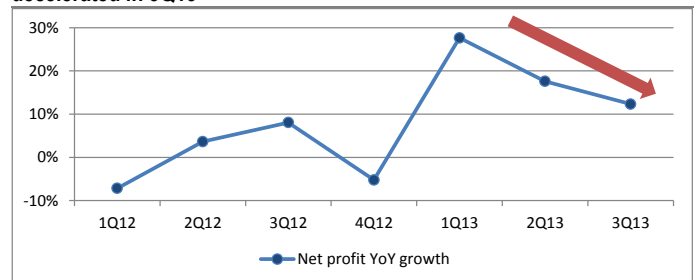
Our proprietary check showed that hospital purchase of low-value consumables is relatively stable, compared with the significant reduced purchase of medical equipment and high-value medical consumables due to anti-corruption campaign, because low-value consumables are the "must haves" for everyday use, while the hospital can delay the capital expenditure on big-ticket equipment.

Figure 1: Five A-share medtech companies we sampled

Company	Ticker	Major product lines
Yuyue Medical	002223.SZ	Oxygen generator/ purifier, blood pressure/glucose monitors, oxygen purifier, wheelchair & walking aid
Andon Health	002432.SZ	Blood pressure monitor, blood glucose monitor
CR Wandong	600055.SH	Radiological imaging equipment, MRI
Shinva Medical	600587.SH	Sterilizers, radiotherapy equipment, digital diagnosis equipment, dental equipment
Biolight Medical	300246.SZ	Patient monitoring system, central monitoring system and digital colposcopy system

Source: Company data

Figure 2: Earnings growth of A-share medical equipment companies decelerated in 3Q13



Source: Company data, Credit Suisse estimates

FY13 guidance may get revised down

At our company visit in September, management said that Weigao's medical consumable business growth has been underperforming sector growth, primarily due to its fading advantage in product differentiation and intense competition in the domestic market. Additionally, despite the fact that Weigao has almost doubled its sales team since 2011, its medical consumables business growth saw continued slowdown, growing 27%/16%/7% in 2011/2011/1H13. In our view, the sales team restructuring is still facing a lot of hurdles with regards to team turnover and hospital coverage reshuffle, and is not likely to pose a positive impact on 3Q performance. Given the organic growth of only ~12% in 1H13, the guidance of 20% organic growth is very likely to be revised down.

3Q may slightly miss; maintain UNDERPERFORM

With ~70% revenue from low-value consumables, Weigao is less impacted by the anti-corruption campaign than other medtech names, in our view. However, sales team restructuring remain the key downside and 3Q EPS may slightly miss the consensus of Rmb0.061. Therefore, we cut our 2014E/15E EPS by 4%/5% and maintain UNDERPERFORM. Weigao expects to announce a new restructuring plan in late November.

Since consensus EPS has been revising down by 30% during the past year, we believe the upcoming 3Q/4Q results will not be a big surprise. Our TP is based on 20x FY14E EPS given a 16.7% 2013-15 EPS CAGR: (1) FY13E consumable sales growth less than 10% YoY; (2) near-term margin pressure of the company; (3) intense competition. Major risks include unexpected fast turnaround in the sales team restructuring and accelerated sales growth of new product lines.

Vipshop Holdings Limited -----Maintain NEUTRAL
3Q preview: All eyes on 3Q OPM and 4Q guidance
EPS: ◀▶ TP: ▶▶

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- We recommend that investors consider taking profit ahead of 3Q earnings and completion of 11 Nov 'Singles Day' event. We believe the market has priced in much of the good news and expectations on good 3Q results and even 4Q guidance on the back of high seasonality.
- The key focus in 3Q results should be 4Q top-line guidance, 3Q OPM and marketing spend. Recent results and realisation of positive catalysts on China Internet companies became triggers of profit-taking events. Vipshop's near-term performance may also be subject to similar event risks.
- We see increasing competition from other B2C platforms in discount retail segment. Moving into 2014, the company will face tough comps over 2013, improving inventory level in some key supplier categories, ramp-up period of new warehouse facilities, and lack major sales catalysts in the next several months.
- The stock is now trading at 47.4x FY14E and 31.4x FY15E EPS on our base-case numbers. We remain cautious on further share price appreciation. Maintain NEUTRAL and TP of US\$60.

Bbg/RIC	VIPS US / VIPS.N		Price (08 Nov 13, US\$)		74.88
Rating (prev. rating)	N (N) [V]	TP (prev. TP US\$)	60.00 (60.00)		
Shares outstanding (mn)	55.15	Est. pot. % chg. to TP	(20)		
Daily trad vol - 6m avg (mn)	0.15	52-wk range (US\$)	79.0 - 11.2		
Daily trad val - 6m avg (US\$ mn)	6.1	Mkt cap (US\$ mn)	4,129.7		
Free float (%)	29.0	Performance	1M	3M	12M
Major shareholders	Eric Ya Shen (16%)	Absolute (%)	7.1	53.8	547.2
		Relative (%)	3.1	49.0	518.9
Year	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue (US\$ mn)	227	692	1,580	2,435	3,306
EBITDA (US\$ mn)	(105.5)	(9.5)	43.8	122.2	211.9
Net profit (US\$ mn)	(33.3)	(1.9)	48.3	93.3	143.4
EPS (US\$)	(1.44)	(0.04)	0.84	1.58	2.39
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (US\$)	n.a.	n.a.	0.95	1.90	2.91
EPS growth (%)	n.m.	n.m.	n.m.	87.3	50.9
P/E (x)	n.m.	n.m.	88.7	47.4	31.4
Dividend yield (%)	0	0	0	0	0
EV/EBITDA (x)	(38.7)	(413.4)	85.1	30.1	16.4
P/B (x)	94.6	45.9	18.6	13.2	9.2
ROE (%)	(815.5)	(3.7)	31.5	34.4	36.7
Net debt(cash)/equity (%)	(254.0)	(255.0)	(178.9)	(141.5)	(143.1)

Note 1: Vipshop Holdings Limited, through its subsidiaries, operates as an online discount retailer for various brands in China. It offers a range of branded discount products, including apparel for women, men, cosmetics, home goods and other lifestyle products.

[Click here](#) for detailed financials

Time to take profit

We recommend that investors consider taking profit ahead of 3Q earnings and completion of 11 Nov 'Singles Day' event. We believe the market has priced in much of the good news and expectations on good 3Q results and even 4Q guidance on the back of high seasonality.

ADR results becoming profit-taking events

The key focus in 3Q results should be 4Q top-line guidance, 3Q OPM and marketing spend. We expect a good set of 3Q results and positive 4Q guidance. However, recent result announcements (no matter good or bad) and realisation of positive catalysts on China Internet companies became triggers of profit-taking events in the past two weeks. We believe Vipshop's near-term performance may also be subject to similar event risks.

We expect the company to achieve US\$376.2 mn on 3Q revenue and non-GAAP EPS of US\$0.17.

Figure 1: Vipshop results expectations—CS vs the street

	3Q13			4Q13			2014			2015		
	CSe	Cons	Var (%)	CSe	Cons	Var (%)	CSe	Cons	Var (%)	CSe	Cons	Var (%)
Revenue (US\$ mn)	376	372	1.1%	542	552	-1.8%	2435	2586	-5.8%	3306	3528	-6.3%
Adj. dil. EPS (US\$)	0.17	0.2	-16%	0.3	0.35	-13.3%	1.58	1.83	-13.4%	2.39	2.74	-12.9%

Source: Company data, Credit Suisse estimates

Tough comps and industry dynamics into 2014

We remain long-term positive on China's online discount retail market growth. Vipshop's leadership and execution have been solid so far, but we see increasing competition from other B2C platforms in this area.

Moving into 2014, the company will face tough comps over 2013, improving inventory level in some key supplier categories, ramp-up period of new warehouse facilities, and lack major sales catalysts in the next several months.

How would a bull case look like?

Stock price appreciation has already factored in much of the rosy scenario, in our view. The company is now trading at 47.4x FY14E and 31.4x FY15E EPS on our base-case numbers.

In our bull case, assuming Vipshop achieves 2015 revenue of US\$4 bn (20% above our current forecasts), and non-GAAP OPM of 6.0% (vs CSe 2015 non-GAAP OPM of 5.4% and very long-term company target of 7-8%), Vipshop would still be trading at 24x 2015E P/E and a P/S of 1.15x.

We remain cautious on further share price appreciation. Maintain NEUTRAL and TP of US\$60.

3Q13 earnings call details

Time: 12 November, 8:00 am NY/12 November, 9:00 pm HK.

Live: +1-845-675-0438 / +1-855-500-8701/ 400-1200654/ +852-3051-2745

Passcode: 90567955

Replay: +1-855-452-5696/ +61 2 8199 0299 Passcode: 90567955.

Hong Kong

Hong Kong Property Sector ----- Maintain MARKET WEIGHT

New report: A trading season for developers

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- The momentum of the HK residential market was at its bottom in 3Q13, with uncertainty over tapering in the US, SHIBOR spike in China, absence of primary launches, and closure of agency stores.
- Re-launch of The Cullinan in late Sep by SHKP was a major breakthrough in the physical market, with well-calculated incentives that unlocked the interests of the cautious but cash-rich investors. The HK\$11.6 bn proceeds from primary sales in Oct-13 were among the highest monthly recorded in the last 24 months.
- We expect the strong momentum in Oct to continue into Nov and Dec. While the urban-located projects should continue to sell well, we expect developers to gradually shift the focus back to the mass segment again and is positive in our view, in light of: (1) potentially a different pricing strategy to be shown; and (2) higher asset turnover from these launches.
- The continuous momentum in the primary market provides a quarter of trading opportunities for developers, in our view. Our current pecking order among developers is: **SHKP, Wheelock, Sino Land and CKH**. [Click here](#) for full report.

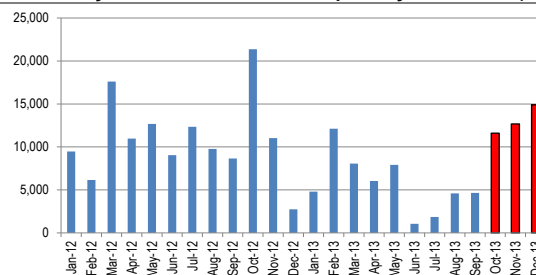
Sentiment troughed in 3Q13 but turnaround since October

The momentum of the HK residential market was at its bottom in 3Q13, with uncertainty over tapering in the US, SHIBOR spike in China, absence of primary launches, and closure of agency stores.

SHKP as the spearhead in unlocking the 'deadlock'

Re-launch of The Cullinan in late Sep by SHKP was a major breakthrough in the physical market, with well-calculated incentives that unlocked the interests of the cautious but cash-rich investors in the market. The HK\$11.6 bn proceeds from primary sales in Oct 2013 were among the highest monthly recorded in the last 24 months.

Figure 1: Monthly transaction value in HK primary residential (HK\$ mn)



Source: Centadata, Credit Suisse estimates

Momentum to continue in Nov and Dec

We expect the strong momentum in Oct to continue. While the urban-located projects should continue to sell well, we expect developers to gradually shift the focus back to the mass segment again, once the purchasing power/interest in the high-end segment are gradually consumed. Shifting the focus to the mass market segment is significant and positive in our view, in light of: (1) potentially a different pricing strategy from the high-end launches; and (2) higher asset turnover to be seen from these launches.

Momentum to last till year-end; buy developers

We expect developers to actively launches projects (in different segments, locations and asset types) from now until Chinese New Year. The continuous momentum in the primary market provides a quarter of trading opportunities for developers, in our view. Our current pecking order among developers is: **SHKP, Wheelock, Sino Land and CKH**.

Figure 1: Summary of contracted sales and key near-term launches for major developers

	FY13/14 HK sales target (HK\$ bn)	Achieved attrib. sales to date (HK\$ bn)	as %	Key contributors (attrib. sales only)	Saleable resources (HK\$ bn)	Key near-term launches
FY ended 31-Dec						
CKH	30	4.5	15%	One West Kowloon (HK\$2.6 bn) The Rise (HK\$1.9 bn)	33.2	CityPoint (HK\$11 bn) Lohas Park III (HK\$12.3 bn) Mont Vert P1 (HK\$9.9 bn)
Henderson Land	n.a.	6.0	n.a.	The Reach (HK\$4.5 bn) Green Code (HK\$0.8 bn)	6.0	The Hemispheres (HK\$0.7 bn) Double Cove P2 (HK\$4.5 bn)
Kerry	6	4.7	78%	Bayview (HK\$2 bn) Lions Rise (HK\$2.4 bn)	3.2	The Summa (HK\$2.3 bn)
Wheelock	10	8.2	82%	The Austin (HK\$3.2 bn) One Bay East-West Tower (HK\$4.5 bn)	6.6	The Austin (HK\$1.8 bn) One Bay East East Tower (HK\$5.2 bn)
FY ended 30-Jun						
SHKP	19	4.3	22%	The Cullinan (HK\$4.1 bn)	20.1	Imperial Kennedy (HK\$1.9 bn) Century Gateway II (HK\$4.7 bn) Riva (HK\$9.4 bn)
NWD	10	8.7	87%	The Austin (HK\$3.2 bn) Park Signature (HK\$3.8 bn)	6.1	Double Cove P2 (HK\$2.1 bn) Kwai Fong St (HK\$1.2 bn)
Sino Land	n.a.	1.5	n.a.	The Graces (HK\$1.6 bn)	9.8	The Avenue (HK\$8.1 bn)

Source: Company data, Credit Suisse estimates

Cheung Kong Holdings ----- Maintain OUTPERFORM

Three large-scale projects due for launch to meet FY13 sales target

EPS: ◀▶ TP: ◀▶

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- With only less than two months before the calendar year end, Cheung Kong has only achieved HK\$4.5 bn, or 15% of its FY13 Hong Kong contracted sales target of HK\$30 bn. Cheung Kong still reiterated recently that its FY13 contracted sales target in Hong Kong remains HK\$30 bn.
- Apart from the suppressed primary market sentiment throughout the year, another bottleneck is the pre-sale consents of its large projects which are still pending for approval.
- The only project that is ready for launch is the Electric Road project—an old building redevelopment project that is not require pre-sale consent. However, it will only generate proceeds of around HK\$1.4 bn.
- 100% sell-through of BOTH CityPoint and Lohas Park Phase 3, and at least 67% sell-through of Mont Vert are required, in order to meet the FY13 target of HK\$30 bn set by Cheung Kong in March-2013.

Three large-scale projects due for launch soon

Apart from the suppressed primary market sentiment throughout the year, another bottleneck is the pre-sale consents of its large projects which are still pending for approval. The only project that is ready for launch is the Electric Road project—an old building redevelopment project that is not require pre-sale consent. However, it will only generate proceeds of around HK\$1.4 bn.

100% sell-through of BOTH CityPoint and Lohas Park Phase 3, and some sale of Mont Vert are required, in order to meet the FY13 target of HK\$30 bn set by Cheung Kong in March-2013.

Figure 2: Potential upcoming projects to be launched

District	Project name	Est. units	Attrib GFA (sq ft)	Stake %	Est. ASP (HK\$ gsf)	Est. proceeds (HK\$ mn)
North Point	Electric Road	118	71,806	100%	16,000	1,379
Tsuen Wan	CityPoint	1,717	1,216,569	100%	9,049	11,009
TKO	Lohas Park P3	1,648	1,383,133	100%	8,888	12,293
Tai Po	Mont Vert	1,071	745,694	100%	13,308	9,924

Source: Company data, Credit Suisse estimates

Bbg/RIC	1 HK / 0001.HK	Price (08 Nov 13, HK\$)	120.40
Rating (prev. rating)	O (O)TP (prev. TP HK\$)	151.20 (151.20)	
Shares outstanding (mn)	2,316.16	Est. pot. % chg. to TP	26
Daily trad vol - 6m avg (mn)	4.4	52-wk range (HK\$)	131.4 - 100.5
Daily trad val - 6m avg (US\$ mn)	63.7	Mkt cap (HK\$/US\$ bn)	278.9/ 36.0
Free float (%)	5,388.0	Performance	1M 3M 12M
Major shareholders	Li Ka-Shing (43.26%)	Absolute (%)	(2.8) 4.7 6.6
		Relative (%)	(0.8) 2.6 0.3
Year	12/11A	12/12A	12/13E 12/14E 12/15E
EBITDA (HK\$ mn)	43,302	28,782	32,331 38,612 41,557
Net profit (HK\$ mn)	46,055	32,152	28,070 33,863 36,533
EPS (HK\$)	19.9	13.9	12.1 14.6 15.8
- Change from prev. EPS (%)	n.a.	n.a.	0 0 0
- Consensus EPS (HK\$)	n.a.	n.a.	12.1 13.0 13.3
EPS growth (%)	71.6	(30.2)	(12.7) 20.6 7.9
P/E (x)	6.1	8.7	9.9 8.2 7.6
Dividend yield (%)	2.6	2.6	2.6 2.6 2.6
EV/EBITDA (x)	7.0	10.6	9.6 7.7 6.8
ROE (%)	15.9	9.9	8.0 9.0 9.1
Net debt(cash)/equity (%)	8.3	7.8	9.0 4.7 1.2
NAV per share (HK\$)	—	—	181 — —
Disc./prem.) to NAV (%)	—	—	33.6 — —

Note 1: ORD/ADR=1.00. Note 2: Cheung Kong (Holdings) Limited, through its subsidiaries, develops and invests in real estate. The company also provides real estate agency and management services, operates hotels and invests in securities. It also owns 49.96% of Hutchison Whampoa.

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Only achieved 15% of FY13's HK\$30 bn contracted sales target

With only less than two months before the calendar year end, Cheung Kong has only achieved HK\$4.5 bn, or 15% of its FY13 Hong Kong contracted sales target of HK\$30 bn. Cheung Kong still reiterated recently that its FY13 contracted sales target in Hong Kong remains HK\$30 bn.

Figure 1: Contracted sales YTD

Project	Area	Sold units	Total units	Est. sell-through (%)	ASP (HK\$)	Est. proceeds in FY13 (HK\$ mn)
The Rise	Tsuen Wan	343	402	85%	9,200	1,860
One West Kowloon	Cheung Sha Wan	255	286	80%	12,651	2,599
TOTAL						4,459

Source: Centadata, Credit Suisse estimates

Sino Land ----- Maintain OUTPERFORM

The best (The Avenue) is yet to come

EPS: ◀▶ TP: ◀▶

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- The pre-sale consent of The Avenue Phase II, which provides 1,096 units by Sino Land/Hopewell/URA, has been approved at end-Oct. This is the fourth large-scale project that has obtained pre-sale consent in the last six months.
- According to HKET on 7 Nov 2013, The brochure of The Avenue is expected to be published within this month and to be launched as soon as possible. We believe The Avenue P2 will be well received, given its location in a core urban area and the project will mainly provide small-sized units as its overall average unit size is 557 nsf.
- FY13/14 to date, Sino Land has launched two projects, Park Metropolitan and The Graces, which have raised doubts about the sales progress given its positioning in the high-end segment.
- However, so far, it has been well received as 70 units, out of 120 units launched, have been sold, and fetched over HK\$1.6 bn. Eight big-ticket transactions, i.e., >HK\$40 mn were noted, including a top-floor unit for HK\$103 mn. We believe the sales progress of The Graces will continue to be steady.

Bbg/RIC	83 HK / 0083.HK	Price (08 Nov 13, HK\$)	10.62
Rating (prev. rating)	O (O)	TP (prev. TP HK\$)	15.02 (15.02)
Shares outstanding (mn)	5,947.82	Est. pot. % chg. to TP	41
Daily trad vol - 6m avg (mn)	7.45	52-wk range (HK\$)	15.6 - 10.1
Daily trad val - 6m avg (US\$ mn)	10.6	Mkt cap (HK\$/US\$ mn)	63,165.9/ 8,148.9
Free float (%)	43.9	Performance	1M 3M 12M
Major shareholders	Ng Chee Siang, Robert (52.8%)	Absolute (%)	(6.3) (2.9) (19.9)
		Relative (%)	(4.3) (5.0) (26.3)
Year	06/12A	06/13A	06/14E 06/15E 06/16E
EBITDA (HK\$ mn)	3,845	2,828	4,519 6,930 6,435
Net profit (HK\$ mn)	5,311	6,636	5,834 8,772 8,935
EPS (HK\$)	0.90	1.12	0.99 1.48 1.51
- Change from prev. EPS (%)	n.a.	n.a.	0 0 0
- Consensus EPS (HK\$)	n.a.	n.a.	0.82 0.92 0.94
EPS growth (%)	8.1	24.4	(12.1) 50.4 1.9
P/E (x)	11.8	9.5	10.8 7.2 7.0
Dividend yield (%)	4.3	4.7	4.6 4.9 5.0
EV/EBITDA (x)	17.6	21.8	13.6 7.3 5.6
ROE (%)	6.2	6.8	5.5 7.9 7.7
Net debt(cash)/equity (%)	5.1	(1.3)	(1.3) (10.7) (22.3)
NAV per share (HK\$)	—	23.1	— — —
Disc./(prem.) to NAV (%)	—	54.0	— — —

Note 1: ORD/ADR=5.00. Note 2: Sino Land Company Limited, through its subsidiaries, develops and invests in real estate, trades and invests in securities, and provides financing and management services. The company also operates hotels and provides building management services.

[Click here](#) for detailed financials

The Avenue P2 pre-sale consent approved in end-Oct

The pre-sale consent of The Avenue Phase II, which provides 1,096 units by Sino Land/Hopewell/URA, has been approved at end-Oct. This is the fourth large-scale project that has obtained pre-sale consent in the last six months. According to HKET on 7 Nov 2013, The brochure of The Avenue is expected to be published within this month and to be launched as soon as possible. We believe The Avenue P2 will be well received, given its location in a core urban area at Wanchai and the project will mainly provide small-sized units as its overall average unit size is 557 nsf.

Figure 1: Basic information about The Avenue Phase II

Address	Lee Tung Street, Wanchai
Stake (%)	50%
Total no. of units provided	1,096
Attrib. GFA (sq ft)	365,696
Est. ASP (HK\$ gsf)	19,000
Attrib. sales proceeds HK\$ mn	8,105

Source: Company data, Credit Suisse estimates

The Graces sales progress on track

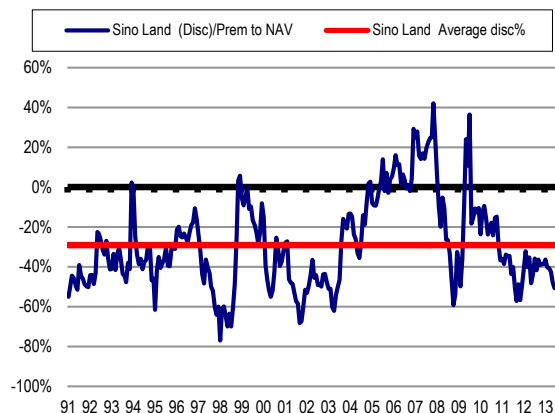
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Figure 2: Contracted sales for Sino Land in FY13/14 to date

Project	Area	Est. sold GFA (sq ft)	Attrib. GFA (sq ft)	Sell-through (%)	ASP (HK\$)	Est. proceeds (HK\$ mn)
The Graces	Tai Po	58,725	161,912	36%	14,832	808
Park Metropolitan	Kwun Tong	76,311	232,825	33%	13,000	670
TOTAL						1,478

Source: Company data, Credit Suisse estimates.

Figure 3: Sino Land is currently trading at 53% discount to NAV



Source: Bloomberg, Credit Suisse estimates

Sun Hung Kai Properties

Contracted sales catching up well

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- SHKP has set its FY13/14 Hong Kong contracted sales target of HK\$19 bn; it has also set a target of "to launch a project each month" from October onwards, and so far, it is well within the target.
- After the successful launch of The Cullinan, Imperial Kennedy has published price list and will be launched on 8 Nov 2013. According to Orientaldaily of 7 Nov 2013, SHKP's 181 Hoi Bun Road project is expected to be launched as early as end-November at an ASP of HK\$15,000/sq ft. It is also expected that its 50 Wong Chuk Han project is likely to be launched soon, presumably in Dec-13.
- As we expect that both the office projects will be sold out by end-2013, we believe a strong response will be expected for the sales of Imperial Kennedy and Century Gateway II. Hence, approximately HK\$14.6 bn of contracted sales will already be secured by the start of CY2014.
- Concerns about the sell-through rate of Riva will likely be allayed as only 47% of Riva would need to be sold in order to meet the annual target, and it is likely to be launched as completed project.

