Top of the pack ...

China Unicom Hong Kong Ltd (0762.HK) – Maintain O

Colin McCallum, CA (3)

Unicom FY16 results weak, but FY17 capex slashed as Unicom emerges from investment phase

Samsung Electro-Mechanics (009150.KS) – Maintain O

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Strong profit recovery led by GS8 product cycle

India Telecoms Sector

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Mortgage update: FD-linked packages most popular

SAVE THE DATE

March 27 – 30, 2017
Hong Kong

Global

Global EM Equity Strategy – Increase to OW

Alexander Redman (7)

Buying Malaysia: the ultimate contrarian trade

Australia

[NEW] Goodman Group (GMG.AX) – Maintain O

Ian Randall (8)

The world’s most fascinating company…

[NEW] Santos Ltd (STO.AX) – Upgrade to N

Mark Samter (9)

Upgrade to Neutral—but plenty in store(age)

China

China Construction Machinery – Maintain OW

Amy Ji (10)

Loader sales volume more than doubled in Feb; positive sector momentum continues

China Airlines Sector

Baoying Zhai (11)

Feb traffic: PLF improved on good capacity control and domestic demand

... and the whole pack

Connecting clients to corporates

Thematic Trip

Pre AIC: India Autos Tour

Date: 20-22 March, New Delhi, Mumbai, Pune

Analyst: Jatin Chawla

Pre AIC: India Macro Investment Cycle Tour

Date: 22-24 March, New Delhi

Analyst: Lokesh Garg

Pre AIC: China Internet Tour

Date: 21-24 March, Shanghai, Beijing, HK/Shenzhen

Analyst: Evan Zhou

Pre AIC: India Consumer Tour

Date: 22-24 March, Mumbai, Bengaluru

Analyst: Amab Mitra

Pre AIC: China Macro/Policy Tour

Date: 23-24 March, Beijing

Analyst: Vincent Chan

Corporate Days / Conferences

20th Annual Asian Investment Conference

Date: 27-30 March, Hong Kong

Hong Kong / China (Non-deal roadshow)

Longyuan Power (0916.HK)

Date: 16-17 March, Hong Kong

Analyst: Dave Dai

VA Tech Wabag (VATE.BO)

Date: 20-21 March, Hong Kong

Analyst: Anantha Narayan

Tongda Group Holdings Ltd (0698.HK) Post Results

Date: 21 March, Hong Kong

Analyst: Kyna Wong

Truly International (0732.HK) Post Results

Date: 21 March, Hong Kong

Analyst: Kyna Wong

Cheung Kong Infrastructure (1038.HK) Post Results

Date: 22 March, Hong Kong

Analyst: Dave Dai

Singapore (Non-deal roadshow)

Hyundai Marine & Fire (001450.KS)

Date: 17 March, Singapore

Analyst: Gil Kim

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

Source: Company data, Credit Suisse estimates

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Asian Daily

Thursday, 16 March 2017

Asian indices - performance

<table>
<thead>
<tr>
<th>(% change)</th>
<th>Latest</th>
<th>1D</th>
<th>1W</th>
<th>3M</th>
<th>YTD</th>
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<td>STI</td>
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Thomson Reuters

Asian currencies (vs US$)

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<tr>
<th>(% change)</th>
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<td>AS</td>
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<td>Bi</td>
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<td>(0.7)</td>
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<td>D</td>
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<td>NT$</td>
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<td>P</td>
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<td>(0.5)</td>
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<td>FRs</td>
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<td>(0.0)</td>
<td>(0.1)</td>
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<td>Rp</td>
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<td>Rs</td>
<td>66</td>
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<td>(1.7)</td>
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<td>SS</td>
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<tr>
<td>W</td>
<td>1,128</td>
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<td>(2.3)</td>
<td>(4.6)</td>
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Global indices

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<thead>
<tr>
<th>(% change)</th>
<th>Latest</th>
<th>1D</th>
<th>1W</th>
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<td>(2.8)</td>
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<td>US$E</td>
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<td>US$Y</td>
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<td>5.8</td>
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<tr>
<td>VXO</td>
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<td>(5.4)</td>
<td>(1.9)</td>
<td>(11.1)</td>
<td>(17.2)</td>
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MSCI Asian indices – valuation & perf.

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<tr>
<th>MSCI Index</th>
<th>EPS grth.</th>
<th>P/E (x)</th>
<th>Performance</th>
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<td>17E</td>
<td>16E</td>
<td>17E</td>
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<tr>
<td>Asia F X Japan</td>
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<td>15.4</td>
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<tr>
<td>Asia Pac F X J.</td>
<td>(1)</td>
<td>14</td>
<td>16.3</td>
</tr>
<tr>
<td>Australia</td>
<td>(17)</td>
<td>13</td>
<td>19.1</td>
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<tr>
<td>China</td>
<td>1</td>
<td>15</td>
<td>14.6</td>
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<td>Hong Kong</td>
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<td>India</td>
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<td>12.2</td>
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<td>3</td>
<td>6</td>
<td>17.3</td>
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<td>11</td>
<td>12.1</td>
</tr>
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<td>7</td>
<td>18.9</td>
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<td>Sri Lanka</td>
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<td>11</td>
<td>15.0</td>
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<td>Taiwan</td>
<td>11</td>
<td>9</td>
<td>16.2</td>
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<tr>
<td>Thailand</td>
<td>10</td>
<td>4</td>
<td>11.0</td>
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+ Thomson Reuters. All data as of the most recent market close.

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China Unicom Hong Kong Ltd

Unicom FY16 results weak, but FY17 capex slashed as Unicom emerges from investment phase

Colin McCallum, CA / Research Analyst / 852 2101 6514 / colin.mccallum@credit-suisse.com

FY16 Snap reaction: FY16 service revenue Rmb241.0 bn, up 2.4% YoY and 2.4% below our forecast, FY16 EBITDA Rmb79.5 bn, down 9.1% YoY, and 5.3% below our forecast, FY16 net profit Rmb625 mn, down 94.1% YoY, as already pre-announced.

Across FY16 as a whole, Unicom's cellular service revenue grew by just 1.7% YoY, as Unicom enjoyed only an anaemic YoY bounce following the October 2015 data rollover policy, as well as a marginally improved operating performance. However, Unicom's fixed-line business continued to produce solid results in FY16.

FY16 EBITDA declined 9.1% YoY. The absence of data rollover helped in 4Q16, but this positive contribution was outweighed across FY16 as a whole by marketing costs and tower lease fees.

We have cut our FY16 Unicom revenue, EBITDA and net profit forecasts by 4.0%, 7.4% and 51.0%, respectively. However, guidance for a 37.6% YoY decline in capex in FY17, to just Rmb45.0bn, was a major positive surprise and our DCF-based target price rises 9.7% from HK$12.85 to HK$14.10. OUTPERFORM rating maintained.

FY16's 8.4% cellular service revenue decline, but it was a weaker recovery than we had projected, missing our forecast by 6.0%.

Unicom's fixed-line business continued to produce reasonably solid results in FY16, with revenue rising 3.8% YoY. Broadband revenues (stable at Rmb43.8 bn) are no longer growing, due to China Mobile's relatively aggressive, and in our view, value-destructive, fixed broadband rollout, but surging datacentre revenues (up 33.7% YoY to Rmb9.5bn) were large enough to offset declines in traditional voice services and boost the overall growth rate. Thus, fixed-line service revenues overall grew by 3.6% YoY, beating our forecast of 'flat' by 3.6%. Overall, Unicom's total consolidated service revenue therefore rose by 2.4% YoY into FY16, missing our forecast by just 2.4%.

EBITDA fell 9.1% YoY, missing our forecast by 5.3%

Across FY16 as a whole, EBITDA fell 9.1% YoY. On the one hand, the absence of a repeat of the data rollover policy helped the year-on-year EBITDA growth rate into 4Q16. However, this positive contribution was outweighed across FY16 by heavy selling and marketing costs (excluding handset subsidies), which rose 8.3% YoY as Unicom attempted to improve its top-line momentum and reverse the FY15 cellular revenue fall. Network operating costs also increased sharply following Unicom's heavy 4G catch-up investment in 2H15 (following Chairman Wang's arrival), and in addition, Unicom faced c. Rmb19.5 bn in lease fees paid to the China Tower company. With weaker-than-expected and slightly larger-than-projected operating costs, FY16 EBITDA declined 9.1% YoY and missed our forecast by 5.3%.

EBITDA margin %

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<thead>
<tr>
<th>Year</th>
<th>12/15A</th>
<th>12/16A</th>
<th>12/17E</th>
<th>12/18E</th>
<th>12/19E</th>
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<tbody>
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<td>Revenue (Rmb mn)</td>
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<td>274,197</td>
<td>287,025</td>
<td>301,706</td>
<td>314,716</td>
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<tr>
<td>EBITDA (Rmb mn)</td>
<td>87,502</td>
<td>79,498</td>
<td>86,170</td>
<td>91,793</td>
<td>98,457</td>
</tr>
<tr>
<td>Net profit (Rmb mn)</td>
<td>10,562</td>
<td>625</td>
<td>3,449</td>
<td>9,258</td>
<td>16,748</td>
</tr>
<tr>
<td>EPS (CS adj. Rmb)</td>
<td>0.44</td>
<td>0.03</td>
<td>0.14</td>
<td>0.39</td>
<td>0.70</td>
</tr>
<tr>
<td>EPS growth (%)</td>
<td>(7.4)</td>
<td>(1.0)</td>
<td>(35.4)</td>
<td>(2.6)</td>
<td>(7.4)</td>
</tr>
<tr>
<td>P/E (x)</td>
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<td>326.0</td>
<td>59.1</td>
<td>22.0</td>
<td>12.2</td>
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<tr>
<td>Dividend yield (%)</td>
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<td>0.4</td>
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<td>4.0</td>
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<tr>
<td>E/EBITDA (x)</td>
<td>3.8</td>
<td>4.4</td>
<td>2.9</td>
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<tr>
<td>P/B (x)</td>
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<td>0.9</td>
<td>0.8</td>
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<td>ROE (%)</td>
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<td>6.3</td>
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<tr>
<td>Net debt/cash(liquidity) (%)</td>
<td>55.1</td>
<td>65.5</td>
<td>34.3</td>
<td>22.9</td>
<td>14.3</td>
</tr>
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</table>

Note 1: CRD/ADR=10.00. Note 2: China Unicom [Hong Kong] Limited operates fixed line and cellular services in China.

Cellular service revenue up 1.7% YoY, fixed line up 3.6%

Across FY16 as a whole, Unicom's cellular service revenue grew just 1.7% YoY, which was a disappointing anaemic YoY bounce following the October 2015 data rollover policy (which had effectively resulted in one month of cellular data revenue "going missing" from the P&L account in 4Q15 due to being booked as deferred revenue on the balance sheet). While there was also an improved operating performance, with 60.4 mn 4G net adds recorded in FY16, versus just 34.7 mn 3G/4G net adds in FY15, the resulting 8.6% increase in ARPU was disappointing, particularly when we consider the aforementioned "tailwind" from data rollover, together with the fact that the subscriber base was re-stated (downwards) in December 2016. Nevertheless, with the average subscriber base falling by 6.4% and ARPU increasing by 8.6%, cellular service revenue grew by 1.7% across FY16 as a whole. This represented a clear improvement from the subscriber base was re-stated (downwards) in December 2016. Nevertheless, with the average subscriber base falling by 6.4% and ARPU increasing by 8.6%, cellular service revenue grew by 1.7% across FY16 as a whole. This represented a clear improvement from

FY16's 8.4% cellular service revenue decline, but it was a weaker recovery than we had projected, missing our forecast by 6.0%.

Unicom's fixed-line business continued to produce reasonably solid results in FY16, with revenue rising 3.8% YoY. Broadband revenues (stable at Rmb43.8 bn) are no longer growing, due to China Mobile's relatively aggressive, and in our view, value-destructive, fixed broadband rollout, but surging datacentre revenues (up 33.7% YoY to Rmb9.5bn) were large enough to offset declines in traditional voice services and boost the overall growth rate. Thus, fixed-line service revenues overall grew by 3.6% YoY, beating our forecast of 'flat' by 3.6%. Overall, Unicom's total consolidated service revenue therefore rose by 2.4% YoY into FY16, missing our forecast by just 2.4%.

EBITDA fell 9.1% YoY, missing our forecast by 5.3%

Across FY16 as a whole, EBITDA fell 9.1% YoY. On the one hand, the absence of a repeat of the data rollover policy helped the year-on-year EBITDA growth rate into 4Q16. However, this positive contribution was outweighed across FY16 by heavy selling and marketing costs (excluding handset subsidies), which rose 8.3% YoY as Unicom attempted to improve its top-line momentum and reverse the FY15 cellular revenue fall. Network operating costs also increased sharply following Unicom's heavy 4G catch-up investment in 2H15 (following Chairman Wang's arrival), and in addition, Unicom faced c. Rmb19.5 bn in lease fees paid to the China Tower company. With weaker-than-expected and slightly larger-than-projected operating costs, FY16 EBITDA declined 9.1% YoY and missed our forecast by 5.3%.

Figure 1: FY16 results—YoY analysis and versus CS estimates

<table>
<thead>
<tr>
<th>(Rmb mn)</th>
<th>FY16A</th>
<th>FY15A</th>
<th>YoY %</th>
<th>CSFY16E</th>
<th>Diff. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total service revenue</td>
<td>240.962</td>
<td>235.278</td>
<td>2.4%</td>
<td>247.005</td>
<td>(2.4%)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>79.498</td>
<td>87.502</td>
<td>(9.1%)</td>
<td>83.985</td>
<td>(5.3%)</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>29.0%</td>
<td>31.6%</td>
<td>(2.6%)</td>
<td>29.2%</td>
<td>(0.2%)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(76.805)</td>
<td>(76.738)</td>
<td>0.1%</td>
<td>(76.526)</td>
<td>(2.2%)</td>
</tr>
<tr>
<td>Net Profit</td>
<td>625</td>
<td>10,562</td>
<td>(94.1%)</td>
<td>634</td>
<td>(1.4%)</td>
</tr>
</tbody>
</table>

Source: Company data, Credit Suisse estimates.

Capex guided to decline sharply into FY17

On the positive side, capex guidance for FY17 was for a decline of 37.6% YoY to Rmb45.0 bn. While this surprised us, and the market, from a 'big picture' perspective this actually makes sense given: (1) Unicom's large underlying 2100MHz W-CDMA network; (2) 4G network utilisation of 'less than 20%'; (3) the existence of the tower company; (4) a fibre-heavy fixed-line network already in place; and (5) 5G has not yet been standardised. In this context what is actually a 17.7% FY17 capex-to-sales ratio should not seem odd, but it is a huge positive surprise given historic and material capex overspend in China.

On our revised forecast, Unicom's FY17 cash flow yield is 16.9%.

Figure 2: FY17 Credit Suisse model amendments

<table>
<thead>
<tr>
<th>Rmb mn</th>
<th>Previous</th>
<th>Revised</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service revenue</td>
<td>265,949</td>
<td>255,198</td>
<td>-4.0%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>93,051</td>
<td>86,170</td>
<td>-7.4%</td>
</tr>
<tr>
<td>Capex</td>
<td>(73,188)</td>
<td>(45,264)</td>
<td>-38.2%</td>
</tr>
<tr>
<td>Net profit</td>
<td>7,045</td>
<td>3,449</td>
<td>-51.0%</td>
</tr>
</tbody>
</table>

Source: Company data, Credit Suisse estimates.