Bbg/RIC	16 HK / 0016.HK	Price (08 Nov 13, HK\$)	102.00		
Rating (prev. rating)	O (O)	TP (prev. TP HK\$)	140.90 (140.90)		
Shares outstanding (mn)	2,670.96	Est. pot. % chg. to TP	38		
Daily trad vol - 6m avg (mn)	4.7	52-wk range (HK\$)	130.5 - 95.5		
Daily trad val - 6m avg (US\$ mn)	61.5	Mkt cap (HK\$/US\$ bn)	272.4/ 35.1		
Free float (%)	56.6	Performance	1M	3M	12M
Major shareholders	KWONG SIU HING	Absolute (%)	(1.8)	(1.9)	(9.4)
	(43.43%)	Relative (%)	0.2	(4.0)	(15.8)
Year	06/12A	06/13A	06/14E	06/15E	06/16E
EBITDA (HK\$ mn)	26,526	20,838	29,259	26,688	32,930
Net profit (HK\$ mn)	21,678	18,619	24,681	21,873	26,844
EPS (HK\$)	8.4	7.1	9.2	8.2	10.1
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (HK\$)	n.a.	n.a.	8.12	7.98	8.48
EPS growth (%)	0.1	(15.7)	31.0	(11.4)	22.7
P/E (x)	12.2	14.5	11.0	12.5	10.1
Dividend yield (%)	3.3	3.3	3.6	3.2	3.9
EV/EBITDA (x)	12.6	15.6	11.3	12.2	7.4
ROE (%)	6.6	5.1	6.3	5.4	6.4
Net debt(cash)/equity (%)	16.4	12.5	13.2	11.4	(7.7)
NAV per share (HK\$)	—	—	188	—	—
Disc./prem.) to NAV (%)	—	—	45.7	—	—

Note 1: ORD/ADR=1.00. Note 2: Sun Hung Kai Properties Ltd, through its subsidiaries, develops and invests in real estate. It also operates hotels and provides information technology, telecommunications, construction, financial and air freight forwarding services.

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Catching up well

SHKP has set its FY13/14 Hong Kong contracted sales target of HK\$19 bn; it has also set a target of "to launch a project each month" from October onwards, and so far, it is well within their target.

Figure 1: Contracted sales of SHKP in FY13/14 to date

Project	Area	Sold units	Total units	Est. sell-through (%)	Est. ASP (HK\$)	Est. proceeds in FY13/14 (HK\$ mn)
The Cullinan	Tsim Sha Tsui	178	181	98%	25,940	4,139
Residence 88	Yuen Long	305	352	87%	7,609	126
TOTAL						4,266

Source: Centadata, Credit Suisse estimates

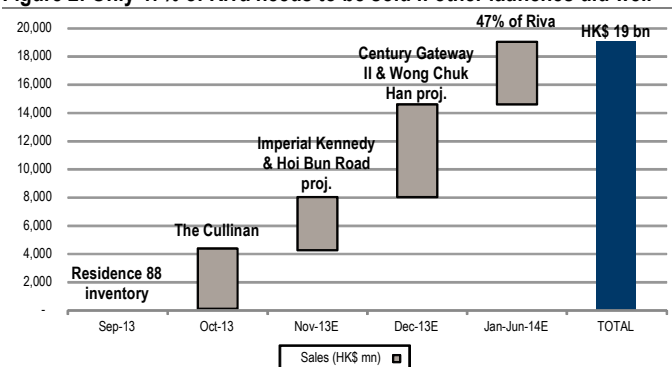
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expected to be launched as early as end-November at ASP of HK\$15,000/sq ft. It is also expected that its 50 Wong Chuk Han project is likely to be launched soon, presumably in Dec-13.

Only 47% of Riva needs to be sold to fulfil FY13/14 target of HK\$19 bn

As we expect that both the office projects will be sold out by end-2013, we believe a strong response will be expected for the sales of Imperial Kennedy and Century Gateway II. Hence, approximately HK\$14.6 bn of contracted sales will already be secured by the start of CY2014 and concerns about the sell-through rate of Riva will likely be allayed as only 47% of Riva would need to be sold in order to meet the annual target.

Figure 2: Only 47% of Riva needs to be sold if other launches did well



Source: Company data, Credit Suisse estimates

We expect Riva to be the final launch of the financial year and is likely to be launched in the Chinese new year period in end-January 2014 as the completion of Riva is expected to be around Dec-13/Jan-14 and it is likely to be launched as completed project.

Figure 3: Launching pipeline for SHKP

Project	Usage	Stake (%)	Est. launching date	Attrib GFA (sq ft)	Attrib. proceeds
Imperial Kennedy	Residential	92%	Nov-13	108,000	2,027
Hoi Bun Road proj	Office	64%	Nov-13	199,000	1,910
Century Gateway II	Residential	100%	Dec-13	558,000	5,085
Wong Chuk Han	Office	100%	Dec-13	120,000	1,322
Riva	Residential	100%	Jan-14	856,000	9,437

Source: Company data, Credit Suisse estimates

Standard Chartered Plc ----- Maintain UNDERPERFORM

Investor day: Key things to focus on

EPS: ▼ TP: ◀▶

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- STAN is hosting an investor day today (11 Nov) where management is expected to give more details on costs and Korea business. We would be focussing on the following: (1) capital and RoE targets; (2) cost control; and (3) asset quality.
- Capital position is key as STAN runs the business to be broadly capital-neutral over time. With increasing capital requirements and the group generating limited capital organically, we see the capital base looking increasingly stretched, with a Basel-3 ratio of 10.6% in 2016E (from 10.4% at 1H13E).
- Post the weaker revenue performance in 3Q13 IMS, we revise down our estimates for 2013-15E by 5-6%, mainly on the back of lower revenues in wholesale banking. We expect revenue growth to recover to 6% in FY14/15E from 1.6% in FY13E but this could prove more volatile depending on the Wholesale Bank's revenues.
- STAN is trading at 1.3x 2014E P/TB for a 14% RoTE; we prefer HSBC which is trading at slightly lower multiples for a similar RoTE. We maintain our UNDERPERFORM rating and HK\$171.7 TP.

Bbg/RIC	2888 HK / 2888.HK	Price (08 Nov 13, HK\$)	183.10		
Rating (prev. rating)	U (U)	TP (prev. TP HK\$)	171.71 (171.71)		
Shares outstanding (mn)	2,426.37	Est. pot. % chg. to TP	(6)		
Daily trad vol - 6m avg (mn)	4.4	52-wk range (HK\$)	214.8 - 168.3		
Daily trad val - 6m avg (US\$ mn)	—	Mkt cap (HK\$/US\$ bn)	446.8/ 57.6		
Free float (%)	81.8	Performance	1M	3M	12M
Major shareholders		Absolute (%)	3.2	(2.6)	2.7
		Relative (%)	3.8	(7.5)	(3.4)
Year	12/11A	12/12A	12/13E	12/14E	12/15E
Pre-prov Op profit (US\$ mn)	7,885.0	8,902.0	9,041.6	9,605.4	10,188.9
Net profit (US\$ mn)	4,825	5,174	5,143	5,494	5,900
EPS (CS adj. US\$)	2.01	2.14	2.10	2.21	2.34
- Change from prev. EPS (%)	n.a.	n.a.	(5)	(6)	(6)
- Consensus EPS (US\$)	n.a.	n.a.	2.14	2.36	2.60
EPS growth (%)	6.5	6.1	(1.9)	5.3	5.8
P/E (x)	11.9	11.2	11.4	10.8	10.2
Dividend yield (%)	3.2	3.5	3.6	4.0	4.2
BVPS (CS adj. US\$)	17.1	18.8	19.0	20.1	21.3
P/B (x)	1.40	1.27	1.26	1.19	1.12
ROE (%)	12.2	12.0	11.2	11.4	11.4
ROA (%)	0.9	0.8	0.8	0.8	0.9
Tier 1 Ratio (%)	13.7	13.4	13.1	13.0	13.0

Note 1: Standard Chartered PLC is a holding company. Through its subsidiaries, the company is engaged in the business of retail and commercial banking, and the provision of other financial services.

Focus on capital and ROE targets

Capital requirements seem to be increasing to 11-12% based on disclosures of other UK banks (e.g., RBS targeting above 12% in 2016E). As such, it will be important to see what management thinks about these developments and if it is going to change the way it manages the business to make this more achievable. While RWA growth may be lower going forward, it will be important to see how this compares to PBT growth, and what this means for the RoE target (we estimate an 11% RoE in 2016E and a 10.6% capital ratio).

Cost control: Currently expect neutral jaws

We would welcome additional detail on how much scope management has to control costs with what appears to be a more volatile revenue environment within the Wholesale bank. STAN is currently undertaking some multi-year investments in systems in both the divisions and has noted an increase in compliance costs.

Focus on asset quality, given slowdown in key markets

Management intends to slow down unsecured lending and has tightened underwriting standards in India. It will be important to see what confidence management can give to reassure the market that even if growth in its key markets is lower going forward, it won't be negatively impacted in terms of asset quality.

Revising estimates post a weaker revenue performance

Apart from lower revenues, we expect group impairments for FY13-15E to remain higher than in FY12, given provisioning is at cyclical lows in a number of geographies. We roll forward our valuation to 2015E and keep our target price unchanged at HK\$171.7.

Figure 1: STAN—Summary of forecast changes

(US\$ mn)	New			Old			% change		
	2013E	2014E	2015E	2013E	2014E	2015E	2013E	2014E	2015E
PPOP	9,042	9,605	10,189	9,346	10,030	10,761	-3.3	-4.2	-5.3
Impairment	1,441	1,621	1,635	1,526	1,582	1,655	-5.6	2.5	-1.3
PBT	7,713	8,185	8,754	8,020	8,647	9,305	-3.8	-5.4	-5.9
CS EPS (cents)	2.10	2.21	2.34	2.21	2.34	2.49	-5.1	-5.6	-6.2
TNAV (cents)	15.8	16.9	18.1	15.9	17.2	18.6	-0.8	-1.7	-2.6
Equity Tier 1 (%)	10.3	10.4	10.5	10.8	10.7	10.6	-0.5	-0.3	-0.1

Source: Credit Suisse estimates

Investor day presentations start at 5.00 pm HKT. Dial-in +852 3077 4948 ID 76238815, or webcast at <http://investors.standardchartered.com/>.

Figure 2: STAN—Forecast summary

(US\$ bn)	2012	2013E	2014E	2015E	12 YoY	13E YoY	14E YoY	15E YoY
Net interest income	10.8	10.9	11.5	12.1	6.2	0.7	5.5	5.6
Non-int income	8.0	8.2	8.8	9.3	6.9	2.8	6.5	6.3
Fee income	4.1	4.2	4.5	4.8	0.8	3.0	6.4	6.4
Trading income	2.7	2.8	3.0	3.2	3.6	2.5	6.5	6.0
Revenue	18.8	19.1	20.2	21.4	6.5	1.6	6.0	5.9
Operating exp.	-9.9	-10.0	-10.6	-11.2	1.3	1.6	5.7	5.7
Pre-prov optg profit	8.9	9.0	9.6	10.2	12.9	1.6	6.2	6.1
Provisions	-1.4	-1.4	-1.6	-1.6	36.6	3.5	12.5	0.8
Pre-tax profit	7.0	6.7	8.2	8.8	1.2	-4.4	21.9	7.0
Net profit	5.3	5.1	5.5	5.9	7.1	-2.5	6.8	7.4
EPS (US\$)	2.18	2.10	2.21	2.34	6.0	-3.8	5.3	5.8
ROE (%)	12.3	11.2	11.4	11.4	-0.2	-1.1	0.2	0.0
ROA (%)	0.86	0.80	0.82	0.86	-0.03	-0.06	0.03	0.03
ROTE (%)	15.4	13.6	13.5	13.4	-0.2	-1.7	-0.1	-0.2
Loans (US\$ bn)	282.8	303.4	315.4	333.0	4.9	7.3	4.0	5.6
Deposits (US\$ bn)	372.9	395.2	422.9	452.5	7.9	6.0	7.0	7.0
LDR (%)	75.0	76.0	73.8	72.9	-2.2	1.0	-2.1	-0.9
Net interest margin	1.76	1.68	1.72	1.75	-0.07	-0.08	0.03	0.04
Cost-income ratio	52.6	52.6	52.5	52.4	-2.7	0.0	-0.1	-0.1
Non int. inc. / rev	42.6	43.1	43.4	43.5	0.2	0.5	0.2	0.2
NPL to loans (%)	2.0	2.0	2.0	2.0	0.4	0.0	0.1	0.0
Provisions (bp)	51	50	53	51	11	-1	3	-2
Loan-losscover (%)	57	82	89	99	-8.4	24.6	7.7	9.4
Equity Tier 1 CAR	11.7	11.5	11.6	11.6	-0.1	-0.2	0.1	0.1

Source: Company data, Credit Suisse estimates

Wheelock and Company Limited ----- Maintain OUTPERFORM

Strong executor as a HK developer

EPS: ◀▶ TP: ▶▶

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- As of 7 Nov 2013, The Austin generated attributable contracted sales of HK\$3.2 bn for Wheelock. Including the HK\$5 bn contracted sales achieved in 1H13, HK\$8.2 bn, or 82% of Wheelock's FY13 HK contracted sales target (HK\$10 bn) has been achieved.
- To date, 460 out of 576 units at The Austin have been sold. As the remaining units have a larger share of 3- to 4-bedroom units and special units, we estimate the remaining proceeds will be around HK\$1.8 bn, which will help accomplish the full-year target.
- The potential sale of the en-bloc of One Bay East-East Tower by year-end would also contribute to the full-year target. According to HKET, dated 24 Oct 2013, Goldin Financial has offered HK\$5.2 bn for the whole block.
- Beyond FY13, Wheelock has ample saleable resources. We expect One Harbour Gate, High Street project and The Austin Phase II to be launched in FY14 to potentially generate sales of HK\$15.4 bn. The stock is currently trading at a 38% discount to NAV. Reiterate OUTPERFORM.

Bbg/RIC	20 HK / 0020.HK	Price (08 Nov 13, HK\$)	38.30
Rating (prev. rating)	O (O) TP (prev. TP HK\$)	48.54 (48.54)	
Shares outstanding (mn)	2,031.85	Est. pot. % chg. to TP	27
Daily trad vol - 6m avg (mn)	1.05	52-wk range (HK\$)	47.2 - 34.1
Daily trad val - 6m avg (US\$ mn)	5.2	Mkt cap (HK\$/US\$ bn)	77.8/ 10.0
Free float (%)	39.9	Performance	1M 3M 12M
Major shareholders	Peter KC Woo	Absolute (%)	(4.3) (9.6) 11.2
		Relative (%)	(2.2) (11.7) 4.8
Year	12/11A	12/12A	12/13E 12/14E 12/15E
EBITDA (HK\$ mn)	19,128	17,006	16,263 19,112 26,851
Net profit (HK\$ mn)	9,038	7,267	7,253 10,824 14,050
EPS (HK\$)	4.45	3.58	3.57 5.33 6.92
Core EPS (HK\$)	4.45	3.58	3.57 5.33 6.92
- Change from prev. EPS (%)	n.a.	n.a.	0 0 0
- Consensus EPS (HK\$)	n.a.	n.a.	4.31 4.74 6.20
EPS growth (%)	81.7	(19.6)	(0.2) 49.2 29.8
P/E (x)	8.6	10.7	10.7 7.2 5.5
Core P/E (x)	8.6	10.7	10.7 7.2 5.5
Dividend yield (%)	1.3	2.9	3.1 3.1 3.1
EV/EBITDA (x)	6.8	8.9	9.7 8.3 5.9
P/B (x)	0.6	0.5	0.5 0.5 0.4
ROE (%)	8.1	5.3	4.7 6.7 8.2
Net debt(cash)/equity (%)	22.5	25.6	26.8 25.8 24.0

Note 1: ORD/ADR=10.00. Note 2: The Group is a major property investor in Hong Kong, Singapore and PRC. The business comprises: (i) property investment of properties as a long term investment; (ii) property trading; and (iii) businesses in the areas of logistics and CME.

Click here for detailed financials

82% of FY13 HK property sales target achieved

According to the Sales of First-hand Residential Properties Electronic Platform ("SRPE"), as of 7 Nov 2013, The Austin generated total contracted sales of HK\$6.3 bn, or HK\$3.2 bn on attributable basis for Wheelock. Including the HK\$5 bn contracted sales achieved in 1H13 through the sale of One Bay East-West Tower to Manulife and the inventory sales of Kadoorie Hill and Lexington Hill, HK\$8.2 bn, or 82% of Wheelock's FY13 HK property sales target has been met.

The Austin is expected to be sold out before year-end

To date, 460 out of 576 units have been sold, fetching attributable sales proceeds of HK\$3.2 bn for Wheelock. As the remaining units have larger shares of 3- to 4-bedroom and special units, we estimate the remaining proceeds will be around HK\$1.8 bn, which will accomplish the full-year target of HK\$10 bn.

Figure 1: The Austin can still provide another >HK\$1.8 bn of proceeds

	Proceeds (HK\$ bn)
460 units already sold (per SRPE)	3.2
Upcoming batch of 105 units	1.4
Remaining 10 special units	0.4
Proceeds to be coming in	1.8

Source: Company data, Credit Suisse estimates

Figure 2: 82% of FY13 HK contracted sales target is already met

	HK\$ bn
One Bay East West Tower en-bloc sale to Manulife	4.5
Sales of inventories of Kadoorie Hill & Lexington Hill	0.5
Contracted sales achieved in 1H13	5.0
Attrib. sales of The Austin as of 7 Nov	3.2
Contracted sales achieved as of 7 Nov	8.2
Est. sales for remaining units being sold out	1.8
Est. contracted sales in FY13	10.0
Possible One Bay East - East Tower en-bloc sale	5.2
Possible contracted sales in FY13	15.2

Source: Company data, Credit Suisse estimates

Potential sale of One Bay East-East Tower in FY13

On the other hand, the potential sale of the en-bloc of One Bay East-East Tower can also help achieve the annual target. According to HKET on 24 Oct 2013, Goldin Financial, a Chinese company that provides financial services, has offered HK\$5.2 bn for the tower.

Still ample of saleable resources in FY14

We believe that Wheelock could include One Bay East-East Tower in FY13 contracted sales as its current annual target of HK\$10 bn for each year should not be difficult to be met in FY14, in our view. We expect: (1) **One Harbour Gate**, an office development in Hung Hom; (2) **High Street project**, an old redevelopment in Sai Ying Pun, (3) and **The Austin Phase II** to be launched in FY14 and potentially generate sales of HK\$15.4 bn.

Figure 3: Potential launches in FY14 by Wheelock

Project	Asset type	Attrib. GFA (sq ft)	Attrib. proceeds (HK\$ mn)
The Austin Phase II	Residential	402,655	7,610
One Harbour Gate	Office	660,796	6,750
High Street project	Residential	76,120	1,000
TOTAL		1,139,571	15,360

Source: Company data, Credit Suisse estimates

With the strong cash operating inflow (HK\$22.4 bn inflow by end-14) on head office level and the stake in Wharf alone is worth HK\$48.8/share, we believe the stock is trading at an attractive level of 38% discount to NAV. We maintain our OUTPERFORM rating.

India
Crompton Greaves ----- Maintain UNDERPERFORM
2Q14: Operating results in line; sustainability in overseas turnaround key to watch
EPS: ▼ TP: ▲

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- CG's 2Q14 consolidated EBITDA at Rs1.6 bn (up 18% YoY) was in line with estimates. However, lower-than-expected other income and higher taxes resulted in recurring PAT being 17% below estimates. Overseas business turned EBITDA positive with most subsidiaries turning profitable except for Canada and US systems businesses.
- In the domestic business, the consumer segment witnessed 13% YoY revenue growth and healthy EBIT margin at 11.7%. However, the industrial segment revenue degrew 7% YoY due to a weak investment environment, and, consequently, its margin declined 496 bp YoY.
- Consolidated order inflows at Rs22.5 bn were 8% below estimates as domestic inflows at Rs7.9 bn declined 37% YoY, led by sharp decline in power systems inflows due to declining transmission capex.
- Led by higher overseas losses in 1H14, we cut our FY14-15 EPS by 7-10%. However, we raise our TP to Rs98, valued at 10x FY15E earnings. With overseas turnaround visible (bottom line yet to improve though) for only one quarter and Canadian losses expected to continue due to plant layout issues, it is difficult to ascertain whether the turnaround is sustainable. Maintain UNDERPERFORM.

Bbg/RIC	CRG IN / CROM.BO	Price (08 Nov 13, Rs)	106.80		
Rating (prev. rating)	U (U)	TP (prev. TP Rs)	98.00 (92.00)		
Shares outstanding (mn)	631.67	Est. pot. % chg. to TP	(8)		
Daily trad vol - 6m avg (mn)	2.95	52-wk range (Rs)	124.2 - 74.4		
Daily trad val - 6m avg (US\$ mn)	4.2	Mkt cap (Rs/US\$ mn)	67,462.3	1,079.8	
Free float (%)	60.0	Performance	1M	3M	12M
Major shareholders	Avantha Holdings	Absolute (%)	12.6	20.6	(5.5)
	39.9%	Relative (%)	10.7	10.6	(16.1)
Year	03/12A	03/13A	03/14E	03/15E	03/16E
Revenue (Rs mn)	112,486	120,944	137,805	153,063	169,875
EBITDA (Rs mn)	8,036	3,832	9,790	12,320	14,176
Net profit (Rs mn)	3,736	846	4,567	6,256	7,628
EPS (Rs)	5.8	1.3	7.1	9.8	11.9
- Change from prev. EPS (%)	n.a.	n.a.	(7)	(10)	
- Consensus EPS (Rs)	n.a.	n.a.	6.1	8.6	10.5
EPS growth (%)	(59.7)	(77.4)	440.0	37.0	21.9
P/E (x)	18.3	81.0	15.0	11.0	9.0
Dividend yield (%)	1.3	1.1	1.4	1.5	1.7
EV/EBITDA (x)	8.4	20.1	8.0	5.9	5.1
P/B (x)	1.9	1.9	1.8	1.6	1.4
ROE (%)	10.9	2.4	12.2	15.0	16.1
Net debt(cash)/equity (%)	(0.4)	26.4	28.1	12.5	8.5

Note 1: CG is engineering conglomerate with an impressive and diverse portfolio of products, solutions and services ranging from high-end power and industrial equipments and solutions, to consumer products and home appliances.

[Click here](#) for detailed financials

Figure 1: Crompton—2Q14 standalone and subsidiary results snapshot

(Rs mn)	2Q FY13	2Q FY14	% YoY	2Q FY14E	% diff.
Standalone					
Sales	16,702	17,659	6	18,200	(3)
EBITDA	1,470	1,590	8	1,505	6
EBITDA Margin	8.8%	9.0%	20	8.3%	74
Recurring PAT	1,117	1,348	21	1,256	7
Subsidiary					
Sales	12,540	14,391	15	14,300	1
EBITDA	(105)	23	n.a.	88	(74)
EBITDA Margin	-0.8%	0.2%	n.a.	0.6%	(45)
Recurring PAT	(885)	(764)	(14)	(550)	n.a.

Source: Company data, Credit Suisse estimates

Figure 2: Crompton—2Q14 consolidated results summary

(Rs mn)	2QFY13	2QFY14	% YoY	2QFY14E	% diff.
Order inflows	25,750	22,500	(13)	24,500	(8)
Orderbook	94,000	97,430	4	89,710	9
Sales	29,242	32,049	10	32,500	(1)
EBITDA	1,365	1,613	18	1,593	1
EBITDA Margin	4.7%	5.0%	37	4.9%	13
Depreciation	(733)	(662)	(10)	(625)	6
EBIT	632	951	50	968	(2)
Net interest expense	18	132	636	210	(37)
Total Tax	(414)	(506)	22	(471)	7
Tax Rate	63.6%	46.7%	(1,695)	40.0%	668
Recurring PAT	232	584	151	707	(17)
Exceptional Items	188	-	n.a.	-	n.a.
Reported PAT	420	584	39	707	(17)

Source: Company data, Credit Suisse estimates

2Q14 operationally in line; overseas turns EBITDA positive

CG's 2Q14 consolidated EBITDA at Rs1.6 bn (up 18% YoY) was in line with estimates. However, lower-than-expected other income and higher taxes resulted in recurring PAT being 17% below estimates. Overseas business turned EBITDA positive with most subsidiaries turning profitable except for Canada and US systems businesses (together incurred ~US\$10 mn loss). While the Canadian business turnaround is likely to take time due to sub-optimal plant layout, US losses are relatively small.

In the domestic business, the consumer segment witnessed 13% YoY revenue growth and healthy EBIT margin at 11.7%. However, the industrial segment degrew 7% YoY due to a weak investment environment, and, consequently, its margin declined 496 bp YoY. Domestic inflows at Rs7.9 bn declined 37% YoY, led by sharp decline in power system inflows.

Figure 3: Crompton—2Q14 segmental performance summary

	Standalone			Consolidated		
	2QFY13	2QFY14	YoY (%)	2QFY13	2QFY14	YoY (%)
Revenues (Rs mn)						
Power systems	6,236	6,667	7%	17,819	20,265	14%
Industrial systems	3,892	3,617	-7%	4,816	4,380	-9%
Consumer products	5,844	6,592	13%	5,844	6,592	13%
EBIT margin (%)						
Power systems	9.9%	9.4%	(53)	0.6%	2.0%	145
Industrial systems	15.4%	10.5%	(496)	14.6%	7.6%	(695)
Consumer products	9.5%	11.7%	213	9.5%	11.7%	213

Source: Company data, Credit Suisse estimates

Figure 4: 2Q14—Order inflow and order book split

2Q14	Order inflows			Orderbook		
	Power	Industrial	Total	Power	Industrial	Total
India	4,590	3,270	7,860	35,260	4,440	39,700
Overseas	13,255	1,385	14,640	46,950	10,780	57,730
Total	17,845	4,655	22,500	82,210	15,220	97,430

Source: Company data, Credit Suisse estimates

Sustainability of overseas turnaround holds the key

With overseas turnaround visible (bottom line yet to improve though) for only one quarter, it is difficult to ascertain whether the same is sustainable. Led by higher overseas losses in 1H14, we cut our FY14-15E EPS by 7-10%. However, we raise our TP to Rs98 valued at 10x FY15 earnings. Maintain UNDERPERFORM.

Cummins India -----Maintain NEUTRAL 2Q14 below estimates, outlook remains challenging EPS: ▼ TP: ▼

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- CIL's 2Q14 recurring PAT of Rs1.5 bn, down 10% YoY, was 14% below estimates, led by a 14% YoY decline in revenue and a 234 bp YoY margin compression to 14.6%. However, gross margin improved 230 bp YoY, led by forex gains due to an export pricing contract with the parent and cost reduction initiatives. Barring a forex variation impact, management expects margins to stabilise at current levels.
- Domestic revenue declined 20% YoY in 2Q14 which management attributed more to an industrial slowdown than reducing power deficits. Exports were flat YoY. The domestic demand outlook remains challenging in the near medium term, whereas exports could witness growth ahead, mainly led by the low HP segment.
- Consequently, CIL has revised down its earlier FY14 guidance of 0-5% revenue de-growth to 5% de-growth in the best case, if CPCB-II pre-buying takes place in 4Q14, and to 10-15% de-growth otherwise.
- CPCB-II norms are yet to be notified and management expects implementation earliest by Apr 2014. We cut our FY14-16 EPS by 3-4% as we build in lower revenue growth (3.5% decline for FY14) and margins. Consequently, our TP falls to Rs382. Maintain NEUTRAL.

Bbg/RIC	KCC IN / CUMM.BOP		Price (08 Nov 13, Rs)		404.65
Rating (prev. rating)	N (N)TP (prev. TP Rs)		382.00 (394.00)		
Shares outstanding (mn)	277.20	Est. pot. % chg. to TP	(6)		
Daily trad vol - 6m avg (mn)	0.35	52-wk range (Rs)	537.3 - 374.0		
Daily trad val - 6m avg (US\$ mn)	2.0	Mkt cap (Rs/US\$ bn)	112.2/ 1.8		
Free float (%)	49.0	Performance	1M	3M	12M
Major shareholders	Promoter (51%)	Absolute (%)	1.2	4.1	(16.6)
		Relative (%)	(0.9)	(5.9)	(26.2)
Year	03/12A	03/13A	03/14E	03/15E	03/16E
Revenue (Rs mn)	41,172	45,894	44,306	47,519	53,291
EBITDA (Rs mn)	6,973	7,545	6,567	7,329	8,432
Net profit (Rs mn)	5,398	7,025	6,190	6,801	7,664
EPS (Rs)	19.5	25.3	22.3	24.5	27.6
- Change from prev. EPS (%)	n.a.	n.a.	(4)	(4)	(3)
- Consensus EPS (Rs)	n.a.	n.a.	23.1	26.0	28.1
EPS growth (%)	(8.7)	30.1	(11.9)	9.9	12.7
P/E (x)	20.8	16.0	18.1	16.5	14.6
Dividend yield (%)	2.7	3.2	2.8	3.0	3.4
EV/EBITDA (x)	15.4	13.7	15.7	14.2	12.3
P/B (x)	5.5	4.7	4.2	3.8	3.5
ROE (%)	28.0	31.7	24.6	24.4	24.8
Net debt(cash)/equity (%)	(22.6)	(38.3)	(35.2)	(26.6)	(26.7)

Note 1: Cummins India Ltd. is engaged in the manufacture of internal combustion engines and parts thereof used for various applications.

[Click here](#) for detailed financials

2Q14 below estimates; operating profitability weak

Cummins India's 2Q14 recurring PAT of Rs1.5 bn declined 10% YoY and was 14% below estimates, led by 13% lower-than-expected revenue and 177 bp lower EBITDA margin. Its operating profitability was weak as EBITDA declined 26% YoY due to a 234 bp YoY margin compression owing to operating leverage. However, gross margin improved 230 bp YoY as well as sequentially, led by forex gains due to an export pricing arrangement with the parent (160 bp contribution) and cost reduction initiatives. Barring a forex variation impact, management expects margins to stabilise at current levels.

The company's bottom line was, however, supported by a sharp 65% YoY increase in other income, led by Rs230 mn in dividend income from subsidiaries/JVs (vs Rs30 mn in 2Q13 and Rs140 mn in 1Q14). Management indicated that high dividend income is unlikely to sustain and should average c.Rs150 mn per quarter going forward.

Figure 1: CIL—2Q14 standalone results summary

(Rs mn)	2QFY13	2QFY14	% YoY	2QFY14E	% diff.
Sales	10,683	9,138	(14)	10,450	(13)
EBITDA	1,813	1,337	(26)	1,714	(22)
EBITDA Margin	17.0%	14.6%	(234)	16.4%	(177)
Depreciation	(117)	(131)	12	(120)	9
EBIT	1,696	1,206	(29)	1,594	(24)
Net interest expense	511	738	44	723	2
Total Tax	(598)	(496)	(17)	(626)	(21)
Tax Rate	27.1%	25.5%	(157)	27.0%	(148)
Recurring PAT	1,609	1,448	(10)	1,692	(14)
Exceptional Items	-	-	n.a.	-	n.a.
Reported PAT	1,609	1,448	(10)	1,692	(14)

Source: Company data, Credit Suisse estimates

FY14 revenue guidance revised downwards

CIL has revised down its earlier FY14 guidance of 0-5% overall revenue de-growth to 5% degrowth (in the best case scenario, if the CPCB-II pre-buying activity does take place in 4Q14) and to 10-15% degrowth if CPCB-II norms are delayed further.

Domestic revenue declined 20% YoY in 2Q14 which management indicated was more attributable to an industrial slowdown than reducing power deficits. The power generation segment declined 35% YoY. While the industrial segment witnessed 8% YoY growth, led by compressor and mining segments, it is unlikely to sustain going forward. Consequently, management expects domestic revenue to witness a 15% YoY decline in FY14.

Exports were flat YoY in 2Q14. While the US market is witnessing some improvement, CIL stands to derive limited benefit as its exposure to the US is limited to 20% of export sales. Within exports, management is optimistic on the low HP segment, whereas the high HP segment is unlikely to recover in the next 12-18 months.

Figure 2: CIL—Segmental revenue mix and growth summary

	Revenue (Rs mn)	Revenue mix (%)	YoY growth (%)
Power generation	2,400	26%	-35%
Industrial	1,200	13%	8%
Automotive/ others	248	3%	-47%
Distribution	2,270	25%	-4%
Domestic	6,118	67%	-20%
Exports	3,020	33%	0%

Source: Company data, Credit Suisse estimates.

CPCB-II implementation pushed out; maintain NEUTRAL

Implementation of CPCB-II norms continues to face delays. Norms are yet to be notified and management expects CPCB-II implementation (typically 6 months post notification) earliest by 1 Apr 2014. In case implementation gets pushed out further, pre-buying effect could get spilled over to FY15. We cut our FY14-16 EPS estimates by 3-4% as we build in lower revenue growth (3.5% decline for FY14) and margins. With demand outlook remaining challenging, we maintain our NEUTRAL.

Dr. Reddy's ----- Maintain OUTPERFORM

Roadshow feedback: US pipeline visibility until 2020 and aims to be top five in biosimilars
EPS: ◀▶ TP: ◀▶

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- We hosted Dr. Reddy's management for investor meetings. Most of the queries centred around: (1) growth prospects in the US, (2) outlook on Russian franchise with increasing intervention from the regulator and (3) investment and return expectations from biosimilars.
- In the US, DRL: (1) has pipeline visibility until 2020, (2) expects 12-15 launches annually with average sales per product higher than previous year, (3) will pursue long acting injectables with acquired technology from Octopus and (4) has benefitted on four products from price increase so far. Innovative product pipeline should also contribute and DRL also has a filing for Copaxone generic.
- DRL expects to be among the top five in biosimilars. The earliest launch expected in Europe is in 2017 and in Russia, DRL expects to launch Rituximab next year. DRL reassured that the Russian prescription market has not been impacted by new law (doctors to prescribe by INN) and DRL continues to grow above market.
- Among new markets, DRL wants to enter Japanese generic and expand presence in China. We stay positive on DRL as mix of US pipeline is improving with the addition of complex generics.

products so far. Dr. Reddy's confirmed that they have a filing for Copaxone generic but the debate is still open whether it will be a substitutable generic.

DRL aims to be among the top five in biosimilars

DRL believes that they are on track to be among the top five globally in biosimilars. The earliest launch expected in Europe is in 2017. The challenge for the industry in clinical trials of biosimilars has been recruitment of patients.

DRL has changed its development strategy in biosimilars where all incremental products simultaneously must meet requirements of US/EU and the emerging markets. In the current pipeline, the molecules are entering clinics and therefore R&D spend on biosimilars should increase now. However, DRL aims to cap the R&D spend at 9.0-9.5% of sales and also this will be accompanied by reduction in SG&A expenses so that the impact on EBITDA margin is neutralised. In the partnership with Merck Serono, the partner brings expertise to design trials and commercialise the product.

Russia: Demand for brands is still strong

DRL mentioned that on the ground, the demand for branded generics still remain strong (Russian regulator passed a law which makes it mandatory for doctors to prescribe by active ingredients). The prescription market has not been impacted by the law so far. With the current portfolio and the pipeline, DRL aims to continue to grow above market growth. This will be further helped by launch of DRL's first biosimilar (Rituximab) in Russia next year (DRL is waiting for approval).

Other takeaways from the meetings

- DRL is positive on Japanese generic market and believes that the growth should accelerate in Japan. This remains one of the markets where DRL wants to enter given the large size of the market.
- In the Chinese market, DRL has already built a meaningful presence and the franchise is already EBITDA positive. DRL has the product registrations in the Chinese market and can expand presence further through own sales force or collaboration with a partner.
- PSAI: The contract manufacturing business is growing but the API business has been impacted due to price erosion in key products and inventory reduction at key customers. DRL expects growth to pick up in PSAI in 2HFY14.
- Germany: DRL is completely out of tender business in Germany as margins have significantly declined in the tenders.

Bbg/RIC	DRRD IN / REDY.BO	Price (08 Nov 13, Rs)	2,401.00		
Rating (prev. rating)	O (O)	TP (prev. TP Rs)	2,850 (2,850)		
Shares outstanding (mn)	170.10	Est. pot. % chg. to TP	19		
Daily trad vol - 6m avg (mn)	0.4	52-wk range (Rs)	2522.7 - 1725.8		
Daily trad val - 6m avg (US\$ mn)	13.3	Mkt cap (Rs/US\$ bn)	408.4/ 6.5		
Free float (%)	73.6	Performance	1M	3M	12M
Major shareholders	Promoters 26.4%	Absolute (%)	0.1	10.2	35.8
		Relative (%)	(0.6)	1.1	25.2
Year	03/12A	03/13A	03/14E	03/15E	03/16E
Revenue (Rs mn)	96,737	116,266	134,101	154,101	173,355
EBITDA (Rs mn)	23,155	24,068	28,766	33,019	37,535
Net profit (Rs mn)	14,154	16,776	20,040	22,897	26,393
EPS (Rs)	83	99	118	135	156
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Rs)	n.a.	n.a.	117	135	156
EPS growth (%)	27.9	18.5	19.5	14.3	15.3
P/E (x)	28.8	24.3	20.3	17.8	15.4
Dividend yield (%)	0.6	0	0.7	0.8	1.0
EV/EBITDA (x)	18.2	17.6	14.3	12.1	10.2
P/B (x)	7.1	5.6	4.5	3.8	3.1
ROE (%)	27.4	25.7	24.6	23.1	22.1
Net debt/cash/equity (%)	24.5	20.1	4.6	(8.6)	(20.1)

Note 1: ORD/ADR=1.00. Note 2: Dr. Reddy's Laboratories Limited (Dr. Reddy's) is an integrated pharmaceutical company focused on providing medicines through its three business segments: Global Generics segment, Pharmaceutical Services and Active Ingredients (PSAI) segment.

[Click here](#) for detailed financials

We hosted Dr. Reddy's management for investor meetings. Most of the queries centred around: (1) growth prospects in the US, (2) outlook on Russian franchise with increasing intervention from the regulator and (3) investment required and return expectations from biosimilars.

DRL has pipeline visibility until 2020 in the US

DRL expects sales growth in the US to stay strong and mentioned that DRL: (1) has pipeline visibility until 2020 in the US, (2) expects 12-15 launches every year with average sales per product higher than previous year, (3) will pursue long acting injectables filings in the US with acquired technology of Liposomal and microsphere from Octopus and (4) on the innovative R&D, a large part so far has been spent on proprietary products and they should also strengthen the US pipeline.

The recent trend of price increase in selected generics is further providing tailwind and DRL has benefitted from price increase in 3-4

Indian Oil Corp Limited

Higher subsidy and inventory gains help IOC post a profit

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Maintain NEUTRAL

EPS: ◀▶ TP: ◀▶

- IOC reported 2Q PAT of Rs16.8 bn, helped by cash subsidy payments of Rs92.4 bn; this validates media reports suggesting the finance ministry approved a second tranche of subsidy at the last minute. IOC's net 1H retail losses stand at Rs16 bn.
- We estimate the petchem/pipeline businesses contributed Rs35 bn (c.40%) to core operational EBITDA (ex-forex/inventory fluctuations and no retail losses); core business RoEs then annualise to a modest c.13%. Adding large forex losses (Rs62 bn) and inventory gains (Rs8 bn), RoEs work out to below 0.5%.
- 1H14 cash from operations was positive, but larger working capital needs hurt (inventory days up 15%, payable days down 5%). Government subsidy receipts have eased some of the cash flow pressures.
- While a steady contribution from petchem/pipelines is supportive of earnings, IOC's cash conversion cycle has deteriorated materially over FY09-13, and IOC has performed worse than BPCL/HPCL. Among OMCs, we prefer BPCL due to lower exposure to regulatory uncertainty and better core performance.

annualised RoE of c.13%. Adding forex losses and inventory gains, 1H annualised RoE is below c.0.5%.

Figure 1: Summary of 1H14 Results

(Rs mn)	FY13	1Q14	2Q14	YoY (%)	QoQ (%)
Net Sales	4,461,204	1,102,332	1,098,595	4	(0)
EBITDA	127,671	(13,994)	31,224	(72)	(323)
Depreciation	52,010	13,858	14,342	11	3
Interest	64,092	14,702	13,542	(10)	(8)
Other income	44,908	7,258	9,890	(6)	36
PAT	50,052	(30,932)	16,839	(82)	(154)
EPS	20.6	(12.7)	6.9	(82.5)	(154.4)
Physical performance	FY13	1Q14	2Q14	YoY (%)	QoQ (%)
Refinery throughput (MMT)	54.65	13.13	13.34	2	2
Pipeline throughput (MMT)	75.65	18.58	18.06	(2)	(3)
Sales (MMT)	76.24	19.84	17.63	(1)	(11)
GRM (\$/bbl)	2.26	1.67	6.62	29	296
Under-recoveries	FY13	1Q14	2Q14	YoY (%)	QoQ (%)
Upstream discounts	319,668	81,518	86,341	6	6
Govt subsidy	532,781	42,613	92,435	(43)	117
Net under-realisation	5,485	12,117	4,135	(111)	(66)

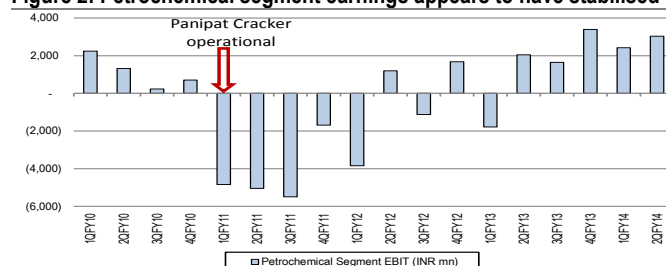
Source: Company data, Credit Suisse estimates.

Working capital needs hurt cash flows; petchem stabilises

IOC's petrochemical business earnings appear to have stabilised and volumes continue to ramp up (2Q14 sales were up 11% QoQ and 33% ahead of FY13 averages); EBIT was flat QoQ at US\$80/t. We estimate the petchem and pipeline businesses contributed almost 40% (Rs35 bn) to 1H operational EBITDA (ex-forex, inventory fluctuations).

During 1H14, IOC's inventory days increased 15% while payable days contracted 5%; an incremental Rs60 bn was tied up in working capital needs. Government subsidy payments likely helped cash flows, with IOC's loans and advances falling Rs92 bn during the half. We prefer BPCL on account of: (a) lower exposure to regulatory risk, (b) better core business performance and (c) stronger cash flow management. Our IOC model builds in the full impact of export parity, which seems unlikely to be implemented. We leave our earnings numbers unchanged, however, due to the uncertainty on full-year subsidy payments. Maintain NEUTRAL.

Figure 2: Petrochemical segment earnings appears to have stabilised



Source: Company data, Credit Suisse estimates.

Bbg/RIC	IOCL IN / IOC.BO	Price (08 Nov 13, Rs)			213.20
Rating (prev. rating)	N (N)TP (prev. TP Rs)				233.00 (233.00)
Shares outstanding (mn)	2,427.95	Est. pot. % chg. to TP			9
Daily trad vol - 6m avg (mn)	0.6	52-wk range (Rs)			349.0 - 192.2
Daily trad val - 6m avg (US\$ mn)	2.3	Mkt cap (Rs/US\$ bn)			517.6/ 8.3
Free float (%)	10.0	Performance			1M 3M 12M
Major shareholders	Govt. of India	Absolute (%)	3.6	6.0	(18.6)
		Relative (%)	3.0	(1.5)	(29.2)
Year	03/12A	03/13A	03/14E	03/15E	03/16E
Revenue (Rs mn)	4,071,312	4,599,875	5,237,210	5,289,358	5,416,241
EBITDA (Rs mn)	167,760	110,701	95,537	114,236	140,725
Net profit (Rs mn)	42,260	44,490	21,258	23,824	31,481
EPS (Rs)	17.4	18.3	8.8	9.8	13.0
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Rs)	n.a.	n.a.	24.2	30.1	33.9
EPS growth (%)	(46.0)	5.3	(52.2)	12.1	32.1
P/E (x)	12.2	11.6	24.4	21.7	16.4
Dividend yield (%)	2.9	3.6	1.7	1.9	2.6
EV/EBITDA (x)	7.0	11.4	14.4	12.8	10.9
P/B (x)	0.9	0.8	0.8	0.8	0.8
ROE (%)	7.2	7.2	3.3	3.7	4.7
Net debt(cash)/equity (%)	105.0	116.2	130.3	140.3	145.6

Note 1: Indian Oil Corporation Limited (IndianOil) is an oil company. The Company's operations include refineries, pipelines and marketing. Its portfolio of brands includes LPGas, SERVO lubricants, XTRAPREMIUM petrol and XTRAMILE diesel.

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Higher-than-expected subsidy; inventory gains help

IOC reported PAT of Rs16.8 bn, helped by stronger GRMs (up US\$5/bbl QoQ) and a government cash subsidy of Rs92.4 bn for 2Q14. A Rs7 bn inventory gain on products helped 2Q EBITDA. Media reports (e.g., *The Hindu*) had suggested that in addition to a subsidy of Rs87.7 bn (approved earlier), an incremental Rs90 bn had also been sanctioned; this reflected in IOC's 2Q subsidy receipts. As a result, IOC's net 1H14 under-funding stands at a modest Rs16.3 bn.

Despite relatively weak regional refining margins in 1H FY14 (Reuters Complex margins were c.25% below CY11/12 averages), IOC's core operational performance remains relatively healthy; however, forex volatility has been a large drag on earnings. If the government were to compensate IOC for 100% of under-recoveries, 1H core business PBT (ex-forex/inventory volatility) would be Rs55.7 bn; implying

Max India Ltd ----- Maintain OUTPERFORM

Life insurance profitability healthy, turnaround in hospitals, specialty films business on track

EPS: ◀▶ TP: ◀▶

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- Max India's 2Q underlined the strengthening of its life insurance operating performance (opex ratio down 1 pp at 18%, conservation up 2 pp to 79%, PBT up 19% YoY). Its 2Q performance also confirmed turnaround in its healthcare and specialty businesses.
- Life insurance registered healthy growth in individual APE of 13% YoY. Moreover, it has 80% of its products already approved by IRDA in 2Q and with share of par, ULIPs products at ~78%, it remains well positioned for the change in regulatory regime (as highlighted in our report "In Good Health" dated 28 Oct 2013).
- EBITDA margins for existing hospitals improved to 12% (vs 10% in 1Q) and new hospitals to -1% (vs -13% in 1Q). Specialty films also saw PBT improving sharply to Rs50 mn (vs Rs20 mn in 1Q13) on improvement in realisation price.
- A key catalyst for re-rating of Max India should be its dividend payout (interim dividend of Rs1.8) as its primary businesses have moved out of the investment phase. We forecast a 50% EPS CAGR over next two years and a similar 45% payout ratio as the stock should provide attractive 5% dividend yield for FY16. Maintain OUTPERFORM.