Asian Daily

Thursday, 16 March 2017
High capacity MLCC mix should drive a sharp MLCC profit turnaround. 4Q16 MLCC profit plunge was attributable to the mix deterioration on declining solutions’ MLCC shipment related to GN7 production halt. This negative impact has been fully reflected in 2H16. The upcoming GS8 will use richer mix of high capacity MLCC. Average mix of high-end MLCC typically makes up about 30% of MLCC shipment volume. However, without GN7, the high-end mix fell to 10%, which led to sharp OPM decline in 4Q16. The normalisation of solution MLCC mix should drive up ASP and OPM. Additionally, the new Philippine MLCC plant yield has improved significantly during 1Q17 post ramp-up difficulty during the prior quarter. This plant will only produce high-end MLCC where 5% increase in total capacity is expected to drive up MLCC revenue incrementally by 20% in 2017. MLCC margins are expected to normalise to ~10% OPM from near B/E in 4Q16. We expect MLCC to contribute W53 bn to OP in 1Q17.

Figure 2: SEMCO—MLCC OPM (%) trend

Source: Company data, Credit Suisse estimates

Expect stronger 2H17 for Camera Modules. CM margins should improve on strong volume pick-up related to GS8 inventory shipment, slightly higher ASP reset on some modifications and higher production volume. CM specs for GS8 are not expected to change except for minor modification to strengthen the module. CM profitability should improve by 2H17 as dual-camera module mix begins to grow from sales to major Chinese smartphone makers. Over five major brands have qualified SEMCO’s dual CMs with high volume in initial orders, which already began shipping. Dual camera OPM is expected to be about 7%-8%, vs about 3% average of single CM. Profitability should improve with higher dual CM penetration.

HDI losses still deep but improving. The mix deterioration and relocation costs led to sharp profit contraction for HDI. The Vietnam plant was a big investment to be near Samsung’s new smartphone site. HDI production in Vietnam is expected to rise by 5x in 2017, marking the beginning of operational efficiency. OPM in 4Q16 was -50%, impacted by GN7 and Vietnam plant inefficiency. Operating losses are moderating to minus 32% before a target B/E by early 2018.

Figure 2: SEMCO—HDI OPM (%) trend

Source: Company data, Credit Suisse estimates

Expecting strong QoQ profit recovery. SEMCO’s core operations should show signs of strong turnaround in 1Q17. The negative impact from the discontinuation of GN7 should have been fully reflected in 4Q16. High-end component shipments related to GS8 began in February and should lead the strong profit recovery in 1Q17. More specifically, strong QoQ MLCC revenue growth and profit recovery is expected. Some modification to the CM is leading to slightly higher price reset despite no meaningful feature changes. Driven by higher seasonal volume, the rising utilisation rates are also leading to a profit turnaround within the camera module division. HDI remains the biggest culprit in limiting a sharper potential earnings growth. However, losses are beginning to moderate.
India Telecoms Sector

Idea reported to be in talks to sell towers

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Viral Shah / Research Analyst / 91 22 6777 3827 / viral.shah@credit-suisse.com

- Media reports (CNBC) claim that Idea is close to finalising a deal to sell its towers to ATC (Idea has clarified that no such proposal is being considered by the board). Reported tenancy ratio for Idea's towers is 1.68.

- Using BHIN's current valuation, Idea would receive US$846 mn for its tower portfolio (assuming a 100% sale). While this would help reduce Idea's leverage of 5.7x net debt/annualised EBITDA, we could see Idea's EBITDA fall by ~5% with depreciation cost now being replaced by rentals. Post sale, net-debt/annualised EBITDA could settle at 5.3x based on the current numbers.

- Increasingly, operators appear comfortable letting go of their tower investments to recapitalise their balance sheets at a time when competitive pressures are high and capex needs are rising.

- For tower companies, a shift to ownership independent of operators could warrant a better valuation multiple, in our view. We recently upgraded BHIN after the stock fell post the Vodafone-Idea merger talks announcement. We believe BHIN's share price captures most of the negatives from M&A.

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Figure 1: Tenancy ratio for Idea's towers is ~27% lower than for market leader Indus

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Figure 2: Idea's own towers accounts for ~2% of total towers in India

Media reports (CNBC) claim that Idea is close to finalising a deal to sell its 9,784 own towers to ATC (Idea has clarified that no such proposal is being considered by the board). This is outside of Idea's 11.15% stake in Indus towers. On its own towers, Idea reported a tenancy ratio of 1.68 for Dec-16 (comparable numbers for Bharti Infratel standalone/Indus would be 2.17/2.29, respectively).

Using BHIN's current EV/tower valuation and assuming complete sale of its own towers, we arrive at an EV of Rs55.8 bn (US$846 mn) for this tower portfolio (one could argue that Idea's tower portfolio should be valued at a discount to BHIN given its lower tenancy ratio). While this would help reduce Idea's leverage (net debt US$7.4 bn, 5.7x EBITDA Dec-16 annualised), this would also be offset by depreciation costs being replaced by rentals. Using BHIN's rentals as an indication, we could see Idea's EBITDA reduce by ~5%. Post sale, net-debt/annualised EBITDA could settle at 5.3x based on the current numbers.

Operators appear to be increasingly comfortable letting go of their tower investments (last year Bharti Airtel announced that it is looking to sell a significant stake in BHIN). This is one easy way of recapitalising the operator balance sheets at a time when competitive pressures are high and capex needs are rising.

Valuation Metrics

<table>
<thead>
<tr>
<th>Company</th>
<th>Ticker</th>
<th>Rating</th>
<th>Price</th>
<th>Year</th>
<th>P/E (x)</th>
<th>P/B (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bharti Airtel</td>
<td>BRTI.BO</td>
<td>U</td>
<td>363.15</td>
<td>03/16</td>
<td>34.4</td>
<td>2.1</td>
</tr>
<tr>
<td>Idea Cellular</td>
<td>IDEA.BO</td>
<td>U</td>
<td>112.90</td>
<td>03/16</td>
<td>n.m.</td>
<td>n.m.</td>
</tr>
<tr>
<td>Bharti Infratel</td>
<td>BHNL.BO</td>
<td>O</td>
<td>309.05</td>
<td>03/16</td>
<td>18.1</td>
<td>20.1</td>
</tr>
</tbody>
</table>

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

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Singapore Banks Sector

Mortgage update: FD-linked packages most popular

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Dawei Lee / Research Analyst / 65 6212 3004 / dawei.lee@credit-suisse.com

- Banks in Singapore continue to offer more choices in an effort to gain some market share in the housing loan segment. All three banks engaged in a short-lived price war recently with a zero spread loan package (only applicable to properties still under construction).
- FD-linked rate packages continue to be the most popular choice, with DBS offering the best rate (0.88% spread). BOC offers the best fixed rate package at 1.65%, followed by UOB at 1.68%.
- Mortgage yields have risen compared to October last year, and retail funding costs remain relatively low. In addition, the recent easing of property measures may provide some upside surprise to mortgage loan growth. Our property analyst highlighted that residential fundamentals are improving with record-low unsold inventory, and rising volumes and take-up rates.
- UOB remains our top pick in the sector, with 27% of loan exposure to the housing market (DBS at 21%, OCBC at 27%). With SIBOR rising, mortgage borrowers are tilting towards fixed rate packages. BOC offered the most attractive fixed rate packages (1.65% fixed up to two years, or 1.7% for three years). But given the imminent rise in US rates and uncertainty surrounding SIBOR (largely due to uncertainty about the direction of SGD), banks have moved back to a different type of board rate packages—now linked to their fixed deposit board rates.

Competitive market; zero spread price war recently

DBS launched a zero spread fixed deposit package recently in a bid to gain market share in housing loans. UOB retaliated immediately with a similar offer, with OCBC joining the fray last. However, the promotion lasted only for a week and was for properties still under construction. We also note that the zero spread is only applicable for the period before the property reach Temporary Occupation Permit (TOP). This may have some slight pressure on mortgage yields albeit beneficial for boosting loan growth.

DBS: Continues to offer the best FD-linked rates in the market. DBS appears to be quite focused on gaining mortgage market share in Singapore with the recent zero spread campaign.

UOB: Offers one of the most attractive fixed rate packages at 1.68% fixed for two years. FD-linked packages are, however, higher than DBS’s (0.95% spread vs DBS 0.88%) and linked to 36-month deposit rates.

OCBC: FD-linked package is linked to 36-month deposit rate and priced 2 bp below UOB for the first year, but 2 bp above subsequently.

Mortgage yields have risen…

With SIBOR rising, mortgage borrowers are tilting towards fixed rate packages. BOC offered the most attractive fixed rate packages (1.65% fixed up to two years, or 1.7% for three years). But given the imminent rise in US rates and uncertainty surrounding SIBOR (largely due to uncertainty about the direction of SGD), banks have moved back to a different type of board rate packages—now linked to their fixed deposit board rates.

Rise of the FD-linked mortgage rate packages

Before the GFC, most of the mortgages offered by banks in Singapore were linked to some kind of ‘board rate’ determined by the banks, which always left the door open for arbitrary changes. The fall in SIBOR to historical low levels in the past few years resulted in the market completely moving to SIBOR (or SOR) linked packages.

<table>
<thead>
<tr>
<th>Company</th>
<th>FD rate (Oct'16)</th>
<th>Floating rate (Mar'17)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBS Group</td>
<td>DBSM.SI</td>
<td>UOBH.SI</td>
</tr>
<tr>
<td>UOB</td>
<td>OCBC.SI</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.67</td>
<td>1.60</td>
</tr>
<tr>
<td></td>
<td>1.74</td>
<td>1.36</td>
</tr>
<tr>
<td></td>
<td>1.48</td>
<td>1.10</td>
</tr>
<tr>
<td></td>
<td>1.87</td>
<td>1.08</td>
</tr>
</tbody>
</table>

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

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<table>
<thead>
<tr>
<th>Company</th>
<th>Price (T+1)</th>
<th>P/E (x)</th>
<th>P/B (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBS Group</td>
<td>19.19</td>
<td>12/16</td>
<td>1.60</td>
</tr>
<tr>
<td>UOB</td>
<td>21.54</td>
<td>12/16</td>
<td>1.68</td>
</tr>
<tr>
<td>OCBC</td>
<td>9.62</td>
<td>12/15</td>
<td>1.68</td>
</tr>
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Source: Credit Suisse research

...retail funding costs have lagged the rise in SIBOR

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Mortgage yields have risen…
Global EM Equity Strategy

Increase to OVERWEIGHT

Buying Malaysia: the ultimate contrarian trade

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- We take profits on our 15% underweight stance on Malaysia put in place on 2 June 2016, upgrading the market to a 10% above benchmark recommendation. We fund this move by taking profits on our overweight position on Brazilian equities.

- In effect we switch from an increasingly popular investment destination (Brazil) among dedicated emerging market investors (median EM long only equity fund positioning is now the highest relative to the benchmark since March 2008) to what is perhaps the most unloved mainstream EM country, Malaysia (median long only fund weighting having recently dropped to zero for the first time on record for any mainstream emerging market).

- We screen for Malaysian stocks that offer superior dividend and FCF yields and are rated ‘Outperform’ or ‘Neutral’ by Credit Suisse sector teams. The list of 10 stocks includes the ‘Outperform’ rated CIMB, IJM and Gamuda.

- Buying Malaysia: the ultimate contrarian trade (Click here to view document)

Figure 1: MSCI Malaysia relative performance vs MSCI EM (rebased to 100 in June 2013)

We take profits on our 15% underweight stance on Malaysia put in place on 2 June 2016 (see Take profits on Malaysia, rotate into Indonesia) upgrading the market to a recommended 10% above benchmark stance. We fund this move by closing out our recommended overweight stance on Brazil which we have held since March 2016 (see separate note published today: Taking profits after a year overweight Brazil).

We believe that the 45-month 34% US dollar underperformance of Malaysian equities was warranted but has now reached an endgame.

We now turn constructive on Malaysia for the following ten reasons: (i) consensus GDP growth forecasts are showing early signs of upgrades; (ii) earnings revisions have turned positive for the first time in close to five years; (iii) the ringgit appears attractive at current levels after significant devaluation; (iv) equities have undershot their typical association with relative value creation; (v) repair in the macro environment benefits the heavyweight banking sector; (vi) consumer sentiment in the doldrums appears set to recover; (vii) our macro regression model warrants 8% potential upside for MSCI Malaysia; (viii) Malaysian equities have so far lagged the recovery in oil prices; (ix) Malaysia continues to be a consistently attractive yield play in EM; and (x) fund positioning and analyst recommendations are extremely bearish.

Figure 2: Equity market performance is lagging the recovery in earnings revisions back in to positive territory for the first time in five years

Source: MSCI, IBES, Credit Suisse research

Figure 3: The ringgit appears extremely attractive on PPP following significant devaluation

Source: Thomson Reuters, Credit Suisse research
Australia

Goodman Group---------------------------------------- Maintain OUTPERFORM

The world’s most fascinating company...

Ian Randall / Research Analyst / 612 8205 4580 / ian.randall@credit-suisse.com
Mikhail Mohl / Research Analyst / 612 8205 4413 / mikhail.mohl@credit-suisse.com
Martin Patz / Research Analyst / 612 8205 4018 / martin.patz@credit-suisse.com

- If Amazon enters the Australian market as is widely speculated, the potential benefits for GMG are clear. Aside from being arguably best positioned to roll out Amazon’s distribution centre requirements, GMG could also benefit from resultant supply chain reconfigurations by existing retailers adapting to meet a new competitive threat.

- More broadly, we estimate that in GMG’s largest (development) market, Continental Europe (CE), E-Commerce has driven ~40% of GMG development pre-commitments since Jan-11. Once we allow for other “structural” drivers, we find that tenant expansion has accounted for only a small proportion of take-up.

- In euro terms, GMG’s CE development WIP has grown 32% p.a. since Jun-10. CE represents 28% of GMG’s global WIP and on our estimates contributes ~42% of GMG development EBITDA.

- Our analysis suggests tenant expansion drove just 13% of demand for new GMG CE developments in CY16, with most demand driven by supply chain improvement, consolidation of facilities, obsolescence and E-commerce.

What’s driving the growth?

In order to gain greater comfort re the sustainability of GMG’s Continental European development volumes, we examined every development pre-commitment announced by GMG between Jan-11 and Dec-16, breaking down the 95 deals by industry and by the tenant’s rationale for the move (based on media releases and / or press reports at the time). Over the six years to Dec-16, we estimate that tenant expansion drove ~21% of GMG’s total CE pre-commitment volumes. E-Commerce users accounted for 38% of announced pre-commitments (of which Amazon was 21%). However, once we take into account requirements from logistics providers that were explicitly driven by increased online sales delivery requirements; we estimate that the ongoing shift to online retail drove some 40% of GMG’s total European pre-commitments over the six-year period.

When we examine the rationales for the balance of GMG’s pre-commitment activity over the period, it is apparent demand has been driven overwhelmingly by occupiers’ focus on improving supply chain efficiencies, rather than driving top-line growth. Across industries, the key rationales for taking new space have been: consolidation of facilities; supply chain improvement; obsolescence of existing facilities and outsourcing of logistics contracts to third-party suppliers.

Divisional estimates

Post GMG’s 1H17 result, we lifted FY17-20 EPS estimates marginally (<1% p.a.), reflecting higher near-term performance fees and development margins than we had previously allowed for, offset by more rapid de-leveraging of GMG’s balance sheet. Our forecasts allow for both GMG’s development margins and its management fees (as a % of FUM) to normalise over time from elevated 1H17 levels.

Offsetting this in the outer years of our forecast period, however, is the benefit that we expect to flow to GMG from re-deploying its high cash balance (A$2 bn+ by Jun-17 on our estimates) towards repaying its out-of-the-money bonds as they mature.

TP lifted to A$7.92 (prev A$7.37)

Our SOTP valuation has increased from A$7.37 to A$7.75, reflecting:

- Roll-forward to FY18 (versus CY17) as our base-year.
- Application of a 6.3% cap rate to GMG’s on-balance-sheet portfolio (prev 6.9%), in line with GMG’s book WACR.
- Greater “change-of-use” (apartment site) upside, as GMG has maintained its backlog of 350+ apartment sites despite having already contracted some A$2.3 bn of sales.

(This is an extract from the Goodman report, published on 15 March 2017. For details, please see the CS Plus website.)
Santos Ltd

Upgrade to Neutral—but plenty in store (age)

Mark Samter / Research Analyst / 61 2 8205 4537 / mark.samter@credit-suisse.com
David Hewitt / Research Analyst / 416 352 4583 / david.hewitt@credit-suisse.com
Sam Webb / Research Analyst / 61 2 8205 4535 / sam.webb@credit-suisse.com

- With Santos off ~30% over the past six months or so (and oil about flat), we feel that the risks around the share price might be more balanced at these levels and upgrade it to a NEUTRAL.
- Whilst we continue to have issues with the debate over sustainable breakeven for Santos, it has taken far too long for it to dawn on us the short-term benefit that storage has provided. Data on AEMO’s Bulletin Board only goes back to October 2016, but since then ~10PJ gross has been drained.
- Whilst it is unlikely anything definitive comes out of the meeting that the east coast gas companies have with the PM, clearly Santos is at the epicentre of almost any resolution. Freeing up gas (Narabbi, making Cooper more viable, etc.) is a potential positive.
- Whilst we continue to have concerns around the long-term structural challenges for Santos there is a world where oil recovers, they get a seat in Phyang and get access to cheap new production there, Darwin progresses and Narrabri is made easier (to sell or produce).

<table>
<thead>
<tr>
<th>Bbg/RIC</th>
<th>STO AU / STO.AX</th>
<th>Price (15 Mar 17, A$)</th>
<th>3.55</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating</td>
<td>(prev. rating)</td>
<td>N (U)</td>
<td>TP (prev. TP A$)</td>
</tr>
<tr>
<td>Shares outstanding (mn)</td>
<td>2,062.91</td>
<td>Est. pot. % chg to TP</td>
<td>7</td>
</tr>
<tr>
<td>Daily trad vol - 6m avg (mn)</td>
<td>9.52</td>
<td>wk range (A$)</td>
<td>4.95 - 3.36</td>
</tr>
<tr>
<td>Daily trad vol - 6m avg (US$ mn)</td>
<td>46.67</td>
<td>Mkt cap (AUS/US$ mn)</td>
<td>7,394/5,699.5</td>
</tr>
<tr>
<td>Free float (%)</td>
<td>89.3</td>
<td>Performance</td>
<td>1M 3M 12M</td>
</tr>
<tr>
<td>Major shareholders</td>
<td></td>
<td>Absolute (%)</td>
<td>(10.4) (10.4) (6.6)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Relative (%)</td>
<td>(10.7) (14.7) (19.4)</td>
</tr>
</tbody>
</table>

### Year 12/15A 12/16A 12/17E 12/18E 12/19E

- Revenue (US$ mn) — — 2,594 3,106 3,335 3,152
- EBITDA (US$ mn) — — 1,051 1,530 1,816 1,730
- Net profit (US$ mn) — — 63.0 362.3 514.3 506.3
- EPS (CS adj, US$) 0.04 0.18 0.25 0.24
- Change from prev. EPS (%) n.a. n.a. 0 0 0
- Consensus EPS (US$) n.a. n.a. 0.19 0.19 0.23
- EPS growth (%) n.a. n.a. 402.4 40.2 (1.6)
- P/E (x) 78.1 15.5 11.1 11.5
- Dividend yield (%) 0 0 3.6 3.6
- EV/EBITDA (x) — — 8.5 5.5 4.4 4.4
- P/B (x) — — 0.8 0.8 0.7 0.7
- ROE (%) — — 0.9 4.9 6.6 6.3
- Net debt(cash)/equity (%) — — 45.4 35.1 29.1 23.3

Note 1: ORD/ADR=1.00. Note 2: Santos is an oil and gas exploration and production company. It has exploration and development projects across Australia, as well as in PNG, Indonesia and Bangladesh. Key assets include being operator of the Cooper Basin Joint Venture.

Click here for detailed financials

- **Enough pain for now.** With Santos off ~30% over the past six months or so (and oil about flat), we feel that the risks around the share price might be more balanced at these levels and upgrade to NEUTRAL. This is not to say we won’t be far too early on this call if oil continues its slide. If we assume spot oil (inflated) and spot forex to perpetuity, our valuation drops to A$2.30/sh.

- **Storage is flattering FCF numbers.** Whilst we continue to have issues with the debate over sustainable breakeven for Santos, it has taken far too long for it to dawn on us the short-term benefit that storage has provided. Data on AEMO’s Bulletin Board only goes back to October 2016, but since then ~10PJ gross has been drained. With production of ~61PJ in 2016 and the AGL contract still to honour, plenty of gas is needed to be made up, but no data for what was from storage and what from portfolio. What we do know is that the ~7PJ net over the past five months would generate ~A$30-35 mn of revenue with very little cost (maybe A$1/GJ at most). If, for e.g. (we would love the actual number) 20PJ was taken from storage in 2016, that could have added US$50-60 mn of FCF. This is ~$1/bbl that has to go back onto breakeven and is a large part of Cooper FCF.

- **We wait with interest on the east coast gas market resolutions.** Whilst it is unlikely anything definitive comes out of the meeting that the east coast gas companies have with the PM today, clearly Santos is at the epicentre of almost any resolution. Freeing up gas (Narabbi, making Cooper more viable, etc.) is a potential positive for it. We continue to wonder where GLNG sits in the debate though—at a time when everyone (rightly, in our view) is arguing that new gas is expensive to bring to market, the continued guidance on GLNG that effectively says undeveloped 2P gas has all in well head costs of <A$4.50/GJ sticks out like a sore thumb. If the numbers are right, exploration and development wells should be going down in droves in Roma, Scotia and Arcadia.

A stock that could move both ways. Whilst we continue to have concerns around the long-term structural challenges for Santos there is a world where oil recovers, they get a seat in Phyang and get access to cheap new production there, Darwin progresses and Narrabri is made easier (to sell or produce). There is also a world where oil goes to US$40/bbl, the resolution for the east coast gas market is punitive on Santos and the balance sheet comes under pressure again. For now, a boring spot on the fence feels like the most comfortable spot for us.

(This is an extract from the Santos report, published on 15 March 2017. For details, please see the CS Plus website.)
China Construction Machinery ------------------------------- Maintain OVERWEIGHT

Loader sales volume more than doubled in Feb; positive sector momentum continues

Amy Ji / Research Analyst / 852 2101 7735 / amy.ji@credit-suisse.com
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- Loader sales volume growth has turned positive since Oct-16. It registered 110% YoY growth in Feb, accelerating from 16% in Jan. We expect it to follow a steady growth trend, thanks to infra investment, mining activities and replacement demand. Lonking’s loaders continued to lead the growth, doubling in Jan-Feb.
- Excavators, as early cycle machines, maintain their growth momentum. Based on channel checks, both sales and new orders are strong in March. Komatsu’s operating hours also showed continuous improvement.
- China macro data in Jan-Feb indicate a steady start of the year. Both infrastructure FAI and real estate investment growth improved compared to 4Q16. We believe this will further strengthen end-users’ confidence in purchasing new machinery and accelerating the replacement cycle.
- We are looking forward to next datapoint of Feb truck crane sales (to be released during the weekend/early next week). We estimate overall growth will have nearly tripled in Feb, and expect Zoomlion to outpace the market, thanks to market share recovery.

**Figure 1: Excavators as leading indicator continue their strong momentum; loaders also catching up**

![Graph showing excursion and loader sales growth](image)

**Source: Company data, Credit Suisse estimates**

**Feb loader data further confirms our view**

China Construction Machinery Associate reported that sales volume of excavators in Feb 2017 reached 7,012 units, registering 110% YoY growth and accelerating from 16% in Jan. Jan-Feb sales combined recorded 60% YoY growth. While the growth rate of loaders is still lower than that of excavators, we see it following a steady acceleration trend. Lonking’s loaders continued to lead the growth (doubling in Jan-Feb).

**Figure 2: Healthy excavator operating hours**

![Graph showing excavator operating hours](image)

**Source: Company data, Credit Suisse estimates**

**Positive macro data should strengthen end-users’ confidence**

China’s FAI grew 8.9% in Jan-Feb, beating CS’ estimate of 8.7%. Infrastructure FAI registered 21.3% YoY growth, further accelerating compared to 4Q16. Real estate FAI also recorded resilient growth. The overall positive macro data should strengthen end-users’ confidence in purchasing new machinery and accelerating the replacement cycle.

**Figure 3: Infrastructure FAI led the growth**

![Graph showing infrastructure FAI and real estate growth](image)

**Source: CEIC, Credit Suisse estimates**

**Looking forward to next data point next week: Truck cranes**

The official data for truck crane will be released during the weekend or early next week. We estimate the overall growth will have nearly tripled in Feb and expect Zoomlion to register robust growth, thanks to: (1) overall market rebound and (2) market share recovery.

**Valuation Metrics**

<table>
<thead>
<tr>
<th>Company</th>
<th>Ticker</th>
<th>Rating (prev. rating)</th>
<th>Price</th>
<th>TP Chg (%)</th>
<th>Up/dn to TP (%)</th>
<th>Year</th>
<th>EPS Chg (%)</th>
<th>EPS</th>
<th>EPS growth (%)</th>
<th>P/E (x)</th>
<th>Div. yld (%)</th>
<th>ROE (x)</th>
<th>P/B (x)</th>
<th>T+1</th>
<th>T+2</th>
<th>T+1</th>
<th>T+2</th>
<th>T+1</th>
<th>T+2</th>
<th>T+1</th>
<th>T+2</th>
<th>T+1</th>
<th>T+2</th>
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</thead>
<tbody>
<tr>
<td>Zoomlion (H)</td>
<td>1157.HK</td>
<td>O</td>
<td>3.53</td>
<td>15.7</td>
<td>0.0</td>
<td>2016</td>
<td>n.m.</td>
<td>n.m. (0.10)</td>
<td>0.10</td>
<td>n.m.</td>
<td>0.0</td>
<td>0.04</td>
<td>0.19</td>
<td>1.440</td>
<td>388</td>
<td>195.3</td>
<td>40.0</td>
<td>0.2</td>
<td>1.3</td>
<td>2.6</td>
<td>1.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sany</td>
<td>60031.SS</td>
<td>O</td>
<td>6.39</td>
<td>9.50</td>
<td>0.0</td>
<td>2015</td>
<td>0.0</td>
<td>0.04</td>
<td>0.19</td>
<td>1.440</td>
<td>388</td>
<td>195.3</td>
<td>40.0</td>
<td>0.2</td>
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<td>1.4</td>
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</tr>
<tr>
<td>Lonking</td>
<td>3339.HK</td>
<td>O</td>
<td>3.53</td>
<td>12.0</td>
<td>0.0</td>
<td>2016</td>
<td>n.m.</td>
<td>n.m.</td>
<td>0.04</td>
<td>0.19</td>
<td>1.440</td>
<td>388</td>
<td>195.3</td>
<td>40.0</td>
<td>0.2</td>
<td>1.3</td>
<td>2.6</td>
<td>1.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

**Source: Company data, Credit Suisse estimates**
China Airlines Sector

Feb traffic: PLF improved on good capacity control and domestic demand

Baoying Zhai / Research Analyst / 852 2101 7135 / baoying.zhai@credit-suisse.com
Andy Li / Research Analyst / 852 2101 6197 / andy.li@credit-suisse.com

- RPK growth normalised in Feb post the CNY, given the high base of last year, which we consider as solid growth. China Southern led the way with 8% RPK growth, followed by China Eastern's 5% and Air China's 4%.

- The bright spot lies in the passenger load factor (PLF), where Big 3 as a whole saw a 2.3 pp improvement, mainly driven by good domestic demand (+3.1 pp). Of the Big 3, China Southern's PLF grew most at +3.9 pp thanks to its largest market share in domestic routes.

- Strict capacity increases are seen across all segments with Big 3's overall ASK growth at 2.7% YoY only, lowest in recent years. However, we think this might not be sustainable, given the 7% fleet expansion and 10% seat growth of Big 3 to be seen in 2017.

- The turnaround of macro headwinds (i.e., FX and oil) has boosted the sentiment towards Chinese airlines, and better-than-expected domestic demand further helps improving operational dynamics. We prefer Chinese airlines to CX within the sector for strong China domestic demand theme, but look for sustainability.

Source: Company data, Credit Suisse estimates.

China Eastern adopts disciplined capacity expansion

China Eastern reported solid January traffic data where overall RPK grew by 4.7% YoY, a slowdown from the 16.6% experienced in January. By segment, domestic RPK declined slightly from 13.3% YoY last month to 7.5%, while international RPK growth dropped from 23.4% to 0.6% in February.

ASK growth slowed to 2.5% YoY, down from 12.5% in February. Domestic ASK continued its decent growth as CEA shifts focus to domestic market, while international ASK fell to 1.8%, given the already oversupplied international routes. As a result, overall LF improved by 1.7 pp to 82.6%, of which, domestic LF improved by 3.2 pp and international LF dropped slightly by 0.9%.

Source: Company data, Credit Suisse estimates.

Air China continues disciplined capacity expansion

Air China reported solid January traffic data in which overall RPK grew 3.6% YoY, despite the 10.9% decline experienced in January due to earlier CNY. Both domestic and international RPK continued their momentum, registering 4.5%/5.1% YoY growth, respectively.

On the ASK side, we see that Air China's international ASK declined from 4.6% to 1.9%, We view this as a positive as Air China is still the most disciplined among the Big 3 when it comes to expansion. This also helps to explain its 2.5 pp improvement in international LF. As for domestic ASK growth, Air China posted 2.1% YoY growth, which also helped to improve LF by 1.9 pp.

Source: Company data, Credit Suisse estimates.
The worst is over but being priced in

- Agile’s better-than-expected margin turnaround in 2H16 (+12.5 pp HoH to 32.5%), led to full-year core profit growth of 13% YoY to Rmb2.7 bn. This reinforces our view that the worst is over and Agile is heading toward earnings recovery in the next few years.
- Full-year dividend of HK$0.45 (including the special dividend of HK$0.25) implies a high dividend payout of 57% (or a yield of 7%). While we do not expect any special dividend in FY17E, we believe Agile should be able to maintain its absolute dividend level (vs. FY16) by distributing 40% of its FY17E earnings.
- YTD, Agile has generated presales of >Rmb5 bn from its Hainan project, resulting in strong 2M17 contracted sales of Rmb11 bn (+73% YoY). While we are comfortable with its 2017 sales target of Rmb60 bn (+14% YoY), we expect the sales momentum to start slowing in 2Q17 amid a traditional low sales season in Hainan.
- We admit Agile’s business recovery has been faster than expected and thus a re-rating is necessary. However, this is already priced in, with our new TP of HK$7 (from HK$4.30) reflecting limited upside.