Bbg/RIC	MAX IN / MAXI.BO	Price (08 Nov 13, Rs)	189.15		
Rating (prev. rating)	O (O)	TP (prev. TP Rs)	251.00 (251.00)		
Shares outstanding (mn)	265.96	Est. pot. % chg. to TP	33		
Daily trad vol - 6m avg (mn)	0.2	52-wk range (Rs)	260.2 - 151.2		
Daily trad val - 6m avg (US\$ mn)	0.7	Mkt cap (Rs/US\$ mn)	50,306.2/ 805.2		
Free float (%)	63.0	Performance	1M	3M	12M
Major shareholders	Promoters - 37.0%	Absolute (%)	(1.7)	1.9	(22.3)
		Relative (%)	(3.7)	(8.0)	(32.9)
Year	03/12A	03/13A	03/14E	03/15E	03/16E
EBITDA (Rs mn)	4,217	12,120	5,878	7,414	9,411
Net profit (Rs mn)	1,550	7,829	2,295	3,592	5,153
EPS (Rs)	5.9	29.5	8.6	13.5	19.4
Core EPS (Rs)	5.9	29.5	8.6	13.5	19.4
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Rs)	n.a.	n.a.	13.9	21.1	4.3
EPS growth (%)	1,469.6	403.4	(70.7)	56.5	43.5
P/E (x)	32.3	6.4	21.9	14.0	9.7
Core P/E (x)	32.3	6.4	21.9	14.0	9.7
Dividend yield (%)	0	6.3	2.0	3.0	4.6
EV/EBITDA (x)	12.9	4.9	10.2	8.2	6.5
P/B (x)	2.0	1.7	1.5	1.5	1.4
ROE (%)	8.1	28.9	7.5	10.8	14.9
Net debt(cash)/equity (%)	12.3	24.9	23.2	24.0	24.9

Note 1: Max India is an India-based company. It is engaged in developing new business opportunities in the field of clinical trials for contract research organisations (CRO) and provides business development support to Max Neeman Medical International Limited.

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Improvement in operational parameters for Life insurance

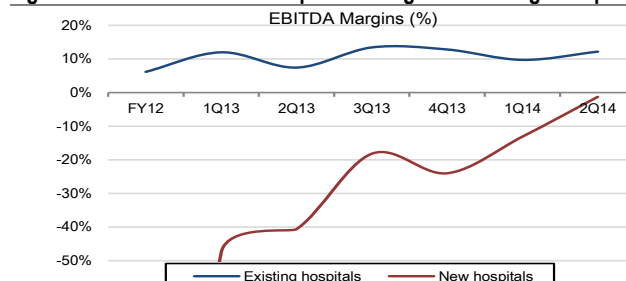
Life insurance registered healthy growth in individual APE of 13% YoY with 80% of its products already approved under the new IRDA guidelines. Growth during the quarter was driven by high-margin non-par products, which are to be phased out by Jan-13. The share of non-par during 2Q14 was at 22%, while then shares of par and ULIP were at 66% and 12%, respectively. With non-par and NAV-guaranteed products being phased out, we expect Max Life to extend its market share gains (at 9.7%). Operational parameters were healthy with conservation improving to 79% (+2% YoY), while opex ratio declined further to 18% (down 110 bp YoY). Containment of opex has helped Max Life sustain its profitability with PAT up 19% YoY at Rs1.4 bn.

Figure 1: Healthcare, specialty films business showing healthy traction

(Rs mn)	2Q14	2Q13	YoY %/bp	1Q14	QoQ %/bp
Life Insurance					
Individual APE*	4,150	3,660	13.4	2,940	41.2
Opex ratio (%)	18.3%	19.4%	-110	22.4%	-410
Conservation ratio (%)	79%	77%	200	77%	200
Profit (pre-tax)	1,360	1,140	19.3	1,120	21.4
Healthcare					
Revenue (Gross)	3,490	2,740	27.4	3,180	9.7
Contribution (%)	62%	60%	129	61%	92
EBITDA	330	180	83.3	250	32.0
EBITDA (%)	12.2%	7.4%	474	9.7%	245
Specialty Films					
Revenue	1940	1790	8.4	1590	22.0
EBITDA	160	110	45.5	120	33.3
EBITDA (%)	8.2%	6.1%	210	7.5%	70
PBT	52	11	372.7	20	160.0
Consolidated					
EBITDA	152	100	52.0	97	56.7
PBT	93	43	116.3	42	121.4

APE = Annualized Premium Equivalent. Source: Company data, Credit Suisse estimates

Figure 2: Turnaround in new hospitals driving EBITDA margins improvement



Source: Company data, Credit Suisse estimates

Turnaround in healthcare, specialty business on track

Improvement in profitability of life insurance has been masked by losses in healthcare and specialty films business in FY13. As with the turnaround in the businesses, profitability should improve, which has been our key investment thesis for the stock. EBITDA margins for existing hospitals have improved to 12% (vs 10% in 1Q) and new hospitals to -1% (vs -13% in 1Q). New hospitals are showing strong traction in new business with average operational beds and occupancy ratio improving to 417 (+49% YoY) and 75% (vs 60% in 1Q14), respectively. Overall, the hospitals business remains on track to achieve full-year EBITDA margin of ~10% for FY14E and further to ~13% by FY15E. Specialty films also saw PBT improve sharply to Rs50 mn (vs Rs20 mn in 1Q13) on improvement in realisation price.

A key catalyst for re-rating of the stock should be its dividend payout as all of its primary businesses have moved out of the investment phase. This was underlined by interim dividend Rs1.8 per share (~44% payout of 1H14 profits). We forecast a 50% EPS CAGR over next two years and a similar 45% payout ratio as the stock should provide an attractive 5% dividend yield for FY16. Maintain OUTPERFORM.

Punjab National Bank Ltd -----Maintain NEUTRAL

Problem asset addition elevated

EPS: ▼ TP: ◀▶

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- PNB reported sharp fall in profits (PBT down 67% QoQ, 48% below estimate) as provisions were significantly ahead on higher NPL provisions and MTM depreciation of ~Rs4.4 bn. The bank has additionally deferred MTM loss of ~Rs7 bn. Sensitivity of AFS portfolio still remains high (PBT hit of 22% for 100 bp rise in rate).
- Loan growth was muted (6% YoY) as expected; however, growth from stress segments of power (+23% YoY) and steel (+26%) was still high. Management is targeting to accelerate growth to ~15% by Mar-14. The bank has also increased deposit rates by 25 bp in 1-2 year maturity, while lending rates have remained unchanged.
- Problem asset addition stayed elevated at ~1.8% of loans. Gross slippages continue to be high at ~Rs31 bn (4.3% of loans, annualised). It restructured another Rs28 bn with total restructured loans now at ~11%. Net NPL as a percentage of net worth moved up to 28%.
- Pre-provisions profitability continued to weaken (PPoP growth: 0% YoY), while the level of under-provisioning rose further (un-provided loans 149% of net-worth vs 130% as of Mar-13); therefore, despite its nominal 0.5x book trading multiple, we remain cautious. NEUTRAL.

Bbg/RIC	PNB IN / PNBK.BO	Price (08 Nov 13, Rs)	522.05
Rating (prev. rating)	N (N)TP (prev. TP Rs)	555.00 (555.00)	
Shares outstanding (mn)	353.47	Est. pot. % chg. to TP	6
Daily trad vol - 6m avg (mn)	1.65	52-wk range (Rs)	912.5 - 409.6
Daily trad val - 6m avg (US\$ mn)	14.5	Mkt cap (Rs/US\$ bn)	184.5/ 2.9
Free float (%)	37.2	Performance	1M 3M 12M
Major shareholders	LIC (14.2%)	Absolute (%)	9.6 (3.4) (32.9)
		Relative (%)	7.5 (13.3) (42.6)
Year	03/12A	03/13A	03/14E 03/15E 03/16E
Pre-prov Op profit (Rs mn)	106,142.9	109,074.3	112,601.5 133,665.7 167,514.7
Net profit (Rs mn)	52,364	51,233	43,150 52,247 66,003
EPS (CS adj. Rs)	160	148	122 148 187
- Change from prev. EPS (%)	n.a.	n.a.	(5) 0 0
- Consensus EPS (Rs)	n.a.	n.a.	130 153 176
EPS growth (%)	6.5	(7.3)	(17.5) 21.1 26.3
P/E (x)	3.3	3.5	4.3 3.5 2.8
Dividend yield (%)	4.3	5.9	5.8 7.0 7.6
BVPS (CS adj. Rs)	777	884	972 1,079 1,221
P/B (x)	0.67	0.59	0.54 0.48 0.43
ROE (%)	22.6	17.8	13.2 14.4 16.2
ROA (%)	1.3	1.1	0.8 0.9 1.0
Tier 1 Ratio (%)	9.3	9.8	9.5 9.0 8.7

Note 1: Punjab National Bank is the 2nd largest government-owned bank in India with 5,190 branches and an asset base of Rs3780bn at March 31, 2011.

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Earnings miss on elevated NPL provisions and MTM depreciation

PNB reported sharp fall in profits (PBT down 67% QoQ) as provisions were significantly ahead of estimate on account of higher NPL provisions and MTM provisions of ~Rs4.4 bn on investment portfolio. The bank has additionally deferred MTM depreciation of ~Rs7 bn over next two quarters. Despite the bank transferring ~Rs100 bn of securities to HTM portfolio, the size and duration (3.7 years) of its AFS portfolio remains high (MTM hit equivalent to 22% of PBT for 100 bp movement in rates).

Loan growth was muted (6% YoY) as expected; however, growth from problem segments of power (+23% YoY) and iron and steel (+26% YoY) was still high. Management is targeting to accelerate growth back to the ~15% level by Mar-14. The bank has also increased deposit rates by 25 bp in 1-2 year maturity, while lending rates have remained unchanged, which could keep NIMs at current levels. Opex growth continues to outpace top line (+18% YoY) on pick-up in non-

employee expenses (cost-income moving up to 48% vs 44% for FY13). With operating leverage deteriorating, the bank may be forced to accelerate growth to protect its profitability.

Figure 1: 2Q14 results summary

(Rs mn)	2Q14	2Q13	YoY (%)	1Q14	QoQ (%)
Nil	40,156	36,494	10%	39,075	3%
Core non-int income	8,463	8,524	-1%	10,581	-20%
Total income	48,619	45,018	8%	49,656	-2%
Total opex	23,800	20,219	18%	22,758	5%
Pre-provisions profit	24,819	24,799	0%	26,898	-8%
Total provisions	14,557	10,878	34%	9,745	49%
Operating profits	10,261	13,920	-26%	17,153	-40%
Non-operating income	-3,900	670	n.m.	1,920	n.m.
PBT	6,361	14,590	-56%	19,073	-67%
Reported profit	5,055	10,656	-53%	12,753	-60%
Key parameters					
Deposits	4,057	4,007	1.2%	3,968	2.2%
Net advances	3,139	2,947	6.5%	3,051	2.9%
NIM (%)	3.5%	3.5%	-3	3.5%	-5
CASA (%)	40.7%	37.0%	370	39.6%	110
ROA (%)	0.4%	0.9%	-50	1.1%	-65
Gross NPA (%)	5.2%	4.7%	49	4.9%	30
Coverage ratio (%)	41.9%	43.8%	-193	40.0%	189
Restructured loans (%)	11.1%	8.8%	231	10.5%	165
Total assets	4,943	4,720	4.7%	4,811	2.7%
CASA (%)	40.7%	37.0%	3.7%	39.6%	1.1%

Source: Company data, Credit Suisse estimates

Asset quality disappoint yet again

Asset quality pressure remained high as gross NPA moved up 10% QoQ (Rs14 bn) or 30 bp QoQ to 5.2%. Gross slippages remained elevated at ~Rs31 bn (4.3% of loans, annualised), with slippages mostly granular and across the sectors of metals, chemical, textile, services etc. The bank restructured another Rs27 bn of loans and total restructured loans are now over 11% of loans.

Credit cost moved up as well (~1.9% vs 0.9% on 1Q14) due to rise in NPA provisions as well as Rs4 bn of standard asset provisions primarily on restructured assets. NPL coverage inched up to 42% (+2% QoQ) but with addition to problem assets, net NPL as a percentage of net worth has moved up to 28%, while un-provided for problem loans at ~149% of net-worth remains one of the highest among large-cap PSU banks.

Under-provisioning remains high; maintain NEUTRAL

Pre-provisions profitability remains weak (PPoP growth of 0% YoY) on muted top line and worsening operating leverage. Asset quality stress for the bank has consistently disappointed over past several quarters. The bank has high exposure to under-stress sectors of infra (18%), metals (7%), textile (3%). Under-provisioning levels are high as well (~149% of net-worth), and, therefore, despite its nominal 0.5x book trading multiple, we continue to remain cautious on the bank. We cut our FY14E EPS by 5% on higher-than-expected MTM provisions. Maintain NEUTRAL.

Sun TV Network

Maintain OUTPERFORM

Ad revenues disappoint; digitisation benefits starting to kick in

EPS: ▼ TP: ◀▶

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- Sun TV's 2Q results were disappointing with top line increasing 6% YoY vs expectations of a ~15% increase. This led to margins contracting 200 bp YoY leading to a ~10% miss at the PAT level.
- The disappointment was on account of a ~4.5% decline in ad revenue. Management attributed this to reducing ad inventory with the new TRAI mandate. With the company now having passed on most price hikes, things should pick-up in 3Q and it maintains 12% growth guidance for the full year.
- On the positive side, subscription revenue continued its healthy pace of growth. DTH revenue was up 3% QoQ, while cable revenue jumped a hefty ~45% YoY. Until now relevant to Sun TV, digitisation has been complete just in one city: Bangalore; in AP, the process has just started while in TN, the legal actions are still pending; so there remains significant opportunity on this front.
- We lower ad growth for FY14E from 13% to 8%, resulting in a ~4% cut to our numbers. However, with the benefit on subscription income from digitisation just starting to accrue, we see this as good time to buy. We maintain our preference for broadcasters in the media space.

Bbg/RIC	SUNTV IN / SUTV.BO	Price (08 Nov 13, Rs)			413.00
Rating (prev. rating)	O (O)	TP (prev. TP Rs)			500.00 (500.00)
Shares outstanding (mn)	394.08	Est. pot. % chg. to TP			21
Daily trad vol - 6m avg (mn)	1.05	52-wk range (Rs)			489.7 - 328.8
Daily trad val - 6m avg (US\$ mn)	6.3	Mkt cap (Rs/US\$ bn)			162.8/ 2.6
Free float (%)	23.0	Performance			
			1M	3M	12M
Major shareholders	Promoter	Absolute (%)	(2.5)	0.1	25.6
		Relative (%)	(4.5)	(9.9)	15.0
Year	03/12A	03/13A	03/14E	03/15E	03/16E
Revenue (Rs mn)	17,574	18,176	21,915	26,736	31,410
EBITDA (Rs mn)	14,007	13,769	15,632	19,662	23,437
Net profit (Rs mn)	6,947	6,833	7,668	9,991	12,099
EPS (Rs)	17.6	17.3	19.5	25.4	30.7
- Change from prev. EPS (%)	n.a.	n.a.	(4)	(4)	(4)
- Consensus EPS (Rs)	n.a.	n.a.	20.7	24.8	29.5
EPS growth (%)	(10.0)	(1.6)	12.2	30.3	21.1
P/E (x)	23.4	23.8	21.2	16.3	13.5
Dividend yield (%)	2.3	2.3	2.7	3.4	4.1
EV/EBITDA (x)	11.4	11.5	10.0	7.9	6.4
P/B (x)	6.2	5.6	5.2	4.6	4.1
ROE (%)	27.6	24.7	25.4	30.0	32.4
Net debt(cash)/equity (%)	(11.5)	(13.6)	(18.2)	(23.7)	(30.4)

Note 1: SUN TV is one of the largest television broadcasters in India. It is a dominant player in South India operating 21 satellite television channels across the local languages of states of Tamil Nadu, Kerala, Karnataka and Andhra Pradesh.

Click here for detailed financials

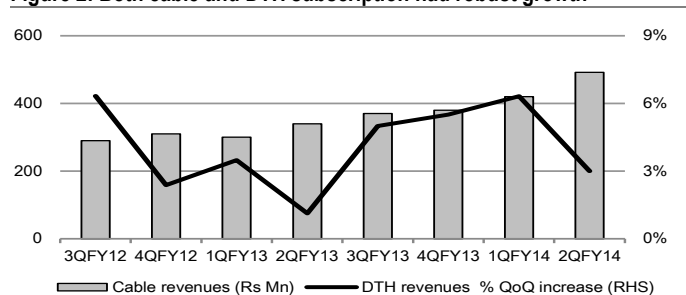
Management noted that subscription revenue has been exceptionally good. While the international revenue growth of 29% was aided by the INR depreciation; both domestic cable and DTH revenues too had healthy growth. Of the two cities in AP, Hyderabad went digital at the end of 2Q while the process is still going on in Visakhapatnam; so there is significant opportunity in coming quarters too. On the ad front, company said with TRAI capping ads at not more than 12 minutes per hour, it had to tweak ad rates; however, there was some bit of lag in price hikes (which have now mostly been passed on), resulting in some lumpiness. It sees strong ad growth returning in 3Q and maintains 12% growth guidance for the year.

Figure 1: Sun TV—2Q FY14 results summary

(Rs mn)	2Q13A	1Q14A	2Q14A	YoY	QoQ
Net sales	4,333	6,019	4,664	7.6%	-22.5%
Adjusted sales	4,333	5,033	4,610	6.4%	-8.4%
Programming content costs	338	450	440	30.1%	-2.3%
IPL franchise fees	0	851	0		
Personal costs	429	442	483	12.5%	9.2%
Selling & other expenses	277	739	365	32.0%	-50.6%
EBITDA	3,290	3,537	3,377	2.6%	-4.5%
EBITDA margin	75.9%	58.8%	72.4%		
Adjusted EBITDA	3,290	3,844	3,408	3.6%	-11.4%
Adjusted EBITDA margin	75.9%	76.4%	73.9%		
Depreciation	1,138	1,174	1,176	3.3%	0.1%
Interest	5	7	9	80.0%	26.8%
Other income	96	134	378	293.3%	182.3%
PBT	2,243	2,489	2,570	14.6%	3.2%
Tax	726	845	879	21.0%	4.0%
Tax rate	32.4%	33.9%	34.2%		
Reported PAT	1,517	1,644	1,692	11.5%	2.9%
Adjusted PAT	1,517	1,848	1,712	12.9%	-7.3%
Revenue breakdown					
Advertising	2,440	2,790	2,330	-4.5%	-16.5%
Broadcast	370	350	340	-8.1%	-2.9%
Cable	340	420	492	44.7%	17.1%
DTH	900	1,060	1,092	21.3%	3.0%
International	260	290	335	28.8%	15.5%
Movie & others	23	123	21		
IPL & Champions League	0	985	54		

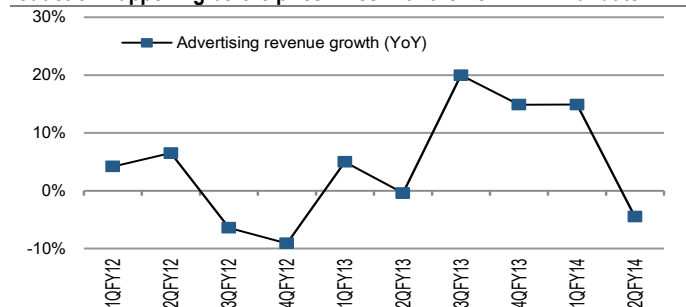
Source: Company data, Credit Suisse estimates

Figure 2: Both cable and DTH subscription had robust growth



Source: Company data, Credit Suisse estimates

Figure 3: Ad revenue growth slipped to -4.5% on account of inventory reduction happening before price hikes with the new TRAI mandate



Source: Company data, Credit Suisse estimates

United Spirits Ltd.----- Maintain OUTPERFORM

2Q FY14: Working capital increased, margins disappointed

EPS: ▼ TP: ◀▶

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- United Spirits (USL) 2Q FY14 PAT grew 140% YoY, which was below our estimate due to a miss on EBITDA margins.
- EBITDA margins were down 110 bp YoY as spirit costs went up 13% YoY. The reported gross margin expansion is due to a one-off sale of bulk spirits in the base quarter. USL also increased ad spends to push premiumisation, while other expenses were held tight at just 2% higher YoY. We do not see any near-term relief as price hikes are unlikely in an election year.
- Volumes marginally declined 1% YoY, with premium brands growing 21% YoY and regular brands declining 7% YoY. The share of premium brands has gone up to 28%, from 23% in FY13: McDowell's No1, Royal Challenge and Antiquity.
- A key disappointment was the lower-than-expected reduction in net debt, which came down just Rs8 bn over 1H FY14 despite a ~Rs27 bn of capital infusion. While part of this was due to the higher translation of GBP320 mn debt for W&M, there was also an increase in working capital. We cut our earnings estimates by ~4% on higher interest costs. Maintain OUTPERFORM.

Spirit cost increase hurting, no respite in sight: Spirit costs rose 13% YoY and 5% QoQ. The company quantified the impact for 2Q at Rs560 mn. We see no near-term signs of easing of these costs, as oil marketing companies have increased blending of ethanol into petrol.

Net debt reduction disappointing as working capital increases and INR translation of W&M debt hurt: Consolidated net debt fell from Rs79 bn to Rs72 bn during 1H FY14, a reduction of Rs8 bn despite nearly ~Rs27 bn of capital infusion into the company. A part of the impact was due to the higher rupee translation of the GBP320 mn debt due to the INR depreciation; this impact was ~Rs7 bn. However, there is also an increase in working capital in the India business by ~Rs7 bn over 1H FY14.

Consolidated PAT for 1H very strong, but driven by a huge forex gain: UNSP's 1H FY14 consolidated PAT stood at Rs4.2 bn, which includes a sizeable Rs4.3 bn forex gain. This compares with our FY14 consolidated PAT estimate of Rs5.6 bn. However, as USL has very lumpy forex gains/losses across quarters, EBITDA for 1H FY14 was Rs5.4 bn, which is 45% of our FY14 EBITDA estimate.

Bbg/RIC	UNSP IN / UNSP.BO	Price (08 Nov 13, Rs)	2,393.95		
Rating (prev. rating)	O (O) [V] TP (prev. TP Rs)		2,650 (2,650)		
Shares outstanding (mn)	145.33	Est. pot. % chg. to TP	11		
Daily trad vol - 6m avg (mn)	1.35	52-wk range (Rs)	2797.1 - 1359.7		
Daily trad val - 6m avg (US\$ mn)	50.3	Mkt cap (Rs/US\$ bn)	347.9/ 5.6		
Free float (%)	72.0	Performance	1M	3M	12M
Major shareholders	UB group	Absolute (%)	(6.9)	6.0	76.1
		Relative (%)	(8.8)	(4.0)	65.5
Year	03/12A	03/13A	03/14E	03/15E	03/16E
Revenue (Rs mn)	86,372	100,439	105,038	117,208	130,271
EBITDA (Rs mn)	10,603	12,199	13,060	15,638	19,290
Net profit (Rs mn)	1,879	(1011)	5,613	8,492	11,413
EPS (Rs)	15.4	(8.3)	39.2	59.3	79.7
- Change from prev. EPS (%)	n.a.	n.a.	(3)	(4)	(4)
- Consensus EPS (Rs)	n.a.	n.a.	42.7	66.2	92.5
EPS growth (%)	(67.0)	n.m.	n.m.	51.3	34.4
P/E (x)	155.9	n.m.	61.0	40.3	30.0
Dividend yield (%)	0.1	0.1	0.2	0.3	0.5
EV/EBITDA (x)	40.1	35.1	31.0	25.3	20.1
P/B (x)	6.3	6.1	4.1	3.8	3.4
ROE (%)	4.3	(2.1)	8.6	9.8	12.0
Net debt(cash)/equity (%)	166.2	166.2	69.4	53.7	40.6

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

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United Spirits sells its Tamil Nadu distillery, franchises brands— a part of the business restructuring to exit unprofitable markets: USL decided to sell its Tamil Nadu distillery at Poonamallee for Rs1.25 bn and franchised out its brands to Enrica Private Limited. This is likely to be the same distillery USL had bought when it acquired Balaji Distilleries in 2009 for an EV of ~Rs5 bn. This sale is a recognition on USL's part that the Tamil Nadu market is not profitable for spirits, with no price hikes coming in three years. The state government has also changed its ordering pattern over the past couple of years leading to significant decline in volumes for USL. Thus, we expect this transaction to be positive for USL's earnings as it was likely making losses in Tamil Nadu while carrying debt to finance the working capital of that business.