FY16 results review

- **Gross margin** improved to 26.5%, from FY15’s 25.1%. Indeed, the margin significantly rebounded from 20.0% in 1H16 to 32.5% in 2H16. Looking into 2017, Agile expects GP margin to stay at around 32%.
- **Core profit** increased 13.0% YoY to Rmb2.7 bn with core margin expanding 0.2 pp YoY to 5.9%. Core EPS was also up 13.0% YoY to Rmb0.71. Agile declared a FY16 DPS of HK$0.2 (FY15: HK$0.145) with a special DPS of HK$0.25 (FY15: HK$0.25). Total DPS reached HK$0.45, representing a payout ratio of 57%.

<table>
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<tr>
<th>Bbg/RIC</th>
<th>3383 HK / 3383.HK</th>
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<td>Rating (rev. rating)</td>
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<td>N/A (rev. TP HK$)</td>
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<td>Shares outstanding (mm)</td>
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<td>N/A</td>
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<tr>
<td>Daily trad vol - 6m avg (mm)</td>
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<td>N/A</td>
</tr>
<tr>
<td>Daily trad vol - 6m avg (US$ mn)</td>
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<td>N/A</td>
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<tr>
<td>Free float (%)</td>
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<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Major shareholders</td>
<td>Chen's Family (63.0%)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Absolute (%)</td>
<td>45.1</td>
<td>59.0</td>
</tr>
<tr>
<td></td>
<td>Relative (%)</td>
<td>43.6</td>
<td>47.5</td>
</tr>
</tbody>
</table>

**Revenue (Rmb mn)**: 46,679 vs 43,004, +8.5%

**Gross margin (%)**: 26.5% vs 25.1%

**Core profit (Rmb mn)**: 2,744 vs 2,429, +13.0%

**Net gearing (%)**: 77.3% vs 91.5%

**BVPS (Rmb)**: 9.01 vs 8.76, +2.9%

**EPS (HK$)**: 0.45 vs 0.40, +13.9%

**End 16**

**Total debt (Rmb mn)**: 49,593 vs 44,519, +11.4%

**Total cash (Rmb mn)**: 22,311 vs 13,137, +69.8%

**Equity (Rmb mn)**: 35,310 vs 34,308, +2.9%

**Net gearing (%)**: 77.3% vs 91.5%, -14.2 pp

**Bvps (Rmb)**: 9.01 vs 8.76, 2.9%

**Source: Company data, Credit Suisse**

**Figure 2: Agile—FY17E cash flow**

<table>
<thead>
<tr>
<th>(Rmb bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction cost</td>
</tr>
<tr>
<td>60</td>
</tr>
</tbody>
</table>

**Source: Company data, Credit Suisse**

---

Note: 1. ORD/ADR=50.00. 2. Agile Property Holdings Limited is one integrated property developer headquartered in Guangzhou. It has more than 20 years’ history with its first property project developed in 1992 in Zhongshan.

Click here for detailed financials

FY16 revenue was up 8.5% YoY to Rmb46.7 bn. Of this, revenue from property development increased 8.0% YoY to Rmb44.8 bn while revenue from property management increased 31.4% YoY to Rmb1.1 bn. Income from IP and hotel also grew 11.5% YoY to Rmb0.9 bn.

**Gross margin** improved to 26.5%, from FY15’s 25.1%. Indeed, the margin significantly rebounded from 20.0% in 1H16 to 32.5% in 2H16. Looking into 2017, Agile expects GP margin to stay at around 32%.

**Core profit** increased 13.0% YoY to Rmb2.7 bn with core margin expanding 0.2 pp YoY to 5.9%. Core EPS was also up 13.0% YoY to Rmb0.71. Agile declared a FY16 DPS of HK$0.2 (FY15: HK$0.145) with a special DPS of HK$0.25 (FY15: HK$0.25). Total DPS reached HK$0.45, representing a payout ratio of 57%.
China Huarrong Asset Management Co Ltd

Strong 2016 results on the back of strong balance sheet growth

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Eric Cui / Research Analyst / 852 2101 7071 / eric.cui@credit-suisse.com
Rikin Shah / Research Analyst / 65 6212 3098 / rikin.shah@credit-suisse.com

- 2H16 profit grew 39% YoY on the back of strong asset growth, but was down 24% HoH due to high base of 1H16 which was boosted by very little provisioning. Total assets of the company expanded by 32% in the second half after having grown 24% in the first half, taking it to a large 63% for the full year.

- New NPL acquisitions under the Traditional Distressed Asset (TDA) business collapsed to Rmb30 bn in 2H16, down 60% from Rmb76 bn of 1H—looks like banks are reluctant to sell NPLs now. Huarrong continued to expand its Restructuring Distressed Asset (RDA) business (45% HoH) with yields of 12.1% in FY16.

- Huarrong expanded its investments very aggressively in financial instruments such as trust/entrust loans, funds, bonds, deposits with Fs. We do not know if the reason was to re-establish a wide lead in total assets over Cinda which bought a bank in 1H16.

- Huarrong's President expects profits to grow 20-30% again in 2017. This likely assumes continued advancement in the size of the balance sheet and the risks therein.

---

Figure 1: Huarrong’s results summary

<table>
<thead>
<tr>
<th>(Rmb mn)</th>
<th>2014</th>
<th>2015</th>
<th>YoY (%)</th>
<th>2016</th>
<th>2015</th>
<th>YoY (%)</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>75,306</td>
<td>95,208</td>
<td>26%</td>
<td>20,246</td>
<td>30,509</td>
<td>37%</td>
<td>1H16</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>25,902</td>
<td>31,417</td>
<td>21%</td>
<td>12,127</td>
<td>13,776</td>
<td>26%</td>
<td>2H15</td>
</tr>
<tr>
<td>Provisioning</td>
<td>13,604</td>
<td>17,717</td>
<td>33%</td>
<td>6,150</td>
<td>6,544</td>
<td>6.6%</td>
<td>1H16</td>
</tr>
<tr>
<td>PBT</td>
<td>23,346</td>
<td>30,509</td>
<td>37%</td>
<td>12,824</td>
<td>16,460</td>
<td>9.5%</td>
<td>2H15</td>
</tr>
<tr>
<td>Net profits</td>
<td>14,482</td>
<td>19,613</td>
<td>33%</td>
<td>8,373</td>
<td>11,123</td>
<td>3.9%</td>
<td>1H16</td>
</tr>
</tbody>
</table>

**Ratio:**

<table>
<thead>
<tr>
<th>Revenue</th>
<th>75,306</th>
<th>95,208</th>
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<td>8,373</td>
<td>11,123</td>
<td>3.9%</td>
<td>1H16</td>
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</tbody>
</table>

Source: Company data, Credit Suisse estimates
China Lodging Group Limited ------------------------------ Maintain OUTPERFORM

Lok Kan Chan / Research Analyst / 852 2101 6390 / lokkan.chan@credit-suisse.com
Kenneth Fong / Research Analyst / 852 2101 6395 / kenneth.kc.fong@credit-suisse.com
Ivy Ji / Research Analyst / 852 2101 7951 / ivy.ji@credit-suisse.com

**China Lodging reported solid result with adjusted EBITDA of Rmb379 mn for 4Q16, in line with expectations. On improving RevPAR trend which benefited from the HanTing 2.0 upgrades and growing demand for midscale hotels, management guided revenue growth to be 7-8% YoY for 1Q17 and 8-12% YoY for FY17.**

**Key highlights:**
1. Same-hotel RevPAR +5% YoY in 2M17 from +2.5% in 4Q16, which indicates a healthy recovery trend. HanTing same-hotel RevPAR turned positive to 1.1% in 4Q16 thanks to the ongoing upgrade initiatives. (3) New brands across different segments are planned for FY17, which should help better segmentation to capture the growing traveller demand.
2. (4) Gross 450-500 hotels opening targeted for FY17 with 40% midscale. We expect midscale to expand to 28% in FY17 (FY16: 18%) helping profitability. (5) Crystal Orange to complete in 2Q/3Q17 with valuation estimated at 12-13x 17E EBITDA.
3. Factoring in the Crystal Orange acquisition and higher cost, we lift 2017-18E EPS by 2-5% and target price to US$68 from US$66. Maintain OUTPERFORM.

### Bbg/RIC HTHT US / HTHT.OQ

<table>
<thead>
<tr>
<th>Price (15 Mar 17, US$)</th>
<th>Rating (prev. rating)</th>
<th>O (0)</th>
<th>NTP (prev. TP US$)</th>
<th>Shares outstanding (mn)</th>
<th>Daily trad - 6m avg (mn)</th>
<th>Daily trad - 6m avg (US$ mn)</th>
<th>Free float (%)</th>
<th>Major shareholders</th>
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<tr>
<td>5.20</td>
<td>O (0)</td>
<td>68.00 (66.00)</td>
<td>69.10</td>
<td>13.4</td>
<td>10.8</td>
<td>9.6</td>
<td>2.5</td>
<td>94.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Qi Ji (37%)</td>
</tr>
</tbody>
</table>

**Note:** China Lodging is a multi-brand hotel operator and franchisor in China with a primary focus on economy and midscale hotel segments.

Click here for detailed financials

### 4Q16 adjusted EBITDA +18% YoY; in line

China Lodging (HTHT) reported adjusted EBITDA of Rmb379 mn for 4Q16, in line with ours and market expectation (CS est: Rmb394 mn; Consensus: Rmb380 mn). Blended RevPAR further improved by 5.7% YoY in 4Q16 from +3.2% in 3Q16, with occupancy rate largely flattish YoY and ADR up 5.2% YoY. Same-hotel RevPAR grew 2.5% YoY in 4Q16 (3Q16: +0.5%). Operating margin expanded by 2% YoY to 11.9% in 4Q16, in line with our expectation.

**Key highlights include** (1) Same-hotel RevPAR improvement accelerates, it was +5% YoY in 2M17 from 4Q16 (+2.5%), indicating a healthy recovery trend supported by HanTing upgrades, higher demand for midscale hotel and better China economy. Management guided revenue growth to be 7.2-8.4% YoY for 1Q17 and 8-12% YoY for FY17. (2) HanTing same-hotel RevPAR turned positive to 1.1% in 4Q16 from 3Q16 -0.9% thanks to the ongoing upgrade initiatives. It is expected to further accelerate in 1Q17. (3) New brands for FY17: including entry midscale brand HanTing brand and midscale Citigo. Together with the newly acquired Crystal Orange brands, it should help better segmentation to capture the growing traveller demand. (4) New opening: Gross opening of 450-500 hotels is targeted for FY17. While this is slower than 737 openings in FY16, HTHT has planned that ~40% openings would be for mid- and upscale compared to ~20%. Management emphasised its strategy from quantity to quality. Mid- and upscale room inventory accounted for 18% in FY16, increasing from 15% in FY15, and 49% of pipeline in 4Q16. We expect the proportion to rise up to 28% by 2017.

**Acquisition of Crystal Orange hotel chain**

Crystal Orange Hotel currently operates 126 hotels and 15,909 rooms, of which only 47% are franchised. The Rmb3.65 bn acquisition is estimated at 12-13x 17E EBITDA with per room cost to be Rmb230k. The closing is upon regulatory review, which is expected to complete in 2Q/3Q17. Overall, we view this acquisition positively on (1) operational improvement and cost savings post acquisition on economy of scale, (2) expanding franchise model which should help profitability, and (3) sharing direct channel platform on expanded customer base.

### Figure 1: Summary for 4Q16 & FY16 result

<table>
<thead>
<tr>
<th></th>
<th>1Q16A</th>
<th>2Q16A</th>
<th>3Q16A</th>
<th>4Q16A</th>
<th>2016A</th>
<th>2017E</th>
<th>2018E</th>
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<tr>
<td>Leased</td>
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<td>1,330</td>
<td>1,390</td>
<td>1,291</td>
<td>5,212</td>
<td>6,081</td>
<td>7,249</td>
</tr>
<tr>
<td>YoY chg</td>
<td>14%</td>
<td>5%</td>
<td>1%</td>
<td>0%</td>
<td>5%</td>
<td>16%</td>
<td>20%</td>
</tr>
<tr>
<td>Franchised</td>
<td>318</td>
<td>352</td>
<td>373</td>
<td>368</td>
<td>1,411</td>
<td>1,615</td>
<td>2,035</td>
</tr>
<tr>
<td>YoY chg</td>
<td>41%</td>
<td>29%</td>
<td>17%</td>
<td>20%</td>
<td>26%</td>
<td>14%</td>
<td>26%</td>
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<tr>
<td>Others</td>
<td>1</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>31</td>
<td>50</td>
<td>63</td>
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<tr>
<td>Business tax</td>
<td>(53)</td>
<td>(34)</td>
<td>-</td>
<td>-</td>
<td>(116)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net revenue</td>
<td>1,438</td>
<td>1,657</td>
<td>1,774</td>
<td>1,670</td>
<td>6,539</td>
<td>7,736</td>
<td>9,347</td>
</tr>
<tr>
<td>YoY chg</td>
<td>19%</td>
<td>14%</td>
<td>11%</td>
<td>11%</td>
<td>13%</td>
<td>14%</td>
<td>21%</td>
</tr>
<tr>
<td>OPEX</td>
<td>(1,352)</td>
<td>(1,377)</td>
<td>(1,411)</td>
<td>(1,472)</td>
<td>(5,612)</td>
<td>(6,323)</td>
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<td>YoY chg</td>
<td>12%</td>
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<td>8%</td>
<td>8%</td>
<td>10%</td>
<td>13%</td>
<td>17%</td>
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<tr>
<td>Operating profit</td>
<td>86</td>
<td>280</td>
<td>363</td>
<td>198</td>
<td>926</td>
<td>1,413</td>
<td>1,954</td>
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<tr>
<td>YoY chg</td>
<td>522%</td>
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<td>23%</td>
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<td>Operating margin</td>
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<td>17%</td>
<td>20%</td>
<td>12%</td>
<td>14%</td>
<td>18%</td>
<td>21%</td>
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<tr>
<td>Adj. EBITDA</td>
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<td>575</td>
<td>559</td>
<td>379</td>
<td>1,786</td>
<td>2,255</td>
<td>2,872</td>
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<tr>
<td>YoY chg</td>
<td>68%</td>
<td>54%</td>
<td>20%</td>
<td>18%</td>
<td>35%</td>
<td>26%</td>
<td>27%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>19%</td>
<td>35%</td>
<td>31%</td>
<td>23%</td>
<td>27%</td>
<td>29%</td>
<td>31%</td>
</tr>
<tr>
<td>Net profit</td>
<td>69</td>
<td>316</td>
<td>294</td>
<td>126</td>
<td>805</td>
<td>1,076</td>
<td>1,469</td>
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<tr>
<td>YoY chg</td>
<td>n/a</td>
<td>11%</td>
<td>31%</td>
<td>78%</td>
<td>84%</td>
<td>34%</td>
<td>37%</td>
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<tr>
<td>Net profit margin</td>
<td>5%</td>
<td>19%</td>
<td>17%</td>
<td>8%</td>
<td>12%</td>
<td>14%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: Company data, Credit Suisse estimates.

**Lift our earnings by 2-5% for 2017-19E**

Factoring in the earnings accretion of Crystal Orange starting 3Q17 and higher cost assumption, we lift our earnings by 2-5% for 2017-18E and TP to US$68/sh from US$66/sh. On the improving RevPAR growth trend, we view HTHT’s valuation at 11x FY17E EBITDA as undemanding. Reiterate our Outperform rating for HTHT.

EPS: ▲ TP: ▲
Sichuan Chuantou Energy

Sentiment improving but not fundamentals

Maintain NEUTRAL

EPS: ▼ TP: ▼

The A-share hydro power sector was strong today (15-Mar) after the 5% stake purchase of SDIC by the largest hydro power operator, CYP. Chuantou's share was also strong as it shares the Yangal river assets with SDIC. However, we consider this only a financial investment and not an indication of industry restructuring.

On fundamentals, hydro power is likely to face utilisation hour declines this year with El Nino effects resulting in high base in 1H16. 2M17 national hydro output dropped by 5% YoY.

Before disclosure of full financials, Chuantou's (third largest player) preliminary FY16 results suggest much worse than expected earnings. And we believe this could get worse with another 5% utilisation decline for its hydro business in 2017. Another risk is the expanding direct sales (we assume 15% of total output).

We mark to market our FY16E earnings but still cut FY17-18E EPS by 4-15% to reflect the worse outlook and DCF-based target price to Rmb8.00 (from Rmb9). Valuation is not attractive with 1.7x P/B (14-16% ROE), and dividend yield of 2.6% is also lower than CYP at 5%.

However, we consider CYP's stake purchase of SDIC (339 mn shares, currently worth ~Rmb2.5 bn) may only be a financial investment with no evidence of industry restructuring or business cooperation at the moment. As CYP only operates mature hydro power plants (construction is conducted by parentco [Three Gorges Group]), it generates large free cash flows (>Rmb30 bn) each year, most of which is used to repay debt and pay out dividends, and the rest may be used in other financial investments. For example, CYP held stakes in listed companies such as Hubei Energy, China Construction Bank and Guangzhou Development, according to its 1H16 financials.

Hydro utilisation in 2017 may be under pressure. With El Nino effect in 1H16, we expect 1H17 hydro utilisation is likely to drop YoY from the high base. This is evidenced by the 5% YoY national hydro utilisation hours drop in 2M17, according to National Bureau of Statistics. For Chuantou, its Yangal hydro power plants registered 8% output growth in 2016, driven by 8% same plant output growth (outperforming national average hydro utilisation, which went up only 1% YoY) and the newly commissioned Tongzilin units. With a higher base and potential hydro resource normalisation, we now assume 5% utilisation decline for Yangal hydro in 2017 (in line with our national hydro utilisation forecast).

Near-term rally mainly sentiment driven. The A-share hydro power stocks have been strong today (SDIC Power [SDIC] up 5%, Sichuan Chuantou Energy [Chuantou] up 2%, China Yangtze Power [CYP] up 1%), after SDIC announced that CYP has accumulated 5% of SDIC's shares (mostly through open market) from Dec 2016 to Mar 2017. Some investors may have expected this to trigger an industry restructuring as CYP is currently the largest listed hydro company in China. Chuantou's share price also went up today likely because it shares the Yangal river assets (representing >95% of Chuantou's net profit) with SDIC.

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Sinopec Shanghai Petrochemical ----------------------------- Maintain UNDERPERFORM

FY16 results in line, higher payout but not sustainable

Horace Tse / Research Analyst / 852 2101 7379 / horace.tse@credit-suisse.com
Jessie Xu / Research Analyst / 852 2101 7650 / jessie.xu@credit-suisse.com
Beatrice Lam / Research Analyst / 852 2101 7693 / beatrice.lam@credit-suisse.com

- SPC reported FY16 net profit of Rmb6.0 bn, up 82% YoY, in line with its profit alert. 4Q16 headline net profit was Rmb1.8 bn, up 84% YoY/Y77% QoQ. Dividend payout increased to 45% (vs 33% in FY15) but we think this level of payout is not sustainable amid a turn in cycle plus future capex requirement on capacity expansion.

- 4Q16 Chemical EBIT reached Rmb1.1 bn based on our estimate, the highest quarter in history on the back of the prolonged Chemical upcycle. Refining continued to be a stable earnings contributor under the current product price mechanism delivering c.Rmb600 mn of core Refining EBIT per quarter.

- We expect another sequentially stronger quarter in 1Q17 amid YTD margin strength, but 1Q17 should mark the peak quarter; our SPC synthetic Chemical margin target is 12% off the peak. Interestingly, SPC’s ethylene production target for 2017 is down 8% YoY and PX is down 9% YoY.

- Our HK$3.40 TP is based on a target multiple of 1.3x 2017E P/B. We revise down our FY17-19E earnings by 0.4-1.8%. Regional peers (ex. LG Chem) are trading at 0.9x P/B. We re-iterate our UNDERPERFORM rating.

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Note 1: ORD/ADR=100.00. Note 2: The company is one of the largest integrated refining and petrochemical complex in China, primarily engaged in production of petroleum products, intermediate petrochemical products, resins and plastics and synthetic fibers.

Click here for detailed financials

2016 results in line with higher dividend payout ratio, while not sustainable

Sinopec Shanghai Petrochemical (SPC) reported 2016 full-year results, with net profit of Rmb6.0 bn, up by 82% YoY, in line with its previously released profit alert of 78-88% YoY growth. 4Q16 net profit registered Rmb1.8 bn, an increase of 84% YoY/Y78% QoQ. Excluding inventory gain, core net earnings in 4Q16 were Rmb1.5 bn, up by 46% YoY/Y42% QoQ, riding on the prolonged petrochemical upcycle.

The company proposed a final dividend of Rmb0.25/share, implying a 45% dividend payout ratio, up from 33% in 2015. On the face of it this appears to be a positive surprise, but we think this is a form of a compensation back to the parent after the one-off risk reserve fund gain in 1H16 (CSe: Rmb793 mn). We believe this level of payout is not sustainable given the absence of risk reserve fund in 2017, a turn in cycle plus capex requirement on capacity expansion.

Figure 1: Sinopec SPC – CS estimated Quarterly OP & net profit

<table>
<thead>
<tr>
<th>Year</th>
<th>1Q16</th>
<th>2Q16</th>
<th>3Q16</th>
<th>4Q16</th>
<th>1Q17E</th>
<th>2Q17E</th>
<th>3Q17E</th>
<th>4Q17E</th>
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</thead>
<tbody>
<tr>
<td>Revenue (Rmb mn)</td>
<td>67,037</td>
<td>65,936</td>
<td>66,049</td>
<td>75,210</td>
<td>82,917</td>
<td></td>
<td></td>
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<tr>
<td>Net profit (Rmb mn)</td>
<td>3,274</td>
<td>5,968</td>
<td>4,036</td>
<td>3,538</td>
<td>3,816</td>
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<tr>
<td>EPS (CSE adj, Rmb)</td>
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<td>0.55</td>
<td>0.37</td>
<td>0.33</td>
<td>0.35</td>
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<tr>
<td>EPS growth (%)</td>
<td>82.3</td>
<td>32.4</td>
<td>12.4</td>
<td>7.9</td>
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<td>EPS growth (%)</td>
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<td>Dividend yield (%)</td>
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<td>6.5</td>
<td>3.2</td>
<td>2.8</td>
<td></td>
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<tr>
<td>EV/EBITDA (x)</td>
<td>10.4</td>
<td>6.5</td>
<td>8.7</td>
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<td>P/B (x)</td>
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<td>1.7</td>
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<td>ROE (%)</td>
<td>18.0</td>
<td>26.8</td>
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<tr>
<td>Net debt/cash (%)</td>
<td>4.9</td>
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<td>23.3</td>
<td>30.2</td>
<td></td>
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</table>

Source: Company data, Credit Suisse estimates

1Q17 should mark the peak quarter in 2017

Looking forward, 1Q17 should set another strong quarter, while also marking the peak, in our view; our synthetic Chemical margin tracker for SPC shows that chemical margin is already 12% off the peak seen in February 2017. Interestingly, SPC’s ethylene production target for 2017 is down 8% YoY and PX is down 9% YoY.

Figure 2: SPC headline net profit vs dividend payout historically

Source: Company data, Credit Suisse estimates

Figure 3: CS synthetic SPC Chemical margin tracker

Source: Datastream, The BLOOMBERG PROFESSIONAL™ service, Credit Suisse estimates
Cathay Pacific turned into net loss of HK$575 mn in 2016, a 110% YoY drop. Recurring net profit came at HK$254 mn (vs CSe HK$439 mn)—the miss was mainly due to (1) lower-than-expected cargo yield and (2) higher-than-expected non-fuel cost, especially maintenance costs. However, BVPS becomes 16% higher on write-back of unrealised hedging losses.

By segment, passenger yield dropped 9% YoY, in line with CSe. The weakness of passenger business was caused by intense competition, weak premium demand and currency headwind; on the cargo side, freight yield dropped 16% YoY, worse than our expectation on overcapacity and suspension of fuel surcharge.

Looking into 2017, we think marginal improvement of cargo business will not be able to offset passenger segment weakness: we expect passenger yield pressure to persist on strong competition from Chinese airlines and currency headwinds.

With lower passenger yield assumption, we trim our 17E earnings significantly to HK$1.9 bn. Applying 0.7x P/B, our TP stays at HK$9.5, mainly due to BVPS increase in 2016 laying a high base. With lower passenger yield assumption, we trim 17E earnings significantly to HK$1.9 bn. Applying 0.7x P/B, our TP stays at HK$9.5, mainly due to BVPS increase in 2016 laying a high base.

2017 outlook remains challenging

During the briefing, management expects the environment in 2017 to remain challenging given strong competition from other airlines and strength of HKD. On the cost side, the company believes it will benefit from the low fuel price with fuel hedging losses to narrow in 2017. A three-year programme has kicked off to transform CX to be more efficient in costs and operations—however, we think drops of top line are the key challenge to CX, rather than cost reductions. Looking into 2017, we think passenger weakness would outweigh marginal improvement of cargo segment. In our view, passenger business is facing structurally downward pressures from aggression of Chinese airlines and Gulf carriers; while cargo yield should see marginal improvement on periodically supply constraint and resumption of fuel surcharge from April 2017.

Maintain UNDERPERFORM; prefer Chinese airlines to CX

We reiterate our UNDERPERFORM rating on CX and trim earnings significantly on lower passenger yield assumption. Applying a 0.7x P/B (vs previously 0.8x), our TP stays at HK$9.50, mainly due to an increase of BVPS in 2016 (laying a high base) offsetting lower multiple we apply. Within the sector, we prefer Chinese airlines to CX for the recovering China domestic demands theme.

Figure 1: 2016 results comparison

Source: Company data, Credit Suisse estimates

Valuation metrics

<table>
<thead>
<tr>
<th>Company</th>
<th>Ticker</th>
<th>Rating (prev. rating)</th>
<th>Price</th>
<th>TP Chg (%)</th>
<th>Up/dn to TP (%)</th>
<th>Year</th>
<th>EPS Chg(%)</th>
<th>EPS</th>
<th>EPS grth (%)</th>
<th>P/E (x)</th>
<th>Div. yld (%)</th>
<th>ROE (%)</th>
<th>P/B (x)</th>
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<tbody>
<tr>
<td>Cathay Pacific</td>
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<td>U (U)</td>
<td>11.44</td>
<td>9.50 (9.50)</td>
<td>0 (17)</td>
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<td>n.m</td>
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<td>(0.53)</td>
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<td>n.m.</td>
</tr>
</tbody>
</table>

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM
Source: Company data, Credit Suisse estimates
Fall in USDINR: Intrinsic factors, global catalyst; further declines appear unlikely for now

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- There are several arguments in favour of INR appreciation: (1) rising exports (+17% in Feb-17); (2) low inflation; (3) more capital inflows (improved visibility on medium-term political stability and hence policy); and (4) improved external balance sheet (link).

- With its 1.7% climb this month against the USD (Fig 1), the INR is the strongest currency in the world. However, over longer periods, its rank is middling in a set of 30 major global currencies (Fig 2). It has been one of the most stable over 24M. The recent move appears catalysed by global factors (Fig 3).

- However, RBI's stated policy is to minimise currency volatility and it is likely to intervene now (Fig 4). With REER at a record high, and forex reserves below their recent peak (Fig 5), RBI has ample room for continued intervention. USDINR may not fall meaningfully from here, unless DXY falls sharply.

- In our coverage universe, the sectors negatively impacted by INR depreciation are IT, pharma, metals and private refiners. Beneficiaries include those with USD cost/INR revenues (MRTI, cement, HUL) or those with unhedged USD loans (BRTI).

INR at a 16-month high against the USD, but not an outlier

Figure 1: USDINR now the lowest since Nov-15

Figure 2: INR performance not an outlier for most time periods

Figure 3: USD has depreciated against most currencies in 2017

Source: The BLOOMBERG PROFESSIONAL™ service, Credit Suisse estimates

Positive BoP gives flexibility to the RBI to check volatility

India's Balance of Payments has improved meaningfully over the past three years, and its external balance sheet has improved as well (link). The recent state election results also provide visibility on medium-term political stability and hence policy—these should positively affect capital flows, particularly FDI, which has already been very strong.

RBI's stated policy is to minimise currency volatility: since the turbulent days of May-Aug-13, it has managed to keep monthly and three-monthly changes within 2-3% (Fig 4).

Sustained appreciation is unlikely

There are many arguments in favour of sustained appreciation of the currency: (1) exports are reviving (+17% in Feb-17, +20% ex-oil/gold) and trade deficit is averaging below US$10bn/month—a level at which CAD <1% of GDP; (2) inflation is low; (3) a stable currency drives more FPI bond inflows, which puts further appreciation pressure on INR.

However, the REER is at record highs (Fig 1), and foreign currency reserves are below their recent peak (Fig 5), providing some room for the RBI to continue intervening.

Figure 5: Foreign exchange reserves below recent peak

Source: CMIE, Credit Suisse estimates
India IT Services Sector

Sharp recent appreciation in INR but cross-currency moves may mitigate 4Q impact

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- Sharp appreciation in INR in the past few days: The INR has moved from 67/USD to 65.5/USD in March and is now at the strongest level since November 2015.
- Headwinds in 4Q but cross-currency impact lower than earlier expectation: Many major currencies for the IT firms have risen 1-5% vs. the USD and the cross-currency impact in 4Q will likely be -20 to +50 bp vs -40 to -100 bp expected earlier. The incremental margin impact may only be 15-25 bp to our numbers.
- FY18 earnings may have some impact due to current exchange rates but it is too early for this analysis: The current exchange rates would impact our FY18 EBIT estimates by 2-4% but hedge gains may offset this somewhat. In any case, given currency volatility, it is too early for this analysis.
- The immigration related issues can continue to be an overhang on sentiment towards the sector, especially if there is lack of clarity on any potential cyclical changes. But the near-term currency impact on 4Q earnings may not be significant unless the INR continues to appreciate for the next two weeks.

The 4Q currency moves so far will likely contract our EBIT margin estimates by an incremental 15-25 bp or EBIT by 0.75-2%. Below EBIT, an unfavourable move in the end-of-period exchange rates for the major currencies (USD, GBP and EUR) can lead to mark-to-market losses on the net monetary assets. Gains on hedges can offset this, however (both these are difficult to quantify).

Figure 1: Sharp appreciation in the INR in the past few days

![Graph showing INR/USD appreciation](image-url)

Source: Thomson Reuters

Sharp appreciation in INR in the past few days

Since the beginning of March, the INR has moved from ~67 (vs the USD) levels to about 65.5, with a sharp move during this week itself (from 66.5 to 65.5). The INR is now at the strongest levels versus the USD since November 2015.