Figure 1: United Spirits—2QFY14 results

(Rs mn)	2Q FY13	1Q FY14	2Q FY14	% YoY
Gross sales	44,777	52,643	47,766	7%
Net sales	22,207	21,924	20,387	-8%
EBITDA	2,692	2,929	2,242	-17%
EBITDA margin (%)	12.1	13.4	11.0	-113bps
Interest	-1,700	-1,595	-1,364	-20%
Depreciation	-188	-195	-168	-11%
Other income	131	259	636	386%
Exchange difference	-340	374	67	NM
PBT	595	1,773	1,412	137%
PAT	393	1,181	943	140%
Cost details				
Raw materials costs	14,177	12,997	12,203	-14%
Staff cost	1,158	1,289	1,340	16%
Ad & sales promotion	1,721	2,110	2,115	23%
Others	2,620	2,746	2,676	2%
Debt/costs/volumes				
Net debt (Rs bn)	78.4	67.2	71.6	-9%
Cost of wet goods/case	159.3	170.5	179.6	13%
Total volumes	28.3	31.3	28.1	-1%
Prestige+ volume	6.4	8.2	7.8	21%
Regular volume	21.9	23.1	20.3	-7%

Source: Company data, Credit Suisse research

Figure 2: United Spirits—Consolidated 1H FY14 results

USL—consolidated	1HFY13	1HFY14	% YoY
Sales	52,972	51,580	-3%
EBITDA	7,789	5,386	-31%
PBT (pre-forex gain)	2,608	1,069	-59%
Forex gain	102	4,315	4130%
Tax	-1,054	-1,200	14%
PAT	1,656	4,184	153%

Source: Company data, Credit Suisse research

Indonesia
Bakrie Telecom PT----- Maintain UNDERPERFORM
3Q13 results: Sub-scale and getting smaller
EPS: ◀▶ TP: ◀▶

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- Bakrie Telecom's gross telecoms revenue, which comprises voice, SMS and data, declined by a further 7.1% QoQ and 31.5% YoY. Thus Bakrie Telecom continues to lose market share versus the 'big 3' GSM incumbents (Telkomsel, Indosat and XL).
- We see this as a structural trend which is unlikely to reverse. The network coverage and quality gap is only widening given investments by Telkomsel and XL in 3G BTSs, and the handset ecosystem gap is also widening as an increasing number of cheaper W-CDMA smartphones arrive in the Indonesian market.
- Bakrie Telecom continues to bravely control operating costs, and the EBITDA margin rose 1.3 pp QoQ. However, with revenue declining, EBITDA still fell 6.2% QoQ and 26.4% YoY. With depreciation charges rising 17.7% QoQ, EBIT fell back into loss, and after accounting for adverse forex rate movements of Rp1.2 tn in 3Q13, Bakrie Telecom's headline loss reached Rp1.2 tn.
- With net debt-to-EBITDA having risen from 4.8x in 2Q13 to 6.3x as at 3Q13, we maintain our UNDERPERFORM rating.

coverage and network quality for customer retention. The network coverage and quality gap is only widening given investments by Telkomsel and XL in 3G BTSs, and the handset ecosystem gap is also widening as an increasing number of cheaper W-CDMA smartphones arrive in the Indonesian market. Thus the customer base declined again QoQ, voice revenue declined by 6.4% QoQ and non-voice revenues (which include SMS as well as data) declined by 7.7% QoQ. With the 'discounts and interconnection' line item increasing by 24.7% QoQ, net revenue declined by 8.8% QoQ and 26.8% YoY.

Operating costs tightly controlled, but EBITDA still falling

Bakrie Telecom continues to attempt to control operating and maintenance costs (down 15.6% QoQ), sales and marketing expenses (down 27.2% QoQ), and general and administrative expenses (down 20.4% QoQ). Thus, even though personnel costs rose by 5.5% in 3Q13, the EBITDA margin was able to expand by 1.3 pp QoQ. However, with revenue declining, EBITDA still fell 6.2% QoQ and 26.4% YoY. Due to the tight cost control, Bakrie Telecom's EBITDA is tracking somewhat ahead of our forecasts, having achieved 83.4% of our FY13 forecasts within 9M13. However, any increase in marketing costs into 4Q13, in an attempt to stimulate revenue, will likely lead to a sharp EBITDA contraction into the quarter.

Highly geared and loss making; UNDERPERFORM maintained

Bakrie Telecom continues to exhibit high operational gearing below the EBITDA line. With depreciation charges rising 17.7% QoQ, EBIT fell back into loss, and after accounting for adverse forex rate movements of Rp1.2 tn in 3Q13, Bakrie Telecom's headline loss reached Rp1.2 tn.

Bakrie Telecom also remained cash flow negative in 3Q13, so the net debt position reached Rp6.1 tn, and the net debt-to-annualised EBITDA ratio rose from 4.8x in 2Q13 to 6.3x as at 3Q13. This remains a high figure, in our view, given that we expect Bakrie Telecom to face further negative cash flows across the coming three years. We therefore continue to rate Bakrie Telecom UNDERPERFORM.

Bbg/RIC	BTEL.IJ / BTEL.JK	Price (04 Nov 13, Rp)	50.00		
Rating (prev. rating)	U (U)	TP (prev. TP Rp)	40.00 (40.00)		
Shares outstanding (mn)	30,585	Est. pot. % chg. to TP	(20)		
Daily trad vol - 6m avg (mn)	0.15	52-wk range (Rp)	55.0 - 50.0		
Daily trad val - 6m avg (US\$ mn)	0.0	Mkt cap (Rp/US\$ bn)	1,529.2/ 0.1		
Free float (%)	53.8	Performance	1M	3M	12M
Major shareholders	PT Bakrie & Brothers	Absolute (%)	—	—	(7.4)
	Tbk (50.2%)	Relative (%)	(0.6)	3.3	(11.1)
Year	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue (Rp bn)	2,591	2,361	2,268	2,436	2,572
EBITDA (Rp bn)	1,148	961	923	992	1,045
Net profit (Rp bn)	(783)	(3139)	(1000)	(962)	(516)
EPS (Rp)	(27)	(107)	(33)	(31)	(17)
- Change from prev. EPS (%)	n.a.	n.a.	n.m	n.m	n.m
- Consensus EPS (Rp)	n.a.	n.a.	(32.7)	(31.4)	(16.9)
EPS growth (%)	n.m.	n.m.	n.m.	n.m.	n.m.
P/E (x)	n.m.	n.m.	n.m.	n.m.	n.m.
Dividend yield (%)	0	0	0	0	0
EV/EBITDA (x)	6.2	6.5	7.1	6.6	6.3
P/B (x)	0.3	0.9	2.4	(4.7)	(1.8)
ROE (%)	(16.4)	(104.5)	(87.8)	(609.2)	88.9
Net debt(cash)/equity (%)	127.6	289.9	784.7	(1560.5)	(604.9)

Note 1: PT Bakrie Telecom Tbk is an Indonesia-based fixed-wireless telecommunication services provider.

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Voice and aggregate data revenues continue to collapse

Bakrie Telecom's gross telecoms revenue, which comprises voice, SMS and data, declined by a further 7.1% QoQ and 31.5% YoY. The QoQ contraction stands in marked contrast to the 'big 3' GSM operators: PT Telkom subsidiary Telkomsel's revenue grew by 6.7% QoQ; XL's net cellular revenue grew by 4.7% QoQ; and Indosat's grew by 1.8% QoQ. Thus, Bakrie Telecom continues to lose market share rapidly.

We believe that this is a structural issue caused by the technology used by Bakrie Telecom (CDMA), together with the fact that as a sub-scale player, Bakrie Telecom's price-sensitive subscriber base is far more vulnerable to tariff-based and marketing commission-based activities from smaller GSM players such as Hutch Telecom (Not listed) than the 'big 3' operators, who can rely on broader nationwide

Figure 1: Bakrie 3Q13A QoQ and YoY analysis

Rp bn	3Q13A	2Q13A	% QoQ	3Q12A	% YoY
Gross revenue	517	557	-7.1%	755	-31.5%
EBITDA	239	255	-6.2%	324	-26.4%
Net profit	(1,228)	(195)	529.0%	(239)	414.5%

Source: Company data, Credit Suisse estimates.

PT Tambang Batubara Bukit Asam Tbk -----Maintain NEUTRAL

On track to achieve target railway capacity of 18.5 mn tons p.a. by year-end

EPS: ◀▶ TP: ◀▶

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- Recently, Bukit Asam (PTBA) hosted an analyst meeting to discuss 9M13 results and the 2014 outlook. We have the following key takeaways. Management reassured that Bukit Asam is on track to achieve its target railway capacity of 18.5 mn tons per annum (mtpa) by the end of this year.
- As of Sept-13, construction progress of Tarahan port was 88% and is expected to be completed by the end of this year. Upon completion, (1) loading capacity will be boosted from a Panamax size of 80k dead-weight tons (dwt) to Cape size of 150kdwt, and (2) throughput capacity will rise from 12.5mtpa to 25mtpa.
- The company claims to have focused more on the expansion rather than improving the efficiency, which has raised our concern in addition to the royalty increase.
- We maintain our NEUTRAL rating with a target price (TP) of Rp12,000, based on a target P/E of 12.5x for 2014. We assume a 25% premium due to high-grade reserves, low strip ratio and potential growth upside from railway capacity expansion.

year. Upon completion, (1) loading capacity at Tarahan port will be boosted from a Panamax size of 80k dead-weight tons (dwt) to a Cape size of 150kdwt, and (2) throughput capacity will rise from 12.5mtpa to 25mtpa.

Figure 1: New look of Tarahan port



Source: Company data

Royalty increase next year?

For next year, the Indonesian government intends to hike the royalty rate for mining licence (IUP) holders from 3-7% to 10-13.5%, depending on the calorific value. However, management believes this will most likely not happen due to the impact it may cause to society and the upcoming 2014 election. Even though the company is exposed to the risk of the government's intention to hike royalties, we believe it could easily pass on the cost increase to PLN (the state-owned electricity company). We have assumed a royalty increase for Bukit Asam in our forecasts.

Focus on growth, not cost improvement

Despite having a relatively low strip ratio (4x) for high grade coal, Bukit Asam uses railway for transporting coal, which accounts for 26% of total cost. The agreement with PT KAI, the state-owned railway company, is to increase the fee by 4% p.a. until 2017. The company claims to have renegotiated contracts with its contractors and the heavy equipment rental company. We do not see any further cost initiatives, which has raised our concern considering that the total cash cost in 3Q13 was US\$51/t.

Maintain Neutral

We maintain our NEUTRAL rating on the company with a target price (TP) of Rp12,000. Our TP is based on a target P/E of 12.5x for 2014. We assume a 25% premium for the company due to the size of its high-grade coal reserves, low strip ratio, and potential growth upside from the improvement in railway capacity.

Bbg/RIC	PTBA IJ / PTBA.JK	Price (06 Nov 13 , Rp)	11,600		
Rating (prev. rating)	N (N)	TP (prev. TP Rp)	12,000 (12,000)		
Shares outstanding (mn)	2,304.13	Est. pot. % chg. to TP	3		
Daily trad vol - 6m avg (mn)	2.3	52-wk range (Rp)	16900.0 - 9950.0		
Daily trad val - 6m avg (US\$ mn)	2.6	Mkt cap (Rp/US\$ bn)	26,727.9 / 2.3		
Free float (%)	35.0	Performance	1M	3M	12M
Major shareholders	Government of Indonesia (65%)	Absolute (%)	(4.3)	21.0	(27.3)
		Relative (%)	(5.6)	24.3	(30.5)
Year	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue (Rp bn)	10,582	11,594	12,403	16,849	18,505
EBITDA (Rp bn)	3,740	3,692	2,328	2,879	3,376
Net profit (Rp bn)	3,086	2,900	1,812	2,031	2,498
EPS (Rp)	1,339	1,259	786	881	1,084
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Rp)	n.a.	n.a.	844	951	1,162
EPS growth (%)	53.6	(6.0)	(37.5)	12.1	23.0
P/E (x)	8.7	9.2	14.8	13.2	10.7
Dividend yield (%)	6.9	6.0	4.1	4.6	5.6
EV/EBITDA (x)	5.3	5.6	9.6	7.7	6.3
P/B (x)	3.3	3.2	3.1	2.8	2.5
ROE (%)	42.7	35.1	21.2	22.3	24.4
Net debt(cash)/equity (%)	(83.2)	(69.0)	(50.6)	(48.5)	(49.5)

Note 1: ORD/ADR=5.00. Note 2: PT Tambang Batubara Bukit Asam operates in coal mining. The company's activities include general surveying, exploration, exploitation, production, transportation and marketing of coal.

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Management still optimistic over railway expansion

Railway capacity has been a major bottleneck for PTBA to grow its coal volumes. Due to some delays, the impact of railway expansion has not been perceived well by the market. However, during its analyst meeting, management reassured that Bukit Asam is on track to achieve its target railway capacity of 18.5 mn tons per annum (mtpa) by the end of this year. The company expects its sales volume to reach 20.6mt (+35% YoY) for FY13E and 26.2mt (+27% YoY) for FY14E. However, we only expect the company to sell not more than 19.1mt and 24.5mt of coal in FY13E and FY14E, respectively.

Tarahan port expansion progress

To accommodate higher railway capacity, Bukit Asam has allocated total investment of US\$158 mn for the expansion of Tarahan port capacity. As of September 2013, construction progress of the project had reached 88% and is expected to be completed by the end of this

Japan
Marubeni Corp ----- Maintain OUTPERFORM
2Q: Gavilon profit guidance cut a negative surprise; focus on prospects for recovery
EPS: ◀▶ TP: ◀▶

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- Marubeni announced 2Q NP of ¥111.8 bn, 53% of its full-year NP guidance of ¥210 bn. Excluding one-offs, the 1H result is about 48% of the full-year target. It is also a new all-time high.
- US grain supplier Gavilon, consolidated from 2Q, contributed only ¥0.6 bn, and management lowered assumption on the new subsidiary's full-year contribution from more than ¥15 bn to ¥5.4-5.5 bn, leaving a somewhat negative impression.
- Management has attributed Gavilon's downward revision to lower margins in its actual business and a delay in posting of large extraordinary gains until next year.
- Profit growth at Gavilon, including benefits from synergies with Marubeni's existing food business, will be a key point to watch from FY3/15 onward. We plan to review our forecasts after the results briefing and follow-up talks with the company. [Full report](#).

2Q results, near-term share price impact both slightly negative

Marubeni announced 2Q NP of ¥111.8 bn, 53% of its full-year guidance for NP of ¥210 bn. Excluding one-offs (about ¥10 bn), the 1H result is about 48% of the full-year target. It is also a new all-time high, but US grain supplier Gavilon, consolidated from 2Q, contributed only ¥0.6 bn, and management lowered its assumption on the new subsidiary's full-year contribution from more than ¥15 bn to ¥5.4-5.5 bn, leaving a somewhat negative impression.

Marubeni raised its full-year projections for some segments, including power projects & infrastructure (from ¥25 bn to ¥30 bn) and metals & mineral resources (from ¥19 bn to ¥27 bn, including ¥7-8 bn in one-off gains on negative goodwill). However, the upward revisions were offset by a downward revision for the food segment (from ¥30 bn to ¥15 bn), largely due to the revised assessment of Gavilon's contribution. Our impression of management's ¥210 bn full-year profit guidance is that it initially had a ¥10 bn buffer built into it but has now lost that margin even after factoring in the benefit of JPY weakening (company assumption for 2H is ¥98/\$).

Outlook and investment opinion

Marubeni will hold a results briefing at 10:00 a.m. on 12 November. Management has attributed Gavilon's downward revision to lower margins in its actual business and a delay in posting of large extraordinary gains (asset valuation gains) until next year. In its medium-term plan, management said it will consider raising the dividend payout ratio above the current target of 20% or more if it determines that profits are progressing toward the plan's goal. We therefore think profit growth at Gavilon, including benefits from synergies with Marubeni's existing food business, will be a key point to watch from FY3/15 onward. We plan to review our forecasts after the results briefing and follow-up talks with the company.

(This is an extract from Marubeni Corp report, "2Q: Gavilon profit guidance cut a negative surprise; focus on prospects for recovery," published on 08 Nov 2013. For details, please see the CS Research & Analytics website.)

Bbg/RIC	8002 JP / 8002.T	Price (08 Nov 13, ¥)	747.00		
Rating (prev. rating)	O (O)	TP (prev. TP ¥)	920.00 (920.00)		
Shares outstanding (mn)	1,736.19	Est. pot. % chg. to TP	23		
Daily trad vol - 6m avg (mn)	12.5	52-wk range (¥)	829.0 - 509.0		
Daily trad val - 6m avg (US\$ mn)	92.9	Mkt cap (¥/US\$ bn)	1,296.9/ 13.2		
Free float (%)	80.0	Performance	1M	3M	12M
Major shareholders		Absolute (%)	1.5	1.5	42.0
		Relative (%)	0.7	(1.6)	(18.0)
Year	03/12A	03/13A	03/14E	03/15E	03/16E
EBITDA (¥ bn)	222.5	206.1	300.1	320.9	322.7
Net profit (¥ bn)	154.8	130.1	221.0	241.0	250.0
EPS (¥)	89	75	127	139	144
Core EPS (¥)	89	75	127	139	144
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (¥)	n.a.	n.a.	124	131	138
EPS growth (%)	n.a.	(15.9)	69.8	9.0	3.7
P/E (x)	8.4	10.0	5.9	5.4	5.2
Core P/E (x)	8.4	10.0	5.9	5.4	5.2
Dividend yield (%)	2.7	3.2	3.3	3.7	3.9
EV/EBITDA (x)	14.1	15.3	11.0	10.4	10.2
P/B (x)	1.4	1.1	1.0	0.8	0.7
ROE (%)	17.1	12.7	17.6	16.5	15.1
Net debt(cash)/equity (%)	190.3	154.1	140.4	126.3	110.2

Note 1: ORD/ADR=10.00. Note 2: Marubeni Corporation is a trading company with business divisions in iron & steel, information technology, utility & infrastructure, energy, food, metals & mineral resources, development & construction, and chemicals.

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Figure 1: Results impression

Ticker	Company	Date	Positive	Neutral	Negative	Comment
Trading companies (5)						
8053	Sumitomo Corp	31-Oct				On track to meet NP guidance, but risk remains of fiscal year-end impairment losses
8058	Mitsubishi Corp	1-Nov				Many one-off items but profits strong; accelerated pace of asset sales positive
8001	Itochu Corp	5-Nov				Profits are steady; high possibility of guidance upward revision at 3Q results
8031	Mitsui & Co	5-Nov				Caseroses writedown to weigh on FY3/14 profit guidance
8002	Marubeni Corp	8-Nov				Gavilon profit cut a negative surprise; focus on prospect for recovery in 3/15

Source: Credit Suisse

Nippon Telegraph and Telephone ----- Maintain OUTPERFORM

1H: Better shareholder returns outweigh operational headwinds

EPS: ◀▶ TP: ◀▶

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- NTT's 1H results left us with a very positive impression. OP fell a modest 1.5% YoY to ¥653.0 bn, and guidance for full-year OP of ¥1,000.23 bn was not revised. [Click here](#) for full report.
- The company expects upside at NTT East, NTT West, NTT Communications, and other subsidiaries to offset downward revisions at NTT Data, and we see the real highlights as management's plans to cancel treasury stock equivalent to 14% of outstanding shares and to increase the year-end dividend by ¥10/share.
- Operationally, NTT DoCoMo and NTT Data are encountering headwinds, and sluggish growth for FTTH subscribers at NTT East and NTT West is a concern.
- With clear and ambitious plans for shareholder returns, however, the company should be able to offset potential concerns and maintain more than enough support for the share price. We maintain our ¥6,000 target price and OUTPERFORM rating.

Bbg/RIC	9432 JP / 9432.T	Price (08 Nov 13, ¥)	5,120.00
Rating (prev. rating)	O (O)TP (prev. TP ¥)	6,000 (6,000)	
Shares outstanding (mn)	1,323.20	Est. pot. % chg. to TP	17
Daily trad vol - 6m avg (mn)	3.1	52-wk range (¥)	5550.0 - 3575.0
Daily trad val - 6m avg (US\$ mn)	160.0	Mkt cap (¥/US\$ bn)	6,774.8/ 69.1
Free float (%)	47.2	Performance	1M 3M 12M
Major shareholders		Absolute (%)	0.2 0.6 43.2
		Relative (%)	(0.6) (2.5) (16.8)
Year	03/12A	03/13A	03/14E 03/15E 03/16E
Revenue (¥ bn)	10,507	10,701	10,817 10,869 10,915
EBITDA (¥ bn)	3,219	3,087	3,055 2,998 2,990
Net profit (¥ bn)	467.7	524.1	588.5 554.4 574.0
EPS (¥)	367	432	507 504 563
- Change from prev. EPS (%)	n.a.	n.a.	0 0 0
- Consensus EPS (¥)	n.a.	n.a.	499 511 560
EPS growth (%)	(4.8)	17.9	17.3 (0.7) 11.7
P/E (x)	14.0	11.8	10.1 10.2 9.1
Dividend yield (%)	2.7	3.1	3.3 3.5 3.7
EV/EBITDA (x)	2.9	3.0	3.0 3.1 3.2
P/B (x)	0.8	0.7	0.7 0.6 0.6
ROE (%)	4.6	5.1	5.5 5.1 5.3
Net debt(cash)/equity (%)	25.6	22.1	21.4 23.1 25.3

Note 1: ORD/ADR=0.5. Note 2: Nippon Telegraph and Telephone (NTT) is a Japan-based telecommunications provider. It primarily operates in five business segments: Regional Communications, Long-distance and International Communications, Mobile Communications, Data transmission.

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Figure 1: Consolidated earnings forecast summary

		Sales		Operating profit		Recurring profit		Net profit		EPS		DPS	P/E
		¥mn	YoY (%)	¥mn	YoY (%)	¥mn	YoY (%)	¥mn	YoY (%)	¥	YoY (%)	¥	(x)
Consolidated													
3/13	A	10,700,740	1.8	1,201,968	-1.7	1,201,099	-3.1	524,071	12.1	432	17.9	160	9.5
3/14	CS E	10,817,455	1.1	1,205,728	0.3	1,268,366	5.6	588,454	12.3	507	17.3	170	10.0
	CoE (new)	11,000,000	2.8	1,230,000	2.3	1,280,000	6.6	585,000	11.6	503	16.4	170	10.1
	(prev)	11,000,000	2.8	1,230,000	2.3	1,280,000	6.6	585,000	11.6	503	16.4	160	10.1
	IBES E	10,884,240	1.7	1,233,000	2.6	1,267,325	5.5	583,515	11.3	499	15.4	163	10.2
3/15	CS E	10,869,060	0.5	1,216,146	0.9	1,218,784	-3.9	554,398	-5.8	504	-0.7	180	10.1
3/16	CS E	10,914,852	0.4	1,260,558	3.7	1,220,571	0.1	574,045	3.5	563	11.7	190	9.0

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

Near-term share price impact: Positive

We intend to pay special attention to comments from President and CEO Hiroo Unoura at the results briefing, slated for 6:00-7:30 pm on 8 November. The share price has held just above ¥5,000, and we have seen nothing to suggest investors have accumulated shares in anticipation of cancellations or a dividend hike, which could mean strong buying on the first trading day after results (11 November). Guidance for FY3/14 anticipates EPS of better than ¥500, and the medium-term plan aims for FY3/16 EPS of ¥600. With this in mind, we believe current valuations are attractive.

Figure 2: Quarterly results summary

JPY (mn)	2Q			Full Year Guidance		
	Current	Previous	YoY (%)	New	Old	Revision (%)
Sales	2,656,953	2,661,460	-0.2%	11,000,000	11,000,000	0.0%
Operating Profit	304,101	310,662	-2.1%	1,230,000	1,230,000	0.0%
Recurring Profit	319,694	296,230	7.9%	1,280,000	1,280,000	0.0%
Net Profit	156,823	136,855	14.6%	585,000	585,000	0.0%
EPS	136.17	111.85	21.7%	503	503.22	0.0%
Dividend (JPY)				170	160	6.3%

Source: Company data, Credit Suisse research

(This is an extract from the *Nippon Telegraph and Telephone* report published on 08 November 2013. Please see R&A for details.)

Malaysia

Malaysia Property Sector

New report: JLW—Property prices unlikely to fall

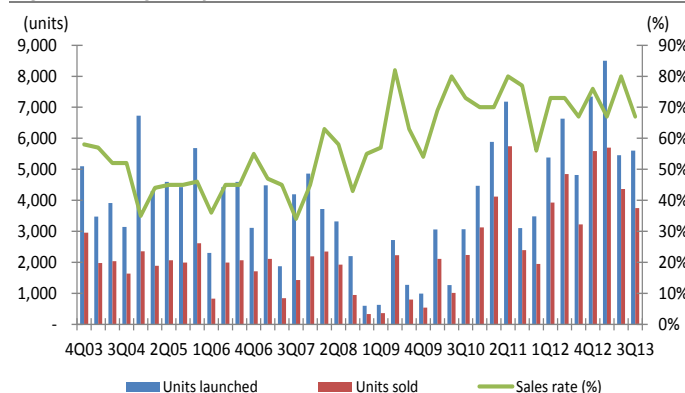
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- We hosted a lunch with Jones Lang Wootton (JLW) Malaysia's Head of Research, David Jarnell, to seek his views on the property sector following Budget 2014. Click [here](#) for full report
- Key highlights: (1) Prices are unlikely to fall, (2) transactions could fall and projects are likely to be delayed, (3) abolishment of DIBS lowers overall affordability, (4) Iskandar has gotten "a bit too hot" but JLW are a believer in its long-term prospects.
- 3Q13 residential take-up rates for the Klang Valley showed a slight softening QoQ but remained at healthy levels for housing and condos. Klang Valley retail occupancy remained stable and the office segment occupancy seems to be settling. However, the impact of the budget will only be reflected in 2014.
- Budget 2014's measures dampen the operating environment for developers, but select projects should continue to sell as long as the economy remains robust. When RPGT was last hiked to 30%, property prices continued to grow, but at a slower pace. Our top picks in the sector are IJML and UEMS.

Figure 1: Klang valley condo market take up rates



Source: JLW

JLW insights

We hosted a lunch with Jones Lang Wootton (JLW) Malaysia's Head of Research, David Jarnell, to seek his views on the property sector following Budget 2014. The key highlights were:

- **Prices unlikely to fall.** Fundamental demand for property remains strong and land prices are expected to keep rising. The implementation of GST in 2015 will likely push up prices as developers will pass on higher input costs to buyers.
- **Transactions could fall** and projects are likely to be delayed as the new measures will take a few months to digest. Most developers have strong balance sheet and can delay launches until demand improves.
- **The abolishment of DIBS lowers overall affordability**, however, the scheme has started to have less of an impact on buyers.
- **A firm believer in the long-term Iskandar growth story.** However, the region has gotten "a bit too hot" recently and in the short-medium term, sporadic bubbles may emerge. The restrictive measures for foreigners adversely affect sentiment towards

Malaysia while infrastructure catalysts such as the KL-Singapore High Speed Rail (HSR) and Rapid Transit System (RTS) are key.

JLW 3Q13 Klang Valley property market review

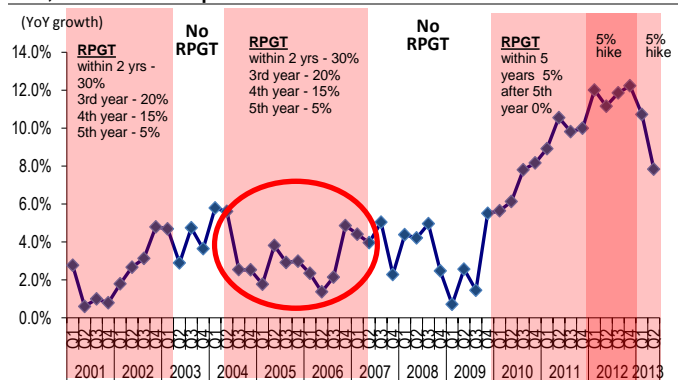
3Q13 take-up rates for the Klang Valley housing showed a slight softening QoQ but remained at healthy levels at 62% in 3Q13 (vs 73% in 2Q13 and 59% in 3Q12) as the number of units launched rose 25% QoQ and 4% YoY to 2,047. Similarly, sales take-up rates also softened QoQ to 67% in 3Q13 (vs 80% in 2Q13 and 67% in 3Q12) as the number of units launched rose 3% QoQ and 16% YoY. Affordability is expected to be a key focus of demand going forward and the condo segment looks to be adequately supplied with the future supply of condos expected to increase existing supply by 11% by end-2014. However, Budget 2014 was tabled on 25 October 2013 and the impact from the measures will only be reflected in 2014.

Klang Valley retail sector occupancy remained stable in 3Q13 at 87.3%. A significant amount of supply is expected to enter the market in 2014 which will increase existing stock by 14% YoY. However, JLW believes the segment is not "over shopped" and occupancy rates should remain stable at 86% in 2014 and 2015.

Office sector occupancy rates started to settle at 79.0% in 3Q13 after falling from a peak of 87.0% in 2Q08. Another 2.8 mn sq ft (+2.7% to existing stock) is expected to enter the market by year end which will keep occupancy rates low.

CS view: Selected buys

Figure 2: Property prices continued to rise the last time RPGT was at 30%, but at a slower pace



Source: Napic, Credit Suisse

We believe that the Budget 2014 measures will dampen the operating environment for developers, but select projects should continue to sell as long as the economy remains robust. Additionally, when RPGT was last hiked to 30%, property prices continued to grow, but at a slower pace. Our top picks in the sector are IJML and UEMS.

Singapore
OUE Hospitality Trust ----- Maintain OUTPERFORM
Key takeaways from post-inaugural results investor luncheon
EPS: ◀▶ TP: ◀▶

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- Credit Suisse hosted OUEHT's post-inaugural results investor luncheon (results note [here](#)) in Singapore. OUEHT was represented by CEO Chong Kee Hiong and CFO Rudi Chuan.
- Key highlights: (1) MOS REVPAR growth was driven by higher Transient customers and higher occupancy; (2) supply is likely to remain an overhang sector-wide, although management believes MOS should have better pricing power post AEIs of its 430 rooms in 2014 and given its prime location; (3) MG is ~100% occupied: healthy rent reversions and tenant sales, especially F&B tenants.
- Near-term acquisitions, if any, will likely be third party as Crowne Plaza Changi Airport's Phase 2 extension works kick off soon. Management said Japan, Indonesia and the Philippines look interesting with more attractive yields, as the bid-ask spread on Singapore assets widens. Gearing is 32% though management plans to get a credit rating to increase their acquisition headroom.
- Maintain OUTPERFORM: At 7.4% FY14E yield, risk-reward looks attractive as prices imply c. 30% decline in FY14's REVPARs (1H13 REVPAR +3.4% to S\$252, this period was S\$261).

transient segment in 3Q13 and going forward, management targets 55%. Looking ahead into 2014, OUEHT plans to increase more corporate accounts and RFPs. Corporate customers would be given priority check-ins as a means of value add. Management said corporate rates have not fallen and will be aiming to increase its contribution to 30% of total revenue from the current 24%.

- (2) **Supply concerns about the hospitality sector:** Management believes overall industry players will unlikely increase their rates next year due to supply pressures. That said, they are not too overly concerned about any cannibalisation of their business due to MOS's superior location in the heart of Orchard Road. Management also expects some S\$20-30 increase in average room rates post refurbishments of 430 rooms commencing in 2014.
- (3) **Mandarin Gallery (MG):** MG is approximately 100% occupied, with average lease terms of 2.5 years. Management said there was one lease renewal in 3Q13 which has a positive rental reversion. Separately, tenant sales and rents saw positive growth, while its F&B tenants are doing well.
- (4) **Fund raising exercise:** Due to concerns about Fed tapering, investors were worried if the recent capital raising by various REITs could be a sector-wide phenomenon as they raise equity capital in a bid to decrease gearing levels to bring down exposure to rising interest rates. Management does not think there is enough reason to believe that there is a 'panic' in the sector as any equity issuance is generally accompanied by a yield accretive acquisition. OUEHT and other REITs likewise would likely have enough confidence on the impending acquisitions before raising equity. OUEHT will also be looking to get a credit rating to increase their debt headroom to facilitate funding of future acquisitions.
- (5) **Acquisition outlook:** Management views acquisitions in Singapore remains challenging (buyers are being priced out with sellers looking to divest at prices close to 4% cap rate). However, overseas markets such as Japan, Indonesia and the Philippines are looking attractive with their higher yields. OUEHT would consider foreign markets. Management also guided that any potential acquisition from sponsor next year seems unlikely as Crowne Plaza Changi Airport asset will be undergoing AEI (phase 2 of development with a new extension), and any acquisition, if any, would likely be from third party. OUEHT has 32% gearing currently, with 2.2% cost of debt (100% fixed with average tenure of 3 years [50:50 in 2016/2018 expiry]—no refinancing due in 2014/2015).

Maintain OUTPERFORM

OUEHT trades at a 7.4% FY14E yield. We believe the risk-reward looks attractive as we estimate that current prices imply about a 30% decline in FY14's REVPARs when MOS has so far consistently delivered better-than-industry growth (1H13 REVPAR +3.4% to S\$252, this period, REVPAR was S\$261).

Bbg/RIC	OUEHT SP / OUER.SI	Price (08 Nov 13, S\$)	0.88		
Rating (prev. rating)	O (O) [V]	TP (prev. TP S\$)	1.04 (1.04)		
Shares outstanding (mn)	1,310.63	Est. pot. % chg. to TP	18		
Daily trad vol - 6m avg (mn)	3.9	52-wk range (S\$)	0.90 - 0.86		
Daily trad val - 6m avg (US\$ mn)	2.8	Mkt cap (S\$/US\$ mn)	1,153.4/ 927.4		
Free float (%)	52.0	Performance	1M	3M	12M
Major shareholders	OUE (48%)	Absolute (%)	0.6	—	—
		Relative (%)	(0.1)	1.6	—
Year	12/11A	12/12A	12/13E	12/14E	12/15E
Net property income (S\$ mn)	94.1	94.9	98.2	101.8	104.4
EBITDA (S\$ mn)	82.4	83.3	86.1	89.9	92.3
Net profit (S\$ mn)	67.9	68.7	71.3	75.1	75.8
Distributable income (S\$ mn)	80.8	81.7	82.3	86.5	87.3
EPS (S\$)	n.a.	n.a.	0.05	0.06	0.06
- Consensus EPS (S\$)			0.06	0.06	0.06
EPS growth (%)				4.3	0.1
P/E (x)	17.0	16.8	16.2	15.5	15.5
DPU (S\$)	n.a.	n.a.	0.06*	0.07	0.07
- Change from prev. DPU (%)				0	0
DPU yield (%)	n.a.	n.a.	7.1	7.4	7.5
P/B (x)	n.a.	1.0	1.0	1.0	1.0
ROE (%)	n.a.	5.8	6.0	6.3	6.3
Debt/Asset (%)	n.a.	32.9	32.9	33.0	33.1

Note 1: OUEHT is a hospitality REIT, with 2 assets in SG - Mandarin Orchard Singapore hotel and adjacent Mandarin Gallery mall. *FY13 annualised DPU of 6.28 cents.

[Click here](#) for detailed financials

Credit Suisse hosted OUEHT's post-inaugural results investor luncheon (inaugural results note [here](#)) in Singapore. OUEHT was represented by CEO, Chong Kee Hiong and CFO, Rudi Chuan.

Key highlights:

- (1) **Strong REVPAR growth:** REVPAR grew 14% YoY to S\$261 for the period of 25 July (IPO) to 30 September, beating management's forecast of S\$253 by 3.2%. We understand that the REVPAR increase was amongst the highest among the hotels in the Orchard Road area. REVPAR growth was driven by a high occupancy of 90%-plus and increase in business from the Transient segment (which pays better rates than Wholesale segment). This was partly due to higher bookings from its hotel website. Approximately 50% of revenue was contributed by the

Wilmar International-----Maintain NEUTRAL Prospects appear better EPS: ◀▶ TP: ▶▶

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- We attended Wilmar's 3Q FY13 result briefing 8 Nov afternoon, and came away feeling more comfortable with our forecasts, and its outlook We estimate that Wilmar's FY14 P/E of 13.0x is close to the Singapore agriculture sector average of 13.6x.
- 4Q plantation profits should be up YoY and QoQ, as Wilmar expects 4Q FFB output to rise QoQ while palm oil prices have already improved.
- Wilmar's palm merchandising division should see volumes and margins remain robust going forward, one of the kickers being Indonesia's biodiesel programme. We can tell that Wilmar is confident, as it is expanding its biodiesel capacity by 20% in 2014 to support Indonesia's biodiesel programme.
- The oilseed unit has been profitable for five consecutive quarters. The worst could be over for the oilseed business in China.

We can tell that Wilmar is confident, as it is expanding its biodiesel capacity by 20% in 2014 to support Indonesia's biodiesel programme.

How does Indonesia's biodiesel targets benefit Wilmar?

Being the largest producer of palm-biodiesel in Indonesia with a capacity of 2.6mn tonnes, Wilmar is in a good position to take advantage of Indonesia's biodiesel targets (B10 for transport diesel, B20 for IPPs). We understand that Indonesia targets to utilise 3 mn tonnes of biodiesel in 2014, which is a four-fold increase from its 2012 usage of 0.7 mn tonnes. Biodiesel plants are to put in their tenders by Monday evening (11 Nov) to supply to Indonesia's biodiesel needs for 2014 and 2015. If executed flawlessly, the biodiesel mandate will reduce palm oil inventories significantly, pushing up palm oil prices.

There are two main concerns: (1) Can Indonesia execute? (2) Is this biodiesel demand sustainable? When palm-biodiesel becomes too expensive relative to crude oil prices, will the government then give up on this biodiesel targets?

Oilseed merchandising – the worst could be over

The oilseed division has been profitable for five consecutive quarters, and a rise in volumes helped profitability. Wilmar believes that the worst could be over for the oilseed business in China, as finance speculators have backed off, leading to less price under-cutting.

Consumer products - Volume growth surprised us on the upside, boosted by strong volume growth in the rice and flour business units.

Sugar – 4Q profits will likely fall QoQ and YoY as Wilmar had already crushed 80% of the 2013 season in 9M FY13 vs 60% of the 2012 season at this time last year.

Bbg/RIC	WIL SP / WLIL.SI	Price (07 Nov 13 , S\$)			3.45
Rating (prev. rating)	N (N)TP (prev. TP S\$)				3.73 (3.73)
Shares outstanding (mn)	6,403.40	Est. pot. % chg. to TP			8
Daily trad vol - 6m avg (mn)	7.1	52-wk range (S\$)			3.89 - 3.05
Daily trad val - 6m avg (US\$ mn)	18.4	Mkt cap (S\$/US\$ bn)			22.1/ 17.8
Free float (%)	36.4	Performance			
Major shareholders	PPB Group (18.3%)	1M	3M	12M	
		Absolute (%)	7.1	9.2	10.6
		Relative (%)	6.5	10.9	5.2
Year	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue (US\$ mn)	44,710	45,463	41,162	46,467	51,836
EBITDA (US\$ mn)	2,472	2,159	2,256	2,308	2,439
Net profit (US\$ mn)	1,601	1,255	1,337	1,401	1,521
EPS (US\$)	0.24	0.19	0.20	0.21	0.23
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (US\$)	n.a.	n.a.	0.21	0.23	0.25
EPS growth (%)	20.9	(21.6)	6.5	4.8	8.6
P/E (x)	11.4	14.5	13.6	13.0	12.0
Dividend yield (%)	2.2	1.7	1.8	1.9	2.1
EV/EBITDA (x)	12.4	14.6	13.0	12.9	12.4
P/B (x)	1.3	1.2	1.1	1.0	0.9
ROE (%)	12.7	9.1	8.8	8.4	8.4
Net debt/cash/equity (%)	91.2	90.0	68.3	65.8	62.8

Note1: ORD/ADR=10.00. Note2: Wilmar International Limited is an investment holding company engaged in the provision of management services to its subsidiaries..

Click [here](#) for detailed financials

Wilmar's prospects appear brighter

We attended Wilmar's 3Q FY13 result briefing this afternoon, and came away feeling more comfortable with our forecasts and its outlook. Here are the key highlights of the briefing.

Plantations – better prospects

The plantation sector was the only division that showed a fall in FFB output. However, Wilmar expects 4QFY13 FFB output to increase QoQ and YoY, as November appears to be the peak production month (rather than October). In addition, palm oil spot prices have risen 10% to RM2,528 per tonne vs RM2,300 a month ago. This suggests that 4Q plantation profits should be up YoY and QoQ.

Palm refining – margins are holding up well

Despite an overcapacity in refineries in Indonesia, Wilmar's margins for the palm merchandising division held up, due to contribution from high value-added downstream products which command better margins, such as oleochemicals and biodiesel.

Wilmar expects volumes and margins to remain robust going forward, one of the kickers being Indonesia's mandatory biodiesel programme.

Figure 1: Our forecasts on Wilmar's outlook

Profits	4Q YoY	4Q QoQ	Future
Plantations	+	++	++
Palm & laurics	Flat	Flat	+
Oilseed & grains	+	Flat	Flat
Consumer products	+	(-)	Flat
Sugar	(-)	(-)	+

Source: Credit Suisse estimates

Figure 2: Every division (except plantations) showed volume growth

Volumes (tonnes)	9M FY13	9M FY12	YoY % change	3QFY13	3QFY12	YoY % change
Palm & laurics	17,829	16,641	7%	6,104	5,850	4%
Oilseed & grains	14,785	14,240	4%	5,622	5,244	7%
Consumer products	3,924	3,419	15%	1,504	1,316	14%
Sugar	6,859	4,255	61%	3,425	2,379	44%
FFB output	2,878,385	2,955,560	-3%	967,288	1,071,403	-10%

Source: Company data

Figure 3: Profitability comparisons

PBT per tonne (US\$)	9M FY13	9M FY12	YoY % change	3QFY13	3QFY12	YoY % change
Palm & laurics	36.7	34.6	6%	34.7	31.0	12%
Oilseed & grains	7.9	-2.3	NM	9.5	11.5	-17%
Consumer products	36.9	34.1	8%	38.7	36.8	5%

Source: Company data

South Korea
Asiana Airlines ----- Maintain UNDERPERFORM
3Q13 results underperform expectations
EPS: ▼ TP: ◀▶

Timothy Ross / Research Analyst / 65 6212 3337 / timothy.ross@credit-suisse.com

- Asiana Airlines (OZ) has reported 3Q13 parent company NPAT of W63 bn, ahead of consensus W58 bn, but down on last year's W70 bn and our own W30 bn estimate. Adjusting for currency gains of W90 bn, a pre-ex loss of W26 bn, compared with 3Q12's W35 bn NPAT and our W30 bn expectation.
- A weak Yen and slumping cargo volumes were the hallmarks of the period, with costs controlled well and benefitting from a USD: Won rate that weakened 2% over the period.
- A modest miss on revenues, offset by a better costs performance sees us massage down our numbers marginally, now expecting a pre-ex loss of W140 bn and NPAT of W52 bn for 2013E and 2014E at a consolidated level, reflecting a seasonally weak 4Q.
- We have left our UNDERPERFORM rating and W4,200/share target price unchanged. Indications of recovering freight volumes and a recovery in the Yen would force a re-think, while at its current price, OZ's 2014E EV/EBITDAR of 7.6x remains above the industry average – unwarranted for a company of its risk profile.

Bbg/RIC	020560 KS / 020560.KS	Price (07 Nov 13, W)	4,885.00
Rating (prev. rating)	U (U)	TP (prev. TP W)	4,200 (4,200)
Shares outstanding (mn)	195.10	Est. pot. % chg. to TP	(14)
Daily trad vol - 6m avg (mn)	0.7	52-wk range (W)	6530.0 - 4530.0
Daily trad val - 6m avg (US\$ mn)	3.5	Mkt cap (W/US\$ bn)	953.1/ 0.9
Free float (%)	50.4	Performance	1M 3M 12M
Major shareholders	Kumho Ind - 30.1%	Absolute (%)	(0.4) 5.7 (23.7)
	Korea Kumho	Relative (%)	(0.5) (0.8) (28.4)
	Petchem - 12.6%, KDB		
	- 6.3%		
Year	12/11A	12/12A	12/13E 12/14E 12/15E
Revenue (W mn)	—	—	5,774,967 6,171,677 6,370,534
EBITDAR	—	—	658,466.0 903,784.2 972,267.7
Net profit (W mn)	—	—	(139,674) 51,939 99,336
EPS (W)	—	—	(762) 283 542
- Change from prev. EPS (%)	n.a.	n.a.	n.m (17) (10)
- Consensus EPS (W)	n.a.	n.a.	(408) 156 511
EPS growth (%)	n.a.	n.a.	n.m. n.m. 91.3
P/E (x)	—	—	n.m. 17.2 9.0
Dividend yield (%)	—	—	0 0.0 0.0
EV/EBITDAR (x)	—	—	10.6 7.6 6.8
P/B (x)	—	—	1.1 1.1 1.0
ROE (%)	—	—	(17.2) 6.3 11.4
Net debt(cash)/equity (%)	—	—	331.8 298.5 252.1

Note 1: Asiana Airlines, Inc. provides air cargo and passenger transportation services throughout South Korea and overseas. The Company also offers airline catering and on-flight duty free shopping services and operates aircraft leasing business.

[Click here](#) for detailed financials

Currencies collide

The 3Q slide of the JPY relative to the Won in 3Q13 of around 28% was responsible for a 6% decline in Japanese revenues as fewer Japanese passengers flew to Korea and foreign sales were worth less.

Figure 1: Asiana Airlines revenue analysis (3Q13)

3Q13A	Traffic	Yield	Revenue	YoY % chg.
Passenger	5.4%	-8.3%	995	-3.4%
Freight	-5.6%	0.8%	314	-4.8%
Other			146	-2.3%
Total			1,456	-3.4%

Source: Company data, Credit Suisse estimates.

OZ is not as impacted as Korean Air (KE), as more of its sales are outbound than inbound, but Japan remains its most important market. This factor accounted for most of the 8%+ YoY decline in passenger yield, with outbound Korean passengers and on-going growth in PRC (+3% YoY) and Southeast Asian markets (+2% YoY) providing an offset in terms of traffic, but not in yield. The fact that RPKs rose >5% YoY suggests that the travelling public appear to have shrugged off any concerns around flight OZ214, with total passenger load factor marginally ahead to 80%.

Freight revenues continued to subside, falling 5% YoY as volumes continued to slide, despite pricing holding firm. Load factor fell >4 pp to 73%, with capacity addition (largely passenger jet belly space YTD) grinding to a halt.

Figure 2: Asiana Airlines earnings analysis (3Q13)

KRW mn	3Q13A	3Q13E	3Q12A	A vs. E %	YoY % chg
Unit cost	0.57	0.58	0.59	-1%	-2%
Revenue	1,456	1,507	1,508	-3%	-3%
EBITDAR	237	256	277	-7%	-14%
EBIT	49	73	96	-33%	-50%
PBT	88	44	92	99%	-4%
NPAT (pre-x)	(26)	33	35	-179%	-175%

Source: Company data, Credit Suisse estimates.

A 2% change of the Won vs. the USD did read positively through to OZ's cost base, resulting in a unit cost decline of a similar magnitude. Around 50% of costs are USD denominated, which assists operating lease payments, maintenance and fuel, although improvements were made in most cost line items.

As well as skewing OZ's operating performance, currency also affected the 43% of its debt that is denominated in JPY and USD and generated exceptional gains totalling W90 bn for the quarter (when transactional contributions were also included). Despite this fact, on-balance sheet leverage swelled from 506% at the end of 2012 to 580%, and this before the impact of capitalised operating leases which are expected to be marginally higher this year than last. Most of the increase reflects capex on aircraft, with OZ taking delivery of eight planes this year and returning five to operating lessors.