Headwinds in 4QFY17 but cross-currency impact lower than earlier expectations

The other major currencies for the Indian IT firms (EUR, GBP, AUD, JPY, etc.) have also appreciated against the USD during this period. For the quarter so far, EUR, AUD, JPY, CHF and SGD have appreciated against the USD in the range of 1-5%. GBP, on the other hand, has depreciated slightly by 1%.

Consequently, the cross-currency impact in 4Q FY17 is likely to be lesser than what we had estimated earlier on early January exchange rates. We had earlier built in cross-currency headwinds of -40 to -100 bp for different companies in 4Q FY17. But with the revised exchange rate assumptions, we expect impact of +50 to -20 bp. The average INR/USD, on the other hand is likely to be 1.5% lower than our earlier estimate of 68.

The 4Q currency moves so far will likely contract our EBIT margin estimates by an incremental 15-25 bp or EBIT by 0.75-2%. Below EBIT, an unfavourable move in the end-of-period exchange rates for the major currencies (USD, GBP and EUR) can lead to mark-to-market losses on the net monetary assets. Gains on hedges can offset this, however (both these are difficult to quantify).

Figure 2: Most major currencies for the Indian IT firms (with the exception of GBP) have appreciated against the USD in 4Q FY17

![Graph showing currency appreciation](image-url)

Source: Thomson Reuters

Figure 3: Cross-currency impact in 4Q FY17 is likely to be lower than our earlier expectation

![Graph showing cross-currency impact](image-url)

Source: Company data, Credit Suisse estimates.

Figure 4: Unfavourable move in the end-of-period exchange rates (absolute change in Rs per USD, GBP and EUR)

<table>
<thead>
<tr>
<th>Currency</th>
<th>30-Jun-16</th>
<th>30-Sep-16</th>
<th>31-Dec-16</th>
<th>31-Mar-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>1.2</td>
<td>-0.9</td>
<td>1.4</td>
<td>-2.4</td>
</tr>
<tr>
<td>GBP</td>
<td>-5.3</td>
<td>-3.5</td>
<td>-2.5</td>
<td>-4.1</td>
</tr>
<tr>
<td>EUR</td>
<td>-0.4</td>
<td>-0.2</td>
<td>-3.4</td>
<td>-1.9</td>
</tr>
<tr>
<td>AUD</td>
<td>-0.4</td>
<td>0.7</td>
<td>-1.9</td>
<td>0.6</td>
</tr>
</tbody>
</table>


FY18 earnings may have some impact due to current exchange rates but it is too early yet for this analysis

We have assumed INR/USD rate of 67 for FY18 and FY19 forecasts. With INR at 65.5, this would imply a 2.2% impact on the INR conversion rate. On the other hand, the appreciation in EUR, JPY and the other currencies (assuming they stay at current levels) would imply 50-70 bp lower cross-currency headwinds than what we have currently built in. Thus, the net currency impact relative to our current assumptions would be 150-170 bp or about 50 bp negative impact on the margins and 2-4% EBIT impact. Relative movement between hedges and mark-to-market adjustment on net monetary assets may offset some of this.
India Telecoms Sector

Jio sweetens Prime offer further to ~Rs250 with cashbacks

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- On 21-Feb-17, Jio had announced the launch of unlimited ‘Jio Prime’ plans starting at Rs303/month. We saw these as ARPU dilutive since they effectively capped ARPUs from higher-end subscribers (~50% of revenues for leading operators) (link).
- Within three weeks of said announcement, Jio seems to have sweetened the ‘Prime’ offers further by giving cashback of Rs50 on all Jio transactions done through Jio Money wallet to be redeemed only on another Jio recharge. This effectively brings down the Rs303 plan to Rs253.
- Jio’s current subscriber base is smaller than the wallet user base in India, which means the acceptability of the offer should not be a problem. In any case, we would expect the company-owned stores to encourage the use of this offer when customers come to sign up for ‘Jio Prime’.
- Overall, we continue to see tariff aggression sustain in the India telecoms sector. We reiterate our cautious stance on Bharti and Idea stocks.

Valuation Metrics

<table>
<thead>
<tr>
<th>Company</th>
<th>Ticker</th>
<th>Rating</th>
<th>Price</th>
<th>Year</th>
<th>P/E (x)</th>
<th>P/B (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bharti Airtel</td>
<td>BRTI.BO</td>
<td>U</td>
<td>363.15</td>
<td>03/16</td>
<td>34.4</td>
<td>3.26</td>
</tr>
<tr>
<td>Idea Cellular</td>
<td>IDEA.BO</td>
<td>U</td>
<td>112.90</td>
<td>03/16</td>
<td>n.m.</td>
<td>n.m.</td>
</tr>
</tbody>
</table>

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

Three weeks ago, Jio launched ‘Prime’ unlimited plans starting from Rs303/month. We believe that it effectively put a cap on ARPUs for higher-end subscribers, which forms a significant share of revenues for incumbents (link).

Today, Jio seems to have sweetened the Jio Prime offers further through an indirect cashback—which to us seems like a discount for all practical purposes.

The Jio Money app has started an offer today, wherein all Jio transactions of Rs99 or above will be rewarded with a Rs50 cashback offer into the Jio money account. This discount voucher can be redeemed only on another Jio recharge of Rs303 or above. While the terms state that it is valid till the end of Jun-17, elsewhere they also say that the offer can be availed five times during the offer period (i.e., should run for at least 5 months for this note to make sense)

Unlike other cashback offers we see with wallets in the market, this one comes with a well-defined and exclusive use case: a Jio recharge begets a discount voucher that can be redeemed only on a Jio recharge. As such, we see this as a straight discount to the Rs303 offer (for a Jio prime customer, this would now be down to Rs253 till Jun-17).

Jio money is only involved here as a temporary store of that recharge voucher. In addition, since the only way to avail this offer is through Jio money, this could be a tactic to kick-start the usage of Jio money itself.

One might argue that this offer is restricted to transactions done through Jio money and hence would not have a large impact. However, the attractiveness of wallets can be gauged by looking at wallet companies like PayTM, which have a user base of 200 mn+ which is 2x of Jio’s subscriber base of 100mn+.

We do note that in the longer term, if this leads to a significant chunk of recharges moving to wallets/online, it could help telcos, given that they spend 3-4% as dealer/channel commissions. While one could also argue that such offers might not be pushed by the dealer when a customer comes for recharge, the company-owned stores could well be encouraged to push such offers.

Overall, we continue to see tariff aggressiveness sustain in the India telecoms sector. We reiterate our cautious stance on Bharti and Idea stocks.
Bharat Electronics

Call takeaway: Reasonable confidence on orders, execution and margins

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Vaibhav Jain / Research Analyst / 91 22 6777 3968 / vaibhav.jain@credit-suisse.com

- BEL seemed reasonably confident on orders of >Rs100 bn in FY17, given specific near-term opportunities; broad-based execution driving revenue growth in the medium term; and sustainable margins with raw material cost in the range of 53-55%.

- Apart from near-term opportunities, BEL sees opportunities from integration of other upcoming platforms such as MR-SAM. However, TCS and BMS opportunities are still long way off as even the development orders have not been given for these two.

- BEL has a broad spectrum of horizontal capabilities in electronics, communications and software, and emerged as a large system integrator. We expect an average order inflow run rate of Rs135 bn p.a. during FY17. The company suggested that this growth was broadbased and not driven by any specific one-off projects, etc. It expects acceleration in revenue growth based on the delivery schedule of the large backlog and sees revenue growth in the range of 12%. At this point of time there is no significant slow moving order.

- We maintain OUTPERFORM on BEL with a TP of Rs1,800 (20x Mar-2019E EPS), based on steady growth visibility (14% FY16-19E earnings CAGR) and reasonable valuations (17x FY19E P/E for ~20% RoE, cash generation). Key risks: (1) execution, (2) technology landscape, (3) pay commission, and (4) project-specific margins.

---

**Figure 1: Status of large near-term opportunities seem positive**

<table>
<thead>
<tr>
<th>Projects</th>
<th>Details</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akash missile</td>
<td>Surface-to-air missile (for the Air Force)</td>
<td>Defence acquisition council approved the order in Dec 2015. Given this system is already inducted, contract negotiation, etc would not take much time.</td>
</tr>
<tr>
<td>LRSAM</td>
<td>Long-range surface-to-air from Indian ships. Systems included already by Israel’s Navy. Indian ships (Vikramaditya, Kamorta and Kolkata)</td>
<td>Jointly developed with Israel. Testing completed including air missile (LRSAM) for the Navy, etc would not take much time.</td>
</tr>
</tbody>
</table>

Source: Company data, Credit Suisse research

**RM cost in the range of 53-55% sustainable; 9M at 50%**

The company shared that it expects RM cost in the range of 53-55% going forward in a sustainable manner. We build RM cost of 54.5% in our FY17-19 forecasts. Raw material cost for 9M is now at 49.5%.

**TCS and BMS opportunities seem a long way off**

Tactical communication system (TCS) and Battlefield management system (BMS) opportunities seem still long way off, as even development orders have not been finalised for these two systems. Once development orders are given, there has to be time for development (two years), testing (one year) and then only it can proceed to the contract negotiations stage.

**Platform delays could drag execution**

One of the key risks relate to delays in platforms on which the company’s equipment is going to be installed. If that mother platform is delayed, the equipment supplies by BEL would also get delayed.

**9M FY17 trend suggests upgrade to FY17 estimates itself**

For 9M FY17, BEL has reported 18% and 34% YoY revenue and PAT growth, respectively. Contribution margins have expanded, to 50% from 43% in 9M FY17. We build in contribution margins of 45.5% in our FY17-19 estimates. 9M FY17E suggests upside to our ahead-of-consensus FY17 estimates, as BEL requires just flat profit YoY to meet our estimates.

---

We present takeaway from conference call with BEL.

**Strong execution is broad-based and sustainable**

BEL has delivered strong execution with YoY growth of 18% in 9M FY17. The company suggested that this growth was broadbased and was not driven by any specific one-off projects, etc. It expects acceleration in revenue growth based on the delivery schedule of the large backlog and sees revenue growth in the range of 12%. At this point of time there is no significant slow moving order.

**Confident of Rs100 bn+ in orders in FY17; 9M at Rs62 bn**

BEL sounded confident of receiving Rs100 bn+ in orders in FY17 as a couple of large opportunities are in the final contract negotiations stage. These are (1) long range surface-to-air missile (LRSAM) for the Navy, and (2) additional Akash missile squadrons for the Air Force. Some other near-term opportunities include the second phase of coastal surveillance system (again cleared by DAC). About Rs30-50 bn in orders are for off-the-shelf products like thermal imaging, radars, etc and BEL depends on large orders for maintaining Rs50-75 bn of orders p.a. Other key opportunities include software defined radio and other platforms under development such as quick reaction (QR), medium range (MR) surface-to-air missiles for the Army and the Air Force.

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Click here for detailed financials.
Reliance Industries Limited  

Jio announces cashback plans; telco tariff pressure to stay higher for longer

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- Jio announced a Rs50 "cashback" offer on all plan purchases over Rs99 – which can, however, be redeemed only on the Rs303 Prime plan (unlimited voice + 1GB/day data). Jio suggests this is a "limited period" offer. This "cashback" is credited to the Jio Money wallet, and can be used up to five times and is valid until 30 June.

- Mobile wallets (PayTM, Mobikwik) have been offering Rs20-30 cashback on Jio recharges along with (upto) Rs150 discounts on purchase of specific services. This offer is different as it is: (1) offered by the telco itself, and (b) is valid exclusively for Jio plan recharge.

- We noted recently that telecom incumbents broadly matched Jio’s tariffs, with offers in the Rs340-350/month range. While Jio’s initial response was to maintain pricing discipline, we see the current "cashback" offer effectively taking Jio tariffs down to Rs253 until June-17. We see telco competitive pressure staying high.

- Helped by a stronger 4G network and attractive tariffs, we expect Jio to gain market share rapidly (15% by FY19), setting a floor for ‘steady-state’ market share expectations. However, we think the stock is already pricing in Jio becoming a top-2 telecom player.

**Figure 1: Jio's price per GB down ~29% over the past four weeks; we see this as a response to incumbents nearly matching the Jio Prime offer**

**Figure 2: Cash back of Rs50 on all Jio transactions above Rs99**

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

**Competitive pressure to stay high**

We noted recently ([link](https://www.credit-suisse.com)) that telecom incumbents broadly matched Jio’s tariffs, with offers in the Rs340-350/month range, and with this cashback, Jio tariffs are now at a larger discount to peers. We see telco competitive pressure staying high. Helped by a stronger 4G network and attractive tariffs, we expect Jio to make rapid market share gains (15% by FY19), setting a floor for ‘steady-state’ market share expectations. However, we think the stock is already pricing in Jio ramping up to 25% revenue market share, and stay NEUTRAL.

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**Table 1: Price of Jio Prime plan (Rs303) relative to peers**

<table>
<thead>
<tr>
<th></th>
<th>Airtel</th>
<th>Vodafone</th>
<th>Idea</th>
<th>Jio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price (15 Mar 17, Rs)</td>
<td>1,304.40</td>
<td>1,200.00</td>
<td>2,431.50</td>
<td>64.60</td>
</tr>
<tr>
<td>Rating (prev. rating)</td>
<td>N/A</td>
<td>TP (prev. TP Rs)</td>
<td>9.00</td>
<td>139.00</td>
</tr>
<tr>
<td>Shares outstanding (mn)</td>
<td>3,243.98</td>
<td>350.00</td>
<td>130.94</td>
<td>10.00</td>
</tr>
<tr>
<td>Cost per GB</td>
<td>1.53</td>
<td>1.00</td>
<td>1.64</td>
<td>1.00</td>
</tr>
</tbody>
</table>

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**Note:**

1. OR/ADR=2.00. Note 2: Reliance Industries is an India-based company which operates in five business segments: refining, petrochemicals, oil & gas, telecom and retail.

Click here for detailed financials.

**Jio announces "cashback" of Rs50, only for Rs303 plan**

Jio announced a "cashback" plan, providing a Rs50 discount voucher, usable only for a recharge of the Rs303 Jio Prime plan (which offers 1GB/day data and unlimited voice calling – and in the initial phase, 5GB additional data). Jio suggests this is a "limited period" offer and is valid on all recharges over Rs99. This "cashback" is credited to the Jio Money wallet, and can be used up to five times and is valid until 30 June 2017. Mobile wallets such as PayTM and Mobikwik over the past week have announced special offers for Jio recharges as well. These wallets offer Rs20-30 cashbacks on Jio along with (upto) Rs150 discounts on purchase of specific services, such as movie and bus tickets. We believe this offer from Jio is different as it is: (1) offered by the telecom operator itself, and (2) is valid exclusively for Jio plan recharge. In effect, this cashback takes Jio tariffs down to Rs253 – at least until Jun-17, for all payments via JioMoney. This offer also encourages customers to use the JioMoney wallet. The CS telecom team notes that compared to the 100+mn Jio subscribers, PayTM has a user base of 200+mn, highlighting the attractiveness of wallets to customers.
Six consecutive months of upside surprises in trade balance
Sanitarn Sathirathai / Economist / 65 6212 5675 / sanitarn.sathirathai@credit-suisse.com

- February trade balance beat the consensus expectation on the upside again, marking the sixth consecutive month of positive surprises. This time around, the improvement in non-oil and gas balance help offset the deterioration in the oil and gas balances.
- Export growth came off to 11.2% YoY from the high base of 27.7%, below consensus expectation but still solid by historical standards. The details showed that the recent improvement in exports was not just boosted by price increases. Manufacturing exports also grew robustly at close to 20% YoY.
- Consumer imports continued their recent weakening trend, while capital goods and raw material imports appear to be on the mend.
- We continue to be constructive on the external balance in Indonesia, projecting current account deficit to narrow further to US$1-1.5 bn in 1Q versus US$1.8 bn in 4Q16. We also maintain our non-consensus view that the current account balance would improve to 1.7% of GDP from 1.8% last year versus consensus’ 2.2% (see our Indonesia trip note).