Looking ahead to the rest of the year, the YoY impact of the collapse in the JPY ought to ease out of comparisons, affecting yield less and we expect the Won's firmness against the USD to persist, helping unit costs for 4Q13 down another 2% YoY. We don't see either of these two factors to be enough to conjure an operating profit at the airline, however, hence the revision to our estimates. Our TP of W4,200 is based on an EV/CFMV of 337%, which is based on an ungeared ROIC of 22.5%, reflecting the two-thirds of its fleet that are on operating lease. This equates to a 2014 EV/EBITDAR 6.5x, which we consider appropriate relative to growth prospects and risk characteristics.

Lotte Shopping -----Maintain NEUTRAL 3Q OP weaker than consensus expectation EPS: ◀▶ TP: ◀▶

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- Lotte Shopping's 3Q OP was weaker than consensus estimate, but in line with CS expectation. The pre-tax profit was higher than expected on non-operating gains from FX as well as valuation gains on EBs (strong KRW is a positive).
- Management guided that October SSS growth for department stores was at -1.6% (due to a mild weather), and that for hypermarkets was -5.7% (on base effect). The company guided department store SSSG would be positive, around 3-5%, in November, while discount store SSSG should be similar to that of October.
- Overseas loss persisted, with marginal improvement taking into account the new store openings. However, the company indicated that due to three additional new store openings, operating loss from the overseas business should increase next year.
- We maintain our NEUTRAL rating and W420,000 target price, based on 12x FY14E P/E. We believe its diversified business model and overseas exposure dilute overall returns; hence, the stock could look less attractive relative to its pure peers when consumption starts showing improvement.

Bbg/RIC	023530 KS / 023530.KS	Price (08 Nov 13, W)	383,000
Rating (prev. rating)	N (N)TP (prev. TP W)	420,000 (420,000)	
Shares outstanding (mn)	31.49	Est. pot. % chg. to TP	10
Daily trad vol - 6m avg (mn)	0.05	52-wk range (W)	415000.0 -
Daily trad val - 6m avg (US\$ mn)	15.8		331000.0
Free float (%)	30.7	Mkt cap (W/US\$ bn)	12,061.0/ 11.3
Major shareholders	Shin family & related: 70.12%		
		Performance	1M 3M 12M
		Absolute (%)	1.9 12.2 12.8
		Relative (%)	2.8 6.6 9.1
Year	12/11A	12/12A	12/13E 12/14E 12/15E
Revenue (W bn)	22,972	25,817	29,732 32,521 35,034
EBITDA (W bn)	2,177	1,990	2,371 2,558 2,793
Net profit (W bn)	964	1,080	980 1,111 1,275
EPS (W)	33,234	37,250	31,135 35,295 40,476
- Change from prev. EPS (%)	n.a.	n.a.	0 0 0
- Consensus EPS (W)	n.a.	n.a.	32,762 37,526 42,195
EPS growth (%)	(0.4)	12.1	(16.4) 13.4 14.7
P/E (x)	11.5	10.3	12.3 10.9 9.5
Dividend yield (%)	0.5	0.5	0.5 0.7 0.7
EV/EBITDA (x)	9.3	11.7	9.7 8.9 8.0
P/B (x)	0.8	0.7	0.7 0.7 0.6
ROE (%)	6.8	7.1	6.0 6.4 6.8
Net debt(cash)/equity (%)	56.0	71.7	65.1 59.9 53.6

Note 1: ORD/ADR=0.05. Note 2: Lotte Shopping operates department stores and discount stores in South Korea. The company retails clothing, household goods, foods and other items through several branches. It also operates movie theaters.

[Click here](#) for detailed financials

Above the OP line: Weaker than expected

Top-line growth was weaker than expected as the company explained that it has been focusing on profitability. With the inclusion of Lotte Hi-Mart (4Q12 was the first quarter to include it), the aggregate OP margin improved. However, OP margins were weaker at department stores and hypermarkets, versus last year, on on slower top-line growth.

The company guides improvement in 4Q and beyond

Management remains positive on the overall domestic consumption outlook, with various indices (i.e., consumer sentiment index) showing improvement. In terms of 4Q-to-date operations, though, the company guided that October SSSG for department stores was at -1.6% (owing to a mild weather, which discourages winter season apparel shopping), that for hypermarkets at -5.7% (on base effect due to mandatory

shutdown having its impact until November). The company guided department store SSSG would be positive, around 3-5%, in November (due to weather), while for discount stores it should be similar to October's. We believe the high base of November 2012 could disappoint its department store operations.

Capex: Down to W1.6 tn from W2.1 tn, but not much change in overseas capex

A more rational capex should be positive, but not so much for its overseas capex. During the earnings conference call, management stated that rather than drastically changing the store opening plan (especially in the overseas market), it will focus on the profitability of stores by getting the timing and location of the new stores right.

Overseas loss persisted in 3Q, with some marginal improvement taking into account the new store openings. The company indicated that due to three additional new store openings, operating loss from the overseas business should increase in FY14.

New businesses: Outlets growing, but still small in online

Lotte is quite aggressive in the outlet new store opening, which is in line with spending pattern changes; however, the sales revenue contribution looks too small—contributing 10% to department store revenue (2.5% of total revenue) and 7% to profit (2% of total profit). The online channel's contribution is around 7% for department stores and 3% for hypermarkets—smaller than its peers'.

Figure 1: Lotte Shopping—3Q13 K-IFRS consolidated earnings summary

	3Q13			CS % of CS.		
(W bn)	Actual	Cons.	YoY (%)	3Q13YTD YoY (%)	FY13E	est
Gross sales	7,248	-	16.0	21,601	16.7	29,732 72.7
Dept. store	1,845	-	0.4	6,065	-0.4	8,854 68.5
Hypermarket	2,435	-	1.8	7,046	2.8	9,345 75.4
* Hi-Mart	944	-	-	2,594	-	3,475 74.6
Card	360	-	-18.7	1,237	2.4	1,858 66.6
Others	1,664	-	5.5	4,658	7.0	6,201 75.1
Gross profit	2,164	-	18.3	6,391	17.3	8,870 72.0
Op. profit	343	351.0	18.6	1,102	8.7	1,571 70.2
Pre-tax profit	429	368.9	34.0	1,064	-0.7	1,438 74.0
Net profit	303	-	32.5	782	2.0	1,054 74.2
NP for majority	275	226.5	32.3	705	-1.0	980 71.9
GPM (%)	29.9	-	0.6 p.p.	29.6	0.1 p.p.	29.8
OPM (%)	4.7	-	0.1 p.p.	5.1	-0.4 p.p.	5.3
Dept. store	5.1	-	-0.5 p.p.	7.4	-0.5 p.p.	8.2
Hypermarket	3.7	-	-0.2 p.p.	3.1	-0.6 p.p.	2.9
* Hi-Mart	6.4	-	-	6.0	-	6.2
Card	11.7	-	1.7 p.p.	12.8	-1.2 p.p.	11.7
PPM (%)	5.9	-	0.8 p.p.	4.9	-0.9 p.p.	4.8
NPM (%) ex min	3.8	-	0.5 p.p.	3.3	-0.6 p.p.	3.3

* Hi-Mart consolidation as of 4Q12. Source: Company data, Credit Suisse estimates

Rating history (139480.KS)

Date	Old rating	New rating	Old TP	New TP
4 Nov, 2013	Neutral	NEUTRAL	W380,000	W420,000

Taiwan
Taiwan Financial Sector
Oct 2013 results : Banks lagged, insurers steady, brokers better

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- In this note, we summarise preliminary October 2013 and 10M13 earnings for the financials under our coverage.
- In October, banks saw an average 6% earnings decline MoM (or 11% lower-than-average monthly run rate YTD) on normalisation (decrease) of non-interest income and step-up of provisioning into year-end. We expect the slowdown to continue into year-end, and therefore, end the positive earnings revision trend seen in 9M13.
- Insurers reported steady profit in October. We note that Fubon received regulatory approval to recognise NT\$870 mn (or a total NT\$2.6 bn in 4Q13) unrealised property gains through P&L, while Cathay faced stronger new business strains with strong sales of a two-year USD-denominated endowment product.
- Brokerage profit picked up moderately with 7% MoM market turnover improvement and better market-related gains. In particular, CDF booked some divestment gains and 10M13 profit already reached our full-year forecast. We continue to see better risk-reward in the brokerage sector into the year end.

CTBC Holding 10M13 profit reached 112%/100% of CS/consensus FY estimates. CTBC Holding reported October profit of NT\$1.9 bn and cumulative 10M13 net profit of NT\$20.1 bn (EPS of NT\$1.42), achieving 112% of CS and 100% of consensus FY13E.

The flagship CTBC Bank's profit of NT\$1.6 bn in October came in a bit stronger than our estimate and both WM and capital market-related income remained strong with very modest provisions of NT\$91 mn in October. Our estimates already factored in a NT\$5bn extra provisions in December to comply with the 1% general provision requirement.

Fubon FHC started booking NT\$0.8 bn unrealised property gains this month. Fubon FHC reported NT\$3.1 bn net profit in October, and 10M13 net profit reached NT\$30 bn or EPS of NT\$3.06, reaching 92% and 91% of CS and consensus full-year estimates, respectively. Fubon Life's NT\$1.6 bn profit in October was boosted by NT\$870 mn

unrealised property gains after it received the approval from the FSC. Fubon Life will book a total of NT\$2.6 bn unrealised property gain in 4Q13. Meanwhile, Taipei Fubon Bank reported NT\$1 bn profit in October with steady core earnings as benign asset quality.

Cathay FHC reported 10M13 profit of NT\$28.5 bn (EPS of NT\$2.46), reaching 97% of CS estimate and 96% of consensus estimate. Cathay's earnings continued to be benefit from net FX gain, despite the TWD appreciation this month. Cathay Life reported NT\$530 mn profit, mostly helped by NT\$830 mn property unrealised gain through P&L and gains from both FX and asset disposal, which helped offset the new business strain as Cathay Life reported a 87% MoM FYP increase, mostly driven by strong sales of a two-year USD-denominated endowment product (which it classifies as traditional regular pay product). Meanwhile, Cathay United Bank reported a steady net income of NT\$1.3 bn.

Figure 1: Chinatrust FHC—Quarterly summary*

(NT\$ mn)	1Q13	2Q13	3Q13	Oct-13	YTD	% of CS est
Chinatrust Bank						
pre-provision profit	6,236	7,047	5,531	2,001	20,815	72%
provision expense	(276)	(28)	1,025	91	812	-12%
pretax profit	6,512	7,075	4,506	1,910	20,003	92%
net profit	5,532	6,049	3,908	1,641	17,130	93%
Chinatrust Life	483	437	311	43	1,273	424%
Chinatrust FHC						
pretax profit	7,634	7,857	5,526	2,162	23,180	91%
net profit ^A	6,444	6,856	4,970	1,903	20,173	112%

*Preliminary monthly results; ^Anet profit is before preferred dividends. Source: Company data, Credit Suisse estimates

Figure 2: Fubon FHC earnings by main subsidiaries

(NT\$ mn)	1Q13	2Q13	3Q13	Oct-13	YTD	% of CS est
Bank	3,766	4,817	365	1,090	10,265	86%
Securities	242	134	754	161	1,291	137%
P&C	842	634	1,008	265	2,746	94%
Life	5,427	3,719	7,428	1,566	18,167	103%
FHC	10,146	7,752	8,791	3,129	30,008	92%

Source: Company data, Credit Suisse estimates

Figure 2: Monthly earnings for the financials under CS coverage

(NT\$ mn)	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	10M13	10M13 EPS(NT)	As a % of CS Est.	As a % of consensus
Fubon FHC	4,040	3,150	2,843	2,270	3,658	1,786	5,443	2,366	982	3,129	30,008	3.06	92%	91%
Cathay FHC	3,040	1,770	2,120	2,500	2,740	2,690	6,680	2,750	2,300	1,700	28,480	2.46	97%	96%
Shin Kong FHC	788	847	6,019	629	1,025	(2,044)	3,858	323	(100)	179	11,524	1.23	83%	88%
CTBC Holding	3,057	1,610	1,777	1,881	2,548	2,427	1,685	1,676	1,609	1,903	20,173	1.42	112%	100%
E. Sun FHC	802	701	734	702	750	701	702	752	717	716	7,277	1.32	86%	84%
SinoPac FHC	1,162	810	1,098	784	1,313	713	934	682	780	875	9,151	1.12	93%	93%
Taishin FHC	1,390	1,000	1,830	1,600	1,650	1,400	1,290	1,180	1,110	1,130	12,970	1.63	92%	99%
Mega FHC	2,170	1,923	2,096	1,988	2,477	1,260	2,424	1,590	2,260	1,641	19,829	1.73	89%	89%
First FHC	921	1,035	1,009	1,115	1,152	1,128	1,045	1,055	831	627	9,920	1.14	92%	90%
Hua Nan FHC	869	809	930	907	868	821	821	816	749	859	8,449	0.93	89%	84%
CHB	950	665	770	670	888	753	841	716	809	687	7,749	1.00	88%	88%
Yuanta FHC	864	332	433	447	700	403	1,105	561	702	803	6,350	0.64	91%	87%
CDF	778	57	542	165	1,411	724	1,451	578	558	1,118	7,396	0.50	100%	102%

* Taishin, Chinatrust, CHB and TCB: net profit before preferred dividends. Source: TEJ, EMOPS, Company data, Credit Suisse estimates

Chipbond

Simpal acquisition to show synergy by 2Q14

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- Chipbond posted 3Q13 EPS last night and hosts an investor meeting today. 3Q13 EPS of NT\$1.0 was roughly in-line with CS but below street on higher tax. 4Q13 sales guidance of 5% QoQ decline for bumping/packaging and total sales to grow 0-5% QoQ are in line with our expectation. GM is guided to drop 2-3 pp QoQ on mix shift.
- Chipbond thinks its 2014 growth will be driven by higher 4K2K penetration, resolution migration for mobile devices and synergy from Simpall acquisition. It forecasts 10% penetration for 4K2K TV in 2014 and sees rapid ramp of HD/FHD smartphones in 1H14.
- Simpal's 4Q13 UTR will remain flattish QoQ but will ramp to 70% by 2Q14. It will start to bundle sell COF tape with bumping and packaging in 2Q14. We expect its GM to see meaningful pick up in 2H14 on higher UTR for both tape and bumping/packaging.
- Chipbond expects effective tax rate of 16-17% going forward vs our 14-15% forecast. We lower 2013-15E EPS by 5-7% to reflect higher tax and lower GM in 4Q13-1Q14 given lower UTR for the tape business. We believe the stock has priced in the near-term weakness and reiterate OUTPERFORM with NT\$72 target price.

Bbg/RIC	6147 TT / 6147.TWO	Price (08 Nov 13, NT\$)	57.60
Rating (prev. rating)	O (O)	TP (prev. TP NT\$)	72.00 (72.00)
Shares outstanding (mn)	648.22	Est. pot. % chg. to TP	25
Daily trad vol - 6m avg (mn)	4.8	52-wk range (NT\$)	82.6 - 50.2
Daily trad val - 6m avg (US\$ mn)	10.9	Mkt cap (NT\$/US\$ mn)	37,337.7 / 1,269.3
Free float (%)	73.0	Performance	1M 3M 12M
Major shareholders	Compal (8.7%)	Absolute (%)	(4.0) (4.6) 11.2
		Relative (%)	(2.6) (9.4) (2.4)
Year	12/11A	12/12A	12/13E 12/14E 12/15E
Revenue (NT\$ mn)	13,226	15,013	16,130 19,848 22,634
EBITDA (NT\$ mn)	4,933	5,642	5,284 7,064 7,921
Net profit (NT\$ mn)	1,778	2,549	2,590 3,387 4,165
EPS (NT\$)	3.00	4.29	4.25 5.23 6.42
- Change from prev. EPS (%)	n.a.	n.a.	(7) (6) (5)
- Consensus EPS (NT\$)	n.a.	n.a.	4.64 5.31 6.60
EPS growth (%)	(34.5)	43.1	(0.9) 23.0 22.9
P/E (x)	19.2	13.4	13.6 11.0 9.0
Dividend yield (%)	3.5	4.5	4.9 6.3 7.8
EV/EBITDA (x)	7.9	6.8	7.0 5.2 4.3
P/B (x)	2.1	1.9	1.8 1.8 1.6
ROE (%)	11.1	15.0	14.0 16.8 19.1
Net debt(cash)/equity (%)	9.3	6.5	(2.1) (2.0) (12.4)

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3Q13 roughly in-line

3Q13 EPS of NT\$1.00 (net profit NT\$599 mn) was roughly in-line with CS but below street on higher tax. 3Q13 GM of 25.9% was down 140 bp QoQ on higher pass through cost of tape buy/sell (up 28% QoQ but 0% margin). The 8" bumping shipments were down 11% QoQ, while 12" were up 15% QoQ on new high-end smartphone ramp. COF shipments (mainly for TV) were down 14% QoQ and COG shipments (smartphone, tablet, IT, etc) were down 2% QoQ.

4Q13 sales guidance in-line with expectation

Chipbond guided 4Q13 bumping/packaging sales to decline 5% QoQ, in-line with the industry trend and our expectation. It expects 8" bumping shipment to decline QoQ, while 12" utilisation remains full on continued strength from smartphone. It expects COF shipments to decline slightly QoQ and COG shipment to be flat to down slightly QoQ. Chipbond also expects tape utilisation will remain flattish QoQ at 50%+, hence it expects total sales to be up within 5% QoQ. Tape GM

Maintain OUTPERFORM

EPS: ▼ TP: ◀▶

will be around low-single digit and overall GM is guided to decline 2-3 pp QoQ as it starts to consolidate Simpall in 4Q13.

Figure 1: Chipbond 3Q13 roughly in-line with CS but below street

(NT\$ mn)	3Q13	QoQ%	YoY%	CS old	Diff.%	Street	Diff.%
Sales	3,988	(4)	3	3,988	(0)	3,990	(0)
Gross profit	1,031	(9)	(15)	1,063	(3)	1,035	(0)
Operating profit	749	(13)	(21)	802	(7)	769	(3)
Net income	599	(18)	(15)	618	(3)	635	(6)
EPS (NT\$)	1.00	(18)	(16)	1.04	(3)	1.09	(7)
Gross margin %	25.9			26.6		25.9	
Op margin %	18.8			20.1		19.3	

Source: Company data, Credit Suisse estimates

4K2K penetration to reach 10% in 2014

Chipbond remains bullish on 4K2K TV and expects penetration to increase from 1% in 2013 and reach 10% in 2014 (or 20 mn units) vs our estimate of 3% penetration (or 6 mn units) in 2014. It believes 55" 4K2K TV retail price in the US could fall below US\$3,000 during Black Friday promotion and could further drop to below US\$2,000 in 2014.

Smartphone shifting to HD+, tablet moving to higher PPI

Chipbond said it has dozens of HD and FHD smartphone projects that will start to ramp before 2014 CNY. It believes inventory for WVGA remains an issue as fast migration to HD and above resolutions could lead to potential inventory write-down or sharp ASP decline for its customers. It has already seen branded tablets adopting higher resolution panels in 2013, and expects whitebox to follow in 2014.

Simpal acquisition to show synergy by 2Q14

Chipbond merged Simpall since 1 Oct with 100 mn units/month capacity for COF tape. It mentioned that ASP for Simpall's COF tape is 5-10% higher than peers as it has smaller production scale, but it could offer better quality and shorter cycle time. Chipbond plans to bundle sell the COF tape with its core bumping/packaging service with some pricing incentive to its customers starting 2Q14 as bundle sell could help its overall profit on higher utilisation for both tape and packaging/testing.

Reiterate OUTPERFORM with NT\$72 TP

We lower 2013-15 EPS by 5-7% to reflect higher tax and lower GM in 4Q13-1Q14 given lower utilisation for Simpall. We think the stock has priced in the near-term weakness and should trade up on higher resolution for 2014. We keep our TP unchanged at NT\$72 as we roll-over our valuation to 13x 12M P/E. The stock is trading at 11x 2014 P/E.

Figure 2: Chipbond quarterly P/L

(NT\$ mn)	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13E	2013E	2014E
Core sales	3,878	4,169	3,657	3,911	3,694	3,492	14,754	16,048
Tape sales	0	0	191	229	293	663	1,376	3,800
Total revenue	3,878	4,169	3,848	4,140	3,988	4,155	16,130	19,848
Gross profit	1,214	1,184	910	1,131	1,031	977	4,050	5,568
OP profit	945	889	642	862	749	665	2,917	4,216
Net profit	708	727	722	735	599	534	2,590	3,387
EPS (NT\$)	1.20	1.22	1.21	1.23	1.00	0.82	4.25	5.23
Core GM (%)	31.3	28.4	24.9	28.9	27.9	27.2	27.3	31.7
Reported GM (%)	31.3	28.4	23.7	27.3	25.9	23.5	25.1	28.1
OPM (%)	24.4	21.3	16.7	20.8	18.8	16.0	18.1	21.2

Source: Company data, Credit Suisse estimates

Tripod Technology

Over-corrected, but likely a value trap in the near term

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Maintain NEUTRAL

EPS: ▼ TP: ▼

- Tripod's 3Q EPS was NT\$1.18, up 16% QoQ/down 8% YoY, in line with CS but below consensus estimates. The results were operationally weaker than expectations, but partially offset by a lower tax rate. The OPM tested the post-financial crisis low of 6.1%, hurt by muted sales, labour cost increase, a worse product mix and asset impairment losses (~70 bp impact).
- We expect its 4Q revenue to see a milder QoQ decline, with stable GM. Automotive (seasonal slowdown) and TFT (weak demand) should witness a bigger correction in 4Q.
- While Tripod remains one of the best performers in the conventional PCB sector, it still fails to reverse the industry headwinds from weak PC demand, more competition and annual labour cost increase.
- To factor in the 3Q13 results and an updated 4Q13 outlook, we lower our FY13-15 EPS estimates by 4-9% and target price to NT\$61 (from NT\$65), still putting the stock at 1.3x P/B and 12x FY14 P/E. We believe the stock is over-corrected, but before it can resume its earnings growth, the stock could be a value trap. Maintain NEUTRAL.

Bbg/RIC	3044 TT / 3044.TW	Price (08 Nov 13, NT\$)	51.20
Rating (prev. rating)	N (N)TP (prev. TP NT\$)	61.00 (65.00)	
Shares outstanding (mn)	525.61	Est. pot. % chg. to TP	19
Daily trad vol - 6m avg (mn)	1.9	52-wk range (NT\$)	72.1 - 51.2
Daily trad val - 6m avg (US\$ mn)	4.1	Mkt cap (NT\$/US\$ mn)	26,911.0/ 914.9
Free float (%)	85.0	Performance	1M 3M 12M
Major shareholders	An-Ho Invest. (7.1%)	Absolute (%)	(8.6) (15.1) (9.9)
		Relative (%)	(7.2) (19.8) (23.5)
Year	12/11A	12/12A	12/13E 12/14E 12/15E
Revenue (NT\$ mn)	40,899	39,121	40,447 42,670 46,288
EBITDA (NT\$ mn)	8,437	6,992	6,567 7,186 7,640
Net profit (NT\$ mn)	4,205	2,933	2,353 2,588 2,894
EPS (NT\$)	8.00	5.58	4.48 4.92 5.51
- Change from prev. EPS (%)	n.a.	n.a.	(4) (9) (7)
- Consensus EPS (NT\$)	n.a.	n.a.	4.87 5.81 6.50
EPS growth (%)	(17.3)	(30.3)	(19.8) 10.0 11.8
P/E (x)	6.4	9.2	11.4 10.4 9.3
Dividend yield (%)	7.0	4.9	3.9 4.3 4.8
EV/EBITDA (x)	2.5	3.5	3.7 2.9 2.3
P/B (x)	1.1	1.1	1.1 1.0 1.0
ROE (%)	19.1	12.2	9.6 10.1 10.6
Net debt(cash)/equity (%)	(24.5)	(10.7)	(9.4) (22.8) (33.7)

Note 1: Tripod Technology Corporation is principally engaged in the manufacture and distribution of printed circuit boards (PCBs). The company provides double-sided PCBs & multilayer PCBs.