Details were more mixed: Softer exports and imports
Exports – not just about prices. Export growth came off to 11.2% YoY from the high base of 27.7%, below consensus expectation but still solid by historical standards. The details showed that recent improvement in exports was not just boosted by price increases. Manufacturing exports also grew robustly at close to 20% YoY.

The recovery in manufacturing exports may partly reflect the lagged impact of exchange rate depreciation, as well as the pick-up in investment into industrial sectors in recent years.

Mixed signals from imports. Consumer imports continued their recent weakening trend, while capital goods and raw material imports appear to be on the mend. Historically, raw material imports tend to follow the same trend as domestic demand growth in Indonesia. Hence, the recent improvement in raw material imports provides some reasons for optimism on domestic demand side despite disappointing consumer goods imports, in our view.

Based on high frequency data so far, we continue to expect GDP growth to improve slightly to 5.0-5.1% YoY in 1Q versus 4.9% in 4Q 2016. We also maintain our view that Bank Indonesia will keep policy rates unchanged tomorrow, as well as for the year.

Figure 1: Export recovery has been quite broad based, not just for commodity products

Figure 2: Investment realisation industrial sector has been robust

Another upside surprise in trade balance supports our non-consensus view on current account
February trade balance beat the consensus expectation on the upside again, marking the sixth consecutive month of positive surprises. This time around, the improvement in non-oil and gas balance help offset the deterioration in the oil and gas balances.

We continue to be constructive on the external balance in Indonesia, projecting current account deficit to narrow further to US$1-1.5 bn in 1Q versus US$1.8 bn in 4Q16. We also maintain our non-consensus view that the current account balance would improve to 1.7% of GDP from 1.8% last year versus consensus’ 2.2% (see our Indonesia trip note).

This should provide Indonesia with some cushion to withstand shocks that may drive capital outflows such as higher US rates.
Hitachi Chemical organized a study meeting on LiB anode materials on 15 March and provided an overview on the market for LiB anode materials and the development of automotive applications at its anode materials business. Full report.

The company’s independently-developed Massive Artificial Graphite (MAG) is a large discharge capacity anode material suited for quick charging and discharging. There are no rival products to MAG in the market, according to the company.

As there is a theoretical limit to which graphite anode capacity can be increased in the future, the company apparently looks to prioritize development of high-capacity Si anode material to meet market needs for higher-capacity products. The company expects EV demand growth to drive LiB market size from around ¥220.0bn in 2016 to ¥400.0bn in 2020.

This study meeting did not go into current efforts in relation to specific customers. Moreover, updates we had anticipated on future production plans and management’s outlook for demand growth from US electric cars were not forthcoming.

Overview of LiB anode materials business: Hitachi Chemical organized a study meeting on LiB anode materials on 15 March and provided an overview on the market for LiB anode materials and the development of automotive applications at its anode materials business. Hitachi Chemical is the world’s top maker of graphite, the mainstream LiB anode material, and is also involved in the production of soft carbon and metal anode materials (Si, SiO). Hitachi Chemical is reported to have achieved high crystallization using indigenous technology, including graphite conversion temperature (roughly 3,000°C), and technology for optimizing inputs and the catalyst.

Ongoing demand growth for automotive LiB anode materials: Hitachi Chemical’s anode materials for automotive application have gained market credibility due to the advancement in safety technology, leading to wider adoption by automakers. Leveraging its material surface control technology, the company said that it has managed to achieve greater safety through reduced precipitation in needle-shaped metal lithium, which usually triggers short circuits and causes fire.

Anode material market trends, manufacturing: Synthetic graphite and natural graphite are the main anode materials used for LiB. Synthetic graphite is currently about 60% of the market and natural graphite 40%. Natural graphite reserves are estimated at 380mn MT while annual production in 2013 was 1.11mn MT. Synthetic graphite anode material is manufactured by firing raw materials such as resin, pitch, coke, and graphite at about 1,000°C, followed by heating to some 3,000°C to form graphite.

Our view: This study meeting did not go into current efforts in relation to specific customers. Moreover, updates we had anticipated on future production plans and management’s outlook for demand growth from US electric cars were not forthcoming. Our overall impression was therefore neutral. We estimate anode material sales at about ¥16bn in FY3/17 and forecast growth driven by demand from US electric cars to ¥23bn (+44% YoY) in FY3/18 and ¥30bn (+30%) in FY3/19. The company aims to maintain its top share of the global market and its 50% of the automotive applications market that it has held since 2015.

This is an extract from Masami Sawato’s report on Hitachi Chemical published on 15 March 2017.
Wacom

Looks overvalued following impairment/restructuring estimates

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- We revise our forecasts for Wacom, trim our target price from ¥270 to ¥260 and reiterate our UNDERPERFORM rating. We commend the company’s change in business strategy away from targeting high growth and reforms to its cost structure.

- However, earnings are weak, even after taking into account the benefits (SG&A cut ¥1 bn in FY3/18) of restructuring and removal of impaired assets. We focus on whether it can further reduce costs.

- The stock has risen sharply over the past three months and now trades at a P/B of 3x FY3/18E (peak since expectations fell for S Pen for the Galaxy Note, plus above one standard deviation), apparently pricing in strong improvement in the company’s fundamentals. However we think it is too early to factor the upside. We approve of management’s moves to enhance the cost structure and revise its unrealistic growth strategy, which had aimed for CAGR in excess of the 7% historic trend for brand products (the medium-term plan announced in April 2015 targets sales of ¥93.0 bn in FY3/17, but we forecast a shortfall to ¥70.6 bn). The prevailing share price cannot be justified by “cleaning house” through impairment charges and structural reforms. Rather, Wacom needs to thoroughly reduce SG&A expenses and improve efficiency, in our view. We are interested in management’s initiatives for consumer products, which have low value-added, and business solutions, which are facing tougher competition. In the brand products business, we forecast FY3/18 sales growth of 9% (excluding forex factors), owing in part to new products, but we expect growth to slow to 3% in FY3/19. In the technology solutions business, we look for sales to hold steady YoY through FY3/18, as sales for the Galaxy Note 7 have risen close to the initial target, including via an inventory pick-up.

Risks include stronger-than-expected sales from new products in the brand products business, yen depreciation, and cost cuts. We are especially focused on whether Wacom can aggressively cut SG&A expenses.

Valuation: Our ¥260 TP is the product of our FY3/18 BPS estimate (¥163) and a P/B of 1.6x, the lowest for the past 10 years (excluding impairment/restructuring estimates” published on 15 March 2017. For the full report, please visit our CS Plus website.)

Our ¥260 TP is the product of our FY3/18 BPS estimate (¥163) and a P/B of 1.6x, the lowest for the past 10 years. Full report.

Note 1: ORD/ADR=1.00. Note 2: Wacom Co., Ltd. is a Japan-based manufacturing company. The company operates in three business segments. Tablet, Component and Others segments.
Click here for detailed financials.

We revise our forecasts for Wacom, trim our target price from ¥270 to ¥260 (potential return -43%) and reiterate our UNDERPERFORM rating. We commend the company’s change in business strategy away from targeting high growth and reforms to its cost structure. However, earnings are weak, even after taking into account the benefits (SG&A cut ¥1 bn in FY3/18) of restructuring and removal of impaired assets. We focus on whether it can further reduce costs.

The stock has risen sharply over the past three months and now trades at a P/B of 3x FY3/18E (peak since expectations fell for S Pen for the Galaxy Note, plus above one standard deviation), apparently pricing in strong improvement in the company’s fundamentals. However we think it is too early to factor the upside. We approve of management’s moves to enhance the cost structure and revise its unrealistic growth strategy, which had aimed for CAGR in excess of the 7% historic trend for brand products (the medium-term plan announced in April 2015 targets sales of ¥93.0 bn in FY3/17, but we...
To export its e-government expertise to the Philippines

Danny Chan / Research Analyst / 60 3 2723 2082 / danny.chan@credit-suisse.com

- MYEG announced that it has entered into a joint-venture agreement with the leading technology and retail conglomerate in the Philippines and Softbank to develop and implement Electronic Government Services in the country.

- We believe this is a positive development for the company due to three reasons: (1) the venture would enable MYEG to export its expertise to a new market; (2) digital transactions in the Philippines remain underpenetrated relative to the region; and (3) MYEG is partnering with renowned investors.

- That said, we understand from management that the earnings impact will be insignificant in the short term until they can scale up the business. Therefore, we make no changes to our estimates.

- While we remain excited with the growth potential, pivoted by the various projects it plans to undertake, we believe that the current share price, which has done well, probably factors in most of the near-term known prospects that can drive earnings growth. Hence, we downgrade the stock to NEUTRAL from Outperform.

<table>
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<tr>
<th>Bbg/RIC</th>
<th>MYEG MK / MYEG.KL</th>
<th>Price (15 Mar 17, RM)</th>
<th>EPS (CS adj. RM)</th>
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<tr>
<td>MBG180</td>
<td>MYEG</td>
<td>5.13</td>
<td>0.17</td>
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Note: MYEG is a concessionaire for Malaysian Electronic-Government MSC Flagship Application. MYEG builds, operates and owns the electronic channel to deliver services from various government agencies to Malaysian citizens and businesses.

Click here for detailed financials

To export its e-government expertise to Philippines

MYEG announced yesterday (14 March) that it has entered into a joint ventuure agreement with the Philippines-based i-Pay Commerce Ventures Inc to establish a joint-venture corporation (JVC) for the purpose of engaging in the business of development and implementation of Electronic Government Services projects in the Philippines, including electronic payment services.

Three reasons why we like the deal

- MYEG will hold a 40% stake in the JVC (to comply with the maximum foreign ownership) and under the agreement, they will inject up to US$2 mn in three tranches subject to certain milestones being achieved by the JVC. We believe this is a positive development for the company due to three reasons:
  - the venture would enable MYEG to export its expertise to a new market resulting in higher potential earnings;
  - digital transactions in the Philippines remain underpenetrated relative to the region (in a survey conducted by McKinsey, merely 13% of the respondents used computers, tablets and smartphones to access bank services vs Malaysia (41%), Vietnam (44%) and Singapore (94%), suggesting that there is growth potential);
  - MYEG is partnering with renowned investors such as IP Ventures Inc. (leading technology and retail conglomerate in the Philippines) and Softbank.

That said, we understand from management that the earnings impact will be insignificant in the short term until they can scale up the business. Therefore, we make no changes to our estimates.

Risk worth noting: government could appoint new contractors for the renewal of foreign worker work permit?

To recap, MYEG is currently the only contractor which is assisting the government with the renewal of work permits for foreign workers – this helped to drive the strong growth in FY16 (both revenue and net profit grew 99% and 110% YoY). Concurrently, MYEG is one of the three appointed contractors to process the legalisation of illegal foreign workers. As the government recently expanded the job scope of two other contractors, we do not discount the possibility that they could appoint other contractors to renew work permits too. Nonetheless, we argue that MYEG will still retain a significant market share if that materialises, but there could be downside to our estimates.

Risk worth noting: government could appoint new contractors for the renewal of foreign worker work permit?

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Figure 1: Sensitivity analysis on MYEG’s market share on renewal of foreign worker work permit service vs estimates

<table>
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<tr>
<th>Market share</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
<th>90%</th>
<th>100%</th>
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<tr>
<td>Revenue</td>
<td>289.5</td>
<td>301.0</td>
<td>316.0</td>
<td>331.0</td>
<td>346</td>
</tr>
<tr>
<td>EBITDA</td>
<td>159.0</td>
<td>168.0</td>
<td>177.0</td>
<td>186.0</td>
<td>195</td>
</tr>
<tr>
<td>Net profit</td>
<td>137.0</td>
<td>146.0</td>
<td>155.0</td>
<td>164.0</td>
<td>173</td>
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<tr>
<td>TP</td>
<td>1.40</td>
<td>1.50</td>
<td>1.60</td>
<td>1.70</td>
<td>1.82</td>
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Source: Credit Suisse estimates.

Downgrade to NEUTRAL

While we remain excited about the growth potential, pivoted by the various projects it plans to undertake, we believe that the current share price, which has done well, probably factors in most of the near-term known prospects that can drive earnings growth. Hence, we downgrade the stock to NEUTRAL from Outperform.

Key events that will prompt an upgrade on the stock: (1) faster-than-expected roll out of MYEG’s GST monitoring project; (2) faster-than-expected take up rate for its remittance service (to be launched soon) and (3) significant growth recorded from its Philippine venture.

Other risks worth noting: (1) further delays in MYEG’s GST monitoring system due to a litigation case related to its GST monitoring device. (2) US$1 mn in three tranches subject to certain milestones being achieved by the JVC. (3) Significant growth recorded from its Philippine venture.
Philippines

Philippines Market Strategy ------------------------------- Maintain MARKET WEIGHT
Philippines through OLT’s lens
Dan Fineman / Research Analyst / 66 2 614 6218 / dan.fineman@credit-suisse.com
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- We continue to expect the Philippines market to lag the region. Although we consider the economy one of Asia’s strongest, FY17E EPS growth will likely be mid-single digit, and valuations remain rich. At the stock level, however, some names look attractive. Our top picks are RLC, ALI, JFC, URC, DNL, and MBT.
- We ran Credit Suisse Philippines Research’s top picks through CS OLT Lens® platform. The result supports our preference for ALI, DNL and RLC, although raises questions on URC, JFC, and MBT.
- ALI offers resilient growth and ROE, a disciplined approach on new residential projects, while its large land bank remains a key advantage, in our view. DNL’s sustaining growth momentum and cost pass-through are attractive, we believe. RLC’s growth from mall expansion appears intact to us.
- For JFC and URC, we acknowledge that their valuations look rich, but expect a turnaround in growth and returns in FY17E for both to justify their premiums, while their recent share price weakness also offers better risk-reward entry points, in our view.

Valuation metrics—Credit Suisse Philippines Research top picks

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<tr>
<th>Company</th>
<th>Ticker</th>
<th>Rating</th>
<th>Price</th>
<th>Year</th>
<th>P/E (x)</th>
<th>P/B (x)</th>
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<td></td>
<td>Local</td>
<td>Target</td>
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<td>T+1</td>
<td>T+2</td>
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<td>Robinsons Land</td>
<td>RLC.PS</td>
<td>O</td>
<td>23.10</td>
<td>15.9</td>
<td>13.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Jollibee</td>
<td>JFC.PS</td>
<td>O</td>
<td>196.80</td>
<td>34.6</td>
<td>29.2</td>
<td>5.9</td>
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<tr>
<td>Universal Robinia</td>
<td>URC.PS</td>
<td>O</td>
<td>160.10</td>
<td>24.3</td>
<td>22.6</td>
<td>4.6</td>
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<tr>
<td>Metrobank</td>
<td>MBBT.PS</td>
<td>O</td>
<td>77.90</td>
<td>13.7</td>
<td>11.8</td>
<td>1.2</td>
</tr>
<tr>
<td>D&amp;L Industries</td>
<td>DNL.PS</td>
<td>O</td>
<td>12.50</td>
<td>33.9</td>
<td>28.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Ayala Land</td>
<td>ALI.PS</td>
<td>O</td>
<td>36.20</td>
<td>26.5</td>
<td>24.1</td>
<td>3.6</td>
</tr>
</tbody>
</table>

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

CS Research top picks: RLC, ALI, JFC, URC, DNL, and MBT

As highlighted in our 2017 outlook report, although the economic outlook is bright, we believe the Philippines market remains pricey, with P/E close to 0.5x standard deviation above its ten-year average. We expect FY17E EPS growth to lag GDP, and the market should underperform moderately in 2017. Our current index target of 7,400 offers 2% potential upside from current levels.