Click here for detailed financials

3Q results miss on margins

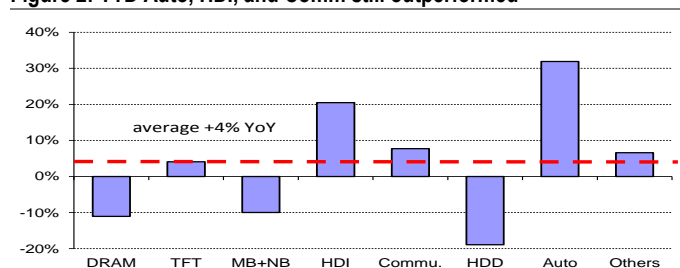
Tripod's 3Q13 EPS was NT\$1.18, up 16% QoQ/down 8% YoY, in line with CS but below consensus estimates. The results were operationally weaker than expectations, but partially offset by a lower tax rate (13.5%, versus guidance of 20%). Its GM declined 50 bp QoQ to 14%, as a 10-15% QoQ labour cost increase and a worse product mix (less TFT, DRAM, and HDD) overshadowed the benefits from falling raw material prices. The OPM continued to test the post-financial crisis new low of 6.1%, although we note that 70 bp was from asset impairment losses (moving to above the line, based on IFRS, from below the line).

Figure 1: Tripod—3Q13 results review

(NT\$ mn)	Actual	CS	+/- (%)	Street	+/- (%)	YoY %	QoQ %
Sales	10,233	10,233	0	10,726	-5	4	0
Gross profits	1,436	1,531	-6	1,645	-13	-10	-3
GM (%)	14.0	15.0		15.3			
Operating profits	627	733	-15	852	-26	-19	-7
OPM (%)	6.1	7.2		7.9			
Pre-tax income	706	799	-12			-18	-2
Net income	622	639	-3	722	-14	-8	16
EPS (NT\$)	1.18	1.22	-3	1.37	-14	-8	16

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

Figure 2: YTD Auto, HDI, and Comm still outperformed



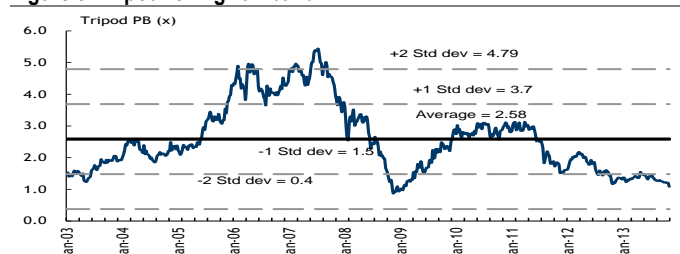
Source: Company data, Credit Suisse estimates

4Q muted as expected; maintain NEUTRAL

We expect 4Q revenue to see a milder QoQ decline, evidenced by its October sales, which accounted for 34% of our 4Q estimate, in line with its historical QTD ratio (34%). By product, we expect automotive (seasonal slowdown) and TFT (weak demand) to see bigger corrections. Its HuBei plant will unlikely expand its capacity until 2014, and could be looking to replace some of its older factories. This puts its capex under NT\$3 bn in 2013.

While Tripod remains one of the best performer in the conventional PCB sector, it still fails to reverse the industry headwinds. YTD, its automotive/HDI/Communication revenues grew ~20% YoY, but overall sales only grew 4% YoY. However, its YTD operating profits declined 23% YoY (or down 17% YoY without an asset impairment impact). Its share gains in auto PCB remain insufficient to reverse its earnings downward trend due to weak PC demand, more competition and annual labour cost increase. To factor in the 3Q13 results and an updated 4Q13 outlook, we lower our FY13-15 EPS estimates by 4-9%, and TP to NT\$61 (from NT\$65), still putting the stock at 1.3x P/B and 12x FY14 P/E. We believe the stock is over-corrected, but before it can resume its earnings growth, it could be a value trap. Stay NEUTRAL.

Figure 3: Tripod rolling P/B band



Source: Company data, Credit Suisse estimates

Thailand
Asia Aviation ----- Maintain UNDERPERFORM
3Q FY13 results disappoint on lower fares
EPS: ▼ TP: ▲

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- Asia Aviation's (AAV) 9M FY13 net profit of Bt820 mn (+77% excluding IPO gains) disappointed CS and the street's FY13 forecasts, mainly due to lower-than-expected fares and ancillary income, as AAV pushed for higher loads at the expense of fares.
- We have cut our FY13-15 average revenue per pax by 1-3%, and raised our jet fuel assumptions by 3-4%, resulting in FY13-15 earnings downgrade of 17-23%.
- Thai aviation market is becoming increasingly crowded, with Indonesia's Lion Air planning to start a JV in Thailand. This JV could cause AAV to de-rate, much like AirAsia did when Lion's Malaysian JV, Malindo Airways, was announced in Sept-2012.
- We have rolled over our target price based on AAV's 55% stake in Thai AirAsia at 9x FY14 EV/EBITDAR (from FY13); we have raised our target price by 2% to Bt5.40. The positives are already priced in; thus we maintain our UNDERPERFORM rating.

pushed for higher load factor (84% vs 82% expectations) at the expense of fares.

Figure 2: AAV's 9M FY13 results

(Bt mn)	9M FY13	9M FY12	YoY (%)	3Q FY13	3Q FY12	QoQ (%)
Turnover	16,984	10,481	62%	5,595	4,426	26%
Forex & IPO gains	170	14,728	-86%	37	6	480%
Operating profit	2,061	15,374	-101%	440	243	81%
Finance Cost	(114)	(3)	nm	(50)	(0)	nm
PBT	1,947	15,371	-87%	390	243	60%
Current Tax	(446)	(181)	146%	(100)	(65)	55%
Tax rate (%)	22.9%	1.2%	nm	0	0	nm
Profit after Tax	1,502	15,189	-90%	290	178	62%
Minority interest	(681)	(49)	1280%	(131)	(79)	67%
Net Profit	820	15,140	-95%	158	100	59%

Source: Company data, Credit Suisse estimates

Earnings downgrade

On the back of these results, we have cut our FY13-15 average revenue per pax by 1-3%. We have also raised our Cost/Ask by 4-5%, largely on the back of 3-4% rise in our jet fuel assumptions. With these changes, we have cut our FY13-15 EPS by 17-23%.

Figure 3: Change in key assumptions

Bt	New			Old			Change		
	FY13	FY14	FY15	FY13	FY14	FY15	FY13	FY14	FY15
Average Fare	1,947	1,928	1,908	1,982	1,923	1,865	-2%	0%	2%
Ancillary per pax	372	390	410	407	427	449	-9%	-9%	-9%
Avg Rev per Pax	2,319	2,318	2,318	2,389	2,350	2,314	-3%	-1%	0%
Jet fuel (US\$/bbl)	123	120	120	120	115	115	3%	4%	4%
Cost/ASK	1.64	1.61	1.62	1.58	1.54	1.54	4%	5%	5%

Source: Company data, Credit Suisse estimates

Increasing competition

The Thai aviation market is becoming increasingly crowded, with Indonesia's Lion Air (unlisted) planning to start a joint venture operating out of Bangkok's Don Muang airport by early-2014. When coupled with the recently recapitalised Nok Air (via its June-2013 IPO), we expect competitive pressure to intensify. With its low cost base, we expect AAV to weather this storm. However, the establishment of a Lion JV in could cause AAV to de-rate, much like AirAsia did when Lion's Malaysian JV, Malindo Airways, was announced in Sept-2012.

Maintain UNDERPERFORM

Although we are positive on the growth prospects of the company, we believe that the share price already reflects this. We have rolled over our target price to FY14 earnings (from FY13). By valuing AAV's 55% stake in Thai AirAsia (unlisted) at 9x EV/EBITDAR, we have raised the target price by 2% to Bt5.40. Given the limited potential upside to this non-index stock, we maintain UNDERPERFORM rating on AAV

Bbg/RIC	AAV TB / AAV.BK		Price (08 Nov 13, Bt)		5.45	
Rating (prev. rating)	U (U)		TP (prev. TP Bt)		5.40 (5.30)	
Shares outstanding (mn)	4,850.00	Est. pot. % chg. to TP		(1)		
Daily trad vol - 6m avg (mn)	20.7	52-wk range (Bt)		7.65 - 4.20		
Daily trad val - 6m avg (US\$ mn)	3.7	Mkt cap (Bt/US\$ mn)		26,432.5/ 839.9		
Free float (%)	40.0	Performance		1M	3M	12M
Major shareholders	TAA management (55%)	Absolute (%)		(1.8)	0.9	15.5
		Relative (%)		1.8	2.8	6.6
Year	12/11A	12/12A	12/13E	12/14E	12/15E	
Revenue (Bt mn)	16,158	19,349	24,470	30,074	35,691	
EBITDAR	4,847.6	5,241.4	7,266.7	8,836.3	10,004.4	
Net profit (Bt mn)	720	16,089	1,515	1,892	2,123	
EPS (Bt)	0.18	3.32	0.31	0.39	0.44	
- Change from prev. EPS (%)	n.a.	n.a.	(23)	(21)	(17)	
- Consensus EPS (Bt)	n.a.	n.a.	0.29	0.39	0.46	
EPS growth (%)	130.6	1,790.1	(90.6)	24.8	12.2	
P/E (x)	31.1	1.6	17.4	14.0	12.5	
Dividend yield (%)	0	0	0	0	0	
EV/EBITDAR (x)	9.8	9.4	7.7	6.8	6.3	
P/B (x)	(9.2)	1.4	1.3	1.2	1.1	
ROE (%)	(24.6)	202.7	7.9	9.1	9.3	
Net debt(cash)/equity (%)	155.9	(7.9)	8.3	16.0	19.9	

Note 1: Asia Aviation is the holding company of Thai AirAsia, an Low Cost Carrier (LCC) operating in partnership with AirAsia Berhad. The company operates primarily in Thailand and serves international routes in ASEAN, China and India.

Click here for detailed financials

The results

Asia Aviation's (AAV) 9M FY13 net profit of Bt820 mn, which in the absence of a Bt14.7 bn IPO gain in 2Q FY12, grew 77% YoY on fleet expansion (+24% YoY) and higher revenue per pax (+2% YoY).

Figure 1: AAV's key operating

	9M FY13	9M FY12	YoY	3Q FY13	3Q FY12	QoQ
Pax (000)	7,544.1	6,028.5	25.1%	2,557.3	1,962.1	30.3%
Seat load factor	84%	82%	1.7 pp	83%	82%	1.8 pp
No of aircraft	31	25	24.0%	31	25	24.0%
Av fare (Bt)	1,905	1,875	1.6%	1,842	1,915	-3.8%
Av ancillary (Bt)	346	336	3.0%	346	341	1.5%

Source: Company data, Credit Suisse estimates

Nonetheless, the results were below expectations at 42% of CS's FY13 forecast and 57% of the street's. This was driven mainly by lower-than-expected fares and ancillary income, with 9M FY13 average revenue per pax coming in 6% lower than expected as AAV

Robinson Department Store Pcl -----Maintain NEUTRAL

Not yet in the clear EPS: ◀▶ TP: ◀▶

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- 3Q13 results for ROBINS continued to show the impact from slowing consumption and the influence it has on competition and profitability. Results and EPS were in line with our forecasts but missed consensus by -3% and -6%, respectively.
- SSSG recovered sequentially from 3.5-year lows in 2Q13, but sales growth was fuelled by sales promotion campaigns, marketing events and clearance sales. Combined with rising expenses of new stores, the resulting profit impact was that EBITDA margins declined by 51 bp YoY to 13.6%—a 2.5-year low.
- While consensus 2013E EPS has decreased by 10% and 15% in the last three and six months, we expect negative earnings revisions to continue as slowing topline puts downward pressure on margins. Consensus' implied 4Q13 revenue growth is 15.5%, which is still somewhat high considering decelerating trends and the high base in 4Q12 (24% YoY sales growth).
- While ROBINS remains one of our preferred structural stories in Thai retail in the long term, we maintain our NEUTRAL rating given the near-term risk of consumption slowdown and deteriorating margins.

Bbg/RIC	ROBINS TB / ROBI.BK	Price (08 Nov 13, Bt)	54.00
Rating (prev. rating)	N (N)	TP (prev. TP Bt)	53.20 (53.20)
Shares outstanding (mn)	1,110.66	Est. pot. % chg. to TP	(1)
Daily trad vol - 6m avg (mn)	1.75	52-wk range (Bt)	82.3 - 43.8
Daily trad val - 6m avg (US\$ mn)	3.1	Mkt cap (Bt/US\$ mn)	59,975.7 / 1,905.8
Free float (%)	46.0	Performance	1M 3M 12M
Major shareholders	Central Retail Corp.	Absolute (%)	(2.3) (3.6) (11.5)
		Relative (%)	1.4 (1.7) (20.3)
Year	12/11A	12/12A	12/13E
Revenue (Bt mn)	17,630	21,620	24,869
EBITDA (Bt mn)	2,754	3,481	3,951
Net profit (Bt mn)	1,453	2,063	2,137
EPS (Bt)	1.31	1.86	1.92
- Change from prev. EPS (%)	n.a.	n.a.	0
- Consensus EPS (Bt)	n.a.	n.a.	1.92
EPS growth (%)	(15.3)	41.9	3.6
P/E (x)	41.2	29.1	28.1
Dividend yield (%)	1.0	1.4	1.4
EV/EBITDA (x)	21.8	17.2	15.2
P/B (x)	6.9	6.0	5.4
ROE (%)	17.4	21.9	20.2
Net debt(cash)/equity (%)	0.4	0.3	—

Note 1: Robinson is the second-largest department store operator in Thailand with 24 urban and rural stores targeting middle income consumers.

Click here for detailed financials

Consumption slowdown continues to be evident in 3Q13

Following a disappointing 2Q13 when ROBINS recorded the lowest SSSG and top-line sales growth in the past 3.5 years, the company's sales saw a slight sequential improvement in growth in 3Q13, although still missing consensus estimate by 3%. The QoQ increase in SSSG from 3.7% to 5% was primarily due to sales promotion campaigns, clearance activity and marketing events to stimulate traffic and spending amid a weak domestic consumption environment. We believe this activity is more aggressive in Bangkok where SSSG numbers remain negative.

This activity is likely to persist into 4Q13 as we expect a similar level of sales growth of 13% as what ROBINS reported in 3Q13.

Figure 1: ROBINS—3Q13 earnings summary

Bt mn except per share data	3Q13	3Q12	2Q13	YoY	QoQ
SSSG	5.0%	7.5%	3.7%	-250bps	130bps
Retail sales	5,869	5,204	5,560	13%	6%
Retail gross profit	1,395	1,227	1,386	14%	1%
Rental income	328	275	311	19%	5%
Associate income	90	60	75	49%	20%
Other income	188	165	180	14%	4%
Operating expenses	1,122	923	954	22%	18%
EBITDA	879	803	998	9%	-12%
EBIT	568	534	601	6%	-5%
Pre-tax income	568	534	601	6%	-5%
Net income	425	380	447	12%	-5%
Reported EPS	0.38	0.34	0.40	12%	-5%

Operating Data

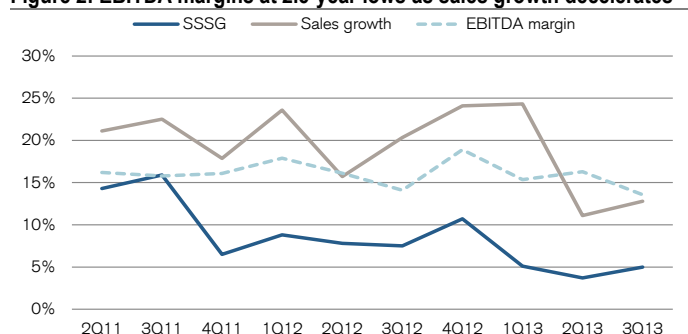
Retail gross margin	23.8%	23.6%	24.9%	20bp	-115bp
EBITDA margin	13.6%	14.1%	16.3%	-51bp	-272bp
Operating expense ratio	17.3%	16.2%	15.6%	114bp	176bp
Net margin	6.6%	6.7%	7.3%	-10bp	-74bp

Source: Company data

EBITDA margins hit 2.5-year lows

With sales growth of 13% YoY but operating expenses increasing by 22% due to higher pre-opening and SG&A costs of eight new stores, negative operating leverage set in and led to a 51 bp YoY decline in EBITDA margins to 13.6%. This is the lowest level since 4Q10 and a concern going forward, since one of key reasons we prefer Robinson over other Thai retailers is its ability to leverage lower cost ratios due to its affiliation with Central Retail Corp. The continuation of negative operating leverage and deteriorating margins in the next quarters could put a dent in our long-term investment thesis of ROBINS as a structural growth story with significant ROIC expansion potential.

Figure 2: EBITDA margins at 2.5-year lows as sales growth decelerates



Source: Company data

Not the end of negative earnings revisions

While ROBINS and the Thai retail sector have seen negative EPS revisions of -10% and -12%, respectively, in the last three months, we believe the downward earnings revision trend could continue as negative operating leverage starts to be more evident in the sector. Sector-wide we continue to expect pressure on valuation multiples as growth is unlikely to materially accelerate for the next 2-3 quarters.

Recently Published Research

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Thu 7 Nov	Acer Group - Acer needs a Transformer: 3Q13 review	Thompson Wu	886 2 2715 6386	thompson.wu@credit-suisse.com

Companies mentioned

Acer Group (2353.TW, NT\$16.5, UNDERPERFORM, TP NT\$11.0)
AirAsia (AIRA.KL, RM2.63)
Asia Aviation (AAV.BK, Bt5.45, UNDERPERFORM, TP Bt5.4)
Asiana Airlines (020560.KS, W4,885, UNDERPERFORM, TP W4,200)
Bakrie Telecom PT (BTCL.JK, Rp50, UNDERPERFORM, TP Rp40)
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Chang Hwa Commercial Bank (2801.TW, NT\$17.4)
Cheung Kong Holdings (0001.HK, HK\$120.4, OUTPERFORM, TP HK\$151.2)
China Development Financial (2883.TW, NT\$8.57)
China Life Taiwan (2823.TW, NT\$27.75)
Chipbond (6147.TWO, NT\$57.6, OUTPERFORM, TP NT\$72.0)
Cognizant Technology Solutions Corp. (CTSH.OQ, \$89.5)
Crompton Greaves (CROM.BO, Rs106.8, UNDERPERFORM, TP Rs98.0)
CTBC Holding (2891.TW, NT\$18.9)
Cummins India (CUMM.BO, Rs404.65, NEUTRAL, TP Rs382.0)
Dr. Reddy's Laboratories Limited (REDY.BO, Rs2401.0, OUTPERFORM, TP Rs2850.0)
E.Sun Financial Holding Co. (2884.TW, NT\$19.4)
Emerson (EMR.N, \$66.05)
First Financial Holding Co Ltd (2892.TW, NT\$17.8)
Formosa Chemical & Fibre (1326.TW, NT\$80.2)
Formosa Petrochemical (6505.TW, NT\$78.0)
Formosa Plastics (1301.TW, NT\$75.9)
Franshion Properties (China) Limited (0817.HK, HK\$2.61, OUTPERFORM, TP HK\$3.8)
Fubon Financial Holding (2881.TW, NT\$41.0)
Hanwha Chemical (009830.KS, W22,500)
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Hindustan Petroleum (HPCL.BO, Rs219.4)
Hopewell Holdings (0054.HK, HK\$25.95)
HSBC Holdings (0005.HK, HK\$85.4)
Hua Nan Financial Holding (2880.TW, NT\$17.1)
IJM Land Berhad (IJML.KL, RM2.75, OUTPERFORM, TP RM3.8)
Indian Oil Corp Limited (IOC.BO, Rs213.2, NEUTRAL, TP Rs233.0)
Indorama Ventures PCL (IVL.BK, Bt24.7)
Itochu Corp (8001.T, ¥1,221)
ITV (ITV.L, 191.6p)
Johnson Electric Hdg. (0179.HK, HK\$5.86, OUTPERFORM, TP HK\$6.45)
Kerry Properties (0683.HK, HK\$33.1)
Korean Air (003490.KS, W33,150)
LG Chem Ltd. (051910.KS, W284,000)
Lotte Chemical (011170.KS, W207,000)
LOTTE Himart (071840.KS, W84,900)
Lotte Shopping (023530.KS, W383,000, NEUTRAL, TP W420,000)
Marriott International (MAR.OQ, \$45.43)
Marubeni Corp (8002.T, ¥747, OUTPERFORM, TP ¥920)
Max India Ltd (MAXI.BO, Rs189.15, OUTPERFORM, TP Rs251.0)
Mega Financial Holding Co Ltd (2886.TW, NT\$24.2)
Merck KGaA (MRCG.DE, €123.6)
Midland Holdings Ltd (1200.HK, HK\$3.19)
Mirvac Group (MGR.AX, A\$1.76, OUTPERFORM, TP A\$1.87)
Mitsubishi Corp (8058.T, ¥1,965)
Mitsui & Co (8031.T, ¥1,351)
Nan Ya Plastics (1303.TW, NT\$63.1)
New World Development (0017.HK, HK\$10.6)
Nippon Telegraph and Telephone (9432.T, ¥5,120, OUTPERFORM, TP ¥6,000)
Nok Airlines (NOK.BK, Bt24.0)
NTT Data (9613.T, ¥3,245)
NTT DoCoMo (9437.T, ¥1,549)
Oracle Corporation (ORCL.N, \$34.0)
OUE Hospitality Trust (OUER.SI, S\$0.88, OUTPERFORM[V], TP S\$1.04)
Petronas Chemicals Group BHD (PCGB.KL, RM6.83)
PT Indosat Tbk (ISAT.JK, Rp3,950)
PT Sarana Menara Nusantara (TOWR.JK, Rp2,600)
PT Tambang Batubara Bukit Asam Tbk (PTBA.JK, Rp11,600, NEUTRAL, TP Rp12,000)
PT Telkom (Telekomunikasi Indo.) (TLKM.JK, Rp2,275)
PTT Global Chemical (PTTGC.BK, Bt79.25, OUTPERFORM, TP Bt95.0)
PTT Public Company Limited (PTT.BK, Bt310.0)
Punjab National Bank Ltd (PNBK.BO, Rs545.0, NEUTRAL, TP Rs555.0)
Reliance Industries (RELI.BO, Rs875.5)
Robinson Department Store Pcl (ROBI.BK, Bt54.0, NEUTRAL, TP Bt53.2)
Shandong Weigao Group Medical (1066.HK, HK\$6.99, UNDERPERFORM[V], TP HK\$6.62)
Shin Kong Financial Holding (2888.TW, NT\$10.1)
Sino Land (0083.HK, HK\$10.62, OUTPERFORM, TP HK\$15.02)
Sinopac Holdings (2890.TW, NT\$14.25)
SK Innovation (096770.KS, W140,500)
Standard Chartered Plc (2888.HK, HK\$183.1, UNDERPERFORM, TP HK\$171.71)
Sumitomo Corp (8053.T, ¥1,237)
Sun Hung Kai Properties (0016.HK, HK\$102.0, OUTPERFORM, TP HK\$140.9)
Sun TV network (SUTV.BO, Rs413.0, OUTPERFORM, TP Rs500.0)
Taishin Financial Holding (2887.TW, NT\$14.25)
Tower Bersama (TBIG.JK, Rp6,050)
Tripod Technology (3044.TW, NT\$51.2, NEUTRAL, TP NT\$61.0)
UEM Sunrise Bhd (UMSB.KL, RM2.36, OUTPERFORM, TP RM3.5)
United Spirits Ltd. (UNSP.BO, Rs2393.95, OUTPERFORM[V], TP Rs2650.0)

Vipshop Holdings Limited (VIPS.N, \$74.88, NEUTRAL[V], TP \$60.0)
Wharf Holdings (0004.HK, HK\$63.95)
Wheelock and Company Limited (0020.HK, HK\$38.3, OUTPERFORM, TP HK\$48.54)
Whitbread (WTB.L, 3449.0p)
Wilmar International Ltd (WLIL.SI, S\$3.45, NEUTRAL, TP S\$3.73)
WPP (WPP.L, 1368.0p)
XL Axiata Tbk (EXCL.JK, Rp4,900)
Yuanta Financial Holding Co Ltd (2885.TW, NT\$15.65)
Zee Entertainment Enterprise (ZEE.BO, Rs265.75)

Disclosure Appendix

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