At the stock level, however, some names look attractive. We like selective property names RLC (disciplined inventory management, growth from malls expansion particularly in the provinces) and ALI (resilient growth and ROE profile with a more disciplined approach on residential and a large land bank). Despite their rich valuations, we continue to like consumer names JFC (high ROIC, strong growth, and dominance in PH fast food industry), URC (better growth from recovery of Vietnam business, synergies from recent M&A), and DNL (sustaining growth momentum with higher ASP and cost pass-through mechanisms). In the banking sector, we also maintain our OUTPERFORM rating on MBT (liquid balance sheet, rising CASA, high CET-1 and attractive valuation).

Through OLT’s Lens: Supportive on ALI, RLC, DNL

(Company is not part of Equity Research and materials below are not prepared by Equity Research)

The OLT methodology uses a proprietary measure, Cash Flow Return on Investment (CFROI%), which estimates the economic return to be earned by a firm on its operating assets. A firm’s CFROI can be directly compared against its real cost of capital to see if the firm is creating economic wealth. The OLT Philippine universe currently consists of 69 companies with consensus estimates.

Using OLT analysis on CS Research top picks supports our positive view on ALI, with solid CFROI underlying operational quality, positive momentum on consensus revisions and share price, while the valuation is reasonable relative to peers. DNL generates strong and growing CFROI, with positive momentum and thus ranks well on OLT despite its relatively rich valuation. RLC’s CFROI and momentum are currently not as attractive as ALI; bad news seems priced in with OLT’s valuation matrix looking relatively attractive.

On the other hand, OLT is less supportive of large consumer names URC and JFC, and ranks them poorly mainly on deteriorating CFROI, weak momentum and rich valuations. MBT also did not rank well on OLT largely due to negative momentum on earnings revisions and relative share price performance.

Outside of our top picks and taking liquidity into account (daily trading value >US$1 mn), PGOLD, SCC, AP, DMC and SHLPH also rank well.

We expect RLC to re-rate, JFC/URC should retain premium

On RLC, we believe the market sentiment has been too negative on the guidance that it would not launch any new projects in FY17E. This in our view is actually a positive, as it shows RLC is keeping in check its inventory management while its other growth driver, i.e., malls expansion, particularly in the provinces where it can enjoy first mover advantage, remain intact. RLC’s valuation is attractive with forward P/E and P/B at 2.2 and 1.4 SD below five-year mean, respectively.

For JFC and URC, we acknowledge that their valuations look rich but expect a turnaround in growth and returns in FY17E for both (JFC’s domestic growth and new proactive pricing strategy and URC’s Vietnam recovery and M&A synergies) to justify premium while the recent share price weaknesses also offers better entry points.

Source: CS HOLT®, GICS Sector, What is HOLT Scorecard and Investment Style?
Singapore Property Sector

Robust primary sales volumes in Feb (+222% YoY); expect strong momentum to continue

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- Feb 2017 private primary sales (ex-EC) saw an exceptional pick-up of 156% MoM (222% YoY) to 977 units. At 1,358 units YTD, this represents the best start to the year since 2013.
- As highlighted by our banks analyst, the recent zero spread price war in mortgages may have supported take-up rates YTD. Continued mortgage competition notwithstanding, higher interest rates would have a limited impact on affordability, given that TDSR is computed on the higher of prevailing rates or 3.5%.
- Expect strong sales momentum to continue in March, with 420 units (58% of total) at Chip Eng Seng’s Grandeur Park Residences sold in its launch weekend. Given the improved sentiment, developers have lined up a steady pipeline of new launches, starting with CAPL’s Marine Blue (18 Mar) and LendLease’s maiden project, Park Place Residences (25 Mar).
- The recent easing of cooling measures aside, the improving residential fundamentals and sentiment today remain the key driver for developers’ continued outperformance. CDL is our top pick, given its status as a residential proxy, and still attractive valuation at 1.0x P/B (-1 SD from historical average).

Figure 1: Feb 2017 private primary volumes (ex-ECs)

<table>
<thead>
<tr>
<th>Region</th>
<th>Units sold (Feb’17)</th>
<th>% YoY (Feb’17)</th>
<th>% Composition (Feb’17)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Central Region</td>
<td>29</td>
<td>33</td>
<td>62%</td>
</tr>
<tr>
<td>Rest of Central Region</td>
<td>220</td>
<td>110</td>
<td>330%</td>
</tr>
<tr>
<td>Outside Central Region</td>
<td>728</td>
<td>238</td>
<td>966%</td>
</tr>
<tr>
<td>Total</td>
<td>977</td>
<td>381</td>
<td>1,358%</td>
</tr>
</tbody>
</table>

Source: URA

Figure 2: Feb 2017 primary sales (ex-ECs) up by 156% MoM, 222% YoY

- The Clement Canopy (OCR) saw 207 units sold at a median price of S$1,343 psf, a healthy 41% take-up despite there being no one-bedroom units. EL Development’s Parc Riviera (200 units) and MCC Land’s The Santorini (51 units) rounded up the top three projects. A broad based pick-up in sales was also seen across other existing projects, with 728 units sold in the OCR. Executive Condo (EC) sales for February totalled a healthy 329 units (79% MoM, 159% YoY). This was led by sales at existing projects, Sol Acres (82 units), The Terrace (40 units) and The Visionaire (39 units).

Figure 3: Majority of transactions are within S$1,000-S$1,500 psf

<table>
<thead>
<tr>
<th>S$psf</th>
<th>Feb’17</th>
<th>Jan’17</th>
<th>Dec’16</th>
<th>Nov’16</th>
<th>Oct’16</th>
<th>Sep’16</th>
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<td>&lt;1,000</td>
<td>2,501</td>
<td>2,001</td>
<td>1,501</td>
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<td>1,001-1,500</td>
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<td>1,501-2,000</td>
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<tr>
<td>&gt;2,500</td>
<td>3,001</td>
<td>3,001</td>
<td>3,001</td>
<td>3,001</td>
<td>3,001</td>
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</tbody>
</table>

Source: URA

Zero spread price war in mortgages supportive

The three local banks have recently launched zero spread fixed deposit linked mortgage packages, with all-in interest rates as low as 0.6% p.a. This is only applicable to properties under construction, and may have supported take-up rates for The Clement Canopy and Grandeur Park Residences thus far. Notwithstanding continued mortgage competition, we believe higher interest rates would have a limited impact on affordability, given TDSR is computed on the higher of prevailing rates or 3.5%, with healthy median household income growth of 25% from 2011-16.

Expect strong sales momentum to continue

At its launch weekend on 3 March, Chip Eng Seng’s Grandeur Park Residences at Tanah Merah saw a strong 58% take-up rate with 420 units sold. This was followed by the first EC launch of the year, Qingjian’s iNZ Residence at Choa Chu Kang which saw close to 170 of 497 units sold (34%), despite 485 unsold EC units in the estate. Given the improved sentiment, developers have lined up a steady pipeline of new launches, starting with CAPL’s freehold Marine Blue project at c.S$1,700 psf (18 Mar), which has sold 38 of 124 units in its soft launch so far. LendLease will also launch its maiden residential project, the 429-unit Park Place Residences on 25 Mar at c.S$1,700 psf. As part of the S$3.2 bn Paya Lebar Quarter mixed development with a 340,000 sq ft mall and c. 1 mn sq ft of office space, we expect keen demand for the project given its locational and product attributes, with 82% of units comprising 1 and 2 bedroom units, supportive of lower price quantum.
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<td>Asia Semiconductor Sector - February Taiwan Tech sales: Semis lag due to China smartphones, FX and inventory</td>
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<td>Taiwan Component Sector - February sales review: Overall mixed, with China smartphones revising lower</td>
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<td>Hong Kong Property Sector - Developers in a rate hike cycle</td>
<td>Susanna Leung</td>
<td>852 2101 6590</td>
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<td>62 21 255 37931</td>
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<td>Advantech Co., Ltd. - Phase 2 IoT transformation takes shape</td>
<td>Thompson Wu, Harvie Chou</td>
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<td>Mon 13 Mar</td>
<td>India Market Strategy - State elections: UP results a turning point</td>
<td>Neelkanth Mishra, Prateek Singh, Ravi Shankar</td>
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<td>Mon 13 Mar</td>
<td>Ping An - A quality laggard</td>
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<td>852 2101 6177</td>
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<td>Mon 13 Mar</td>
<td>Singapore Healthcare Sector - Moving beyond healthcare to health</td>
<td>Dawei Lee</td>
<td>65 6212 3004</td>
<td><a href="mailto:dawei.lee@credit-suisse.com">dawei.lee@credit-suisse.com</a></td>
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Companies mentioned

Aboltiz Power Corp (AP.PS, P43.1)
Agile Property (3383.HK, HK$6.47, NEUTRAL, TP HK$5.0)
AGL Energy (AGL.AX, A$25.5)
Air China (0753.HK, HK$6.22, NEUTRAL, TP HK$5.0)
Air China (601111.SS, Rmb8.24)
Amazon com Inc. (AMZN.OQ, $852.97)
Ayala Land (ALPS.PS, P36.0, OUTPERFORM, TP P38.9)
Bharat Electronics (BAJE.BO, Rs1571.8, OUTPERFORM, TP Rs1800.0)
Bharti Airtel Ltd (BRTI.BO, Rs363.15, UNDERPERFORM, TP Rs329.0)
Bharti Infratel Ltd (BHRI.BO, Rs309.05, OUTPERFORM, TP Rs335.0)
BOC Hong Kong (Holdings) (2388.HK, HK$31.65)
Capitaland (CATL.SI, S$33.66)
Cathay Pacific (0293.HK, HK$311.44, UNDERPERFORM, TP HK$39.5)
CES Ltd (CESE.SI, S$0.75)
China Construction Bank (0939.HK, HK$6.3)
China Eastern (0670.HK, HK$4.6, UNDERPERFORM[V], TP HK$3.2)
China Eastern (600115.SS, Rmb7.28)
China Huarong Asset Management Co Ltd (2799.HK, HK$3.12, OUTPERFORM, TP HK$3.59)
China Lodging Group Limited (HTHT.OQ, $56.2, OUTPERFORM[V], TP $68.0)
China Mobile Limited (0941.HK, HK$8.55)
China Southern (01055.HK, HK$5.22, UNDERPERFORM[O], TP HK$3.2)
China Southern (600029.SS, Rmb7.93)
China Telem (0728.HK, HK$3.57)
China Unicom Hong Kong Ltd (0762.HK, HK$9.56, OUTPERFORM, TP HK$14.1)
China United Network Communications Ltd (600050.SS, Rmb7.48, UNDERPERFORM[V], TP Rmb4.5)
China Yangtze Power Co Ltd (600900.SS, Rmb13.17)
CIMB Group Holdings Bhd (CIMB.KL, RM5.36)
Citigroup Inc. (C.N, $61.44)
City Developments (CTDM.SI, S$10.31, OUTPERFORM, TP S$11.6)
D&L Industries, Inc. (DNL.PS, P12.72, OUTPERFORM, TP P13.6)
DBS Group Holdings Ltd (DBSM.SI, S$19.19, NEUTRAL, TP S$19.8)
DMCI Holdings (600098.SS, Rmb9.69)
Gamuda (GAMU.KL, RM5.0)
Goodman Group (GMG.AX, A$7.62, OUTPERFORM, TP A$7.92)
HCL Technologies (HCLT.BO, Rs839.9)
Hindustan Unilever Ltd (HLL.BO, Rs913.8)
Hitachi Chemical (4217.T, ¥3,130, NEUTRAL, TP ¥3,187)
Hong Kong Land (0002.HK, HK$5.66)
HSBC (HSBA.L, 670.0p)
Hubei Trining (000883.SZ, Rmb4.77)
Idea Cellular Ltd (IDEA.BO, Rs112.9, UNDERPERFORM, TP Rs91.0)
IJM Corporation Berhad (IJMS.KL, RM3.4)
Infosys Limited (INFY.BO, Rs1012.1)
Jollibee Foods Corporation (JFC.PS, P197.0, OUTPERFORM, TP P276.2)
Lend Lease (LLC.AX, A$15.29)
LG Chem Ltd. (008360.SS, W2,776,000)
Lonking Holdings Limited (3339.HK, HK$2.43, OUTPERFORM[O], TP HK$2.6)
Maruti Suzuki India Ltd (MRTI.BO, Rs6131.7)
Metropolitan Bank & Trust Co (MBT.PS, P79.1, OUTPERFORM, TP P100.3)
MY E.G. Services Berhad (MYEG.KL, RM3.4)
Oceanic Chinese Banking Corp Ltd (OCBC.SI, S$9.62, OUTPERFORM, TP S$10.5)
Philippines Petroleum Corporation (SPLPPS, P73.55)
Puregold Price Club, Inc (PGOLD.PS, P45.5)
Reliance Industries Limited (RELI.BO, Rs1304.4, NEUTRAL, TP Rs1200.0)
Robinson Land Corporation (RLC.PS, P22.8, OUTPERFORM, TP P34.3)
Samsung Electro-Mechanics (003550.KS, W2,070,000)
Sanofi (009300.KS, W2,070,000)
Sany Heavy Industry Co (600031.SS, Rmb7.67, OUTPERFORM, TP Rmb9.0)
Sany Heavy Industry Co (600031.SS, Rmb7.67, OUTPERFORM, TP Rmb9.0)
SDIC Power Holdings (600866.SS, Rmb7.44)
Semirara Mining Corporation (SCC.PS, P147.5)
Sichuan Chuantou Energy (600674.SS, Rmb8.07, NEUTRAL, TP Rmb8.8)
Sinopac Shanghai Petrochemical (0388.HK, HK$4.35, UNDERPERFORM, TP HK$3.4)
Standard Chartered (STAN.L, 734.1p)
Tata Consultancy Services (TCS.BO, Rs2500.3)
Tech Mahindra Limited (TEML.BO, Rs478.05)
United Overseas Bank Ltd (UOBH.SI, S$21.54, OUTPERFORM, TP S$24.3)
Universal Robina Corporation (URC.PS, P164.6, OUTPERFORM, TP P212.1)
UOL (UTOS.SI, S$6.87)
Vodafone Group (VOD.L, 204.5p)
Wacom (6727.T, ¥456, UNDERPERFORM, TP ¥260)
Wipro Ltd. (WIPR.BO, Rs493.5)
Zoomlion Heavy Industry (1157.HK, HK$4.49, OUTPERFORM[O], TP HK$5.1)

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<th>Rating</th>
<th>Versus universe (%)</th>
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<tr>
<td>Outperform/Buy*</td>
<td>45%</td>
<td>(64% banking clients)</td>
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<tr>
<td>Neutral/Hold*</td>
<td>39%</td>
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Asian Daily

Thursday, 16 March 2017

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