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20 MARCH 2014

**MALAYSIA EQUITY**

**20**

**Under a Billion  
Under a Billion**

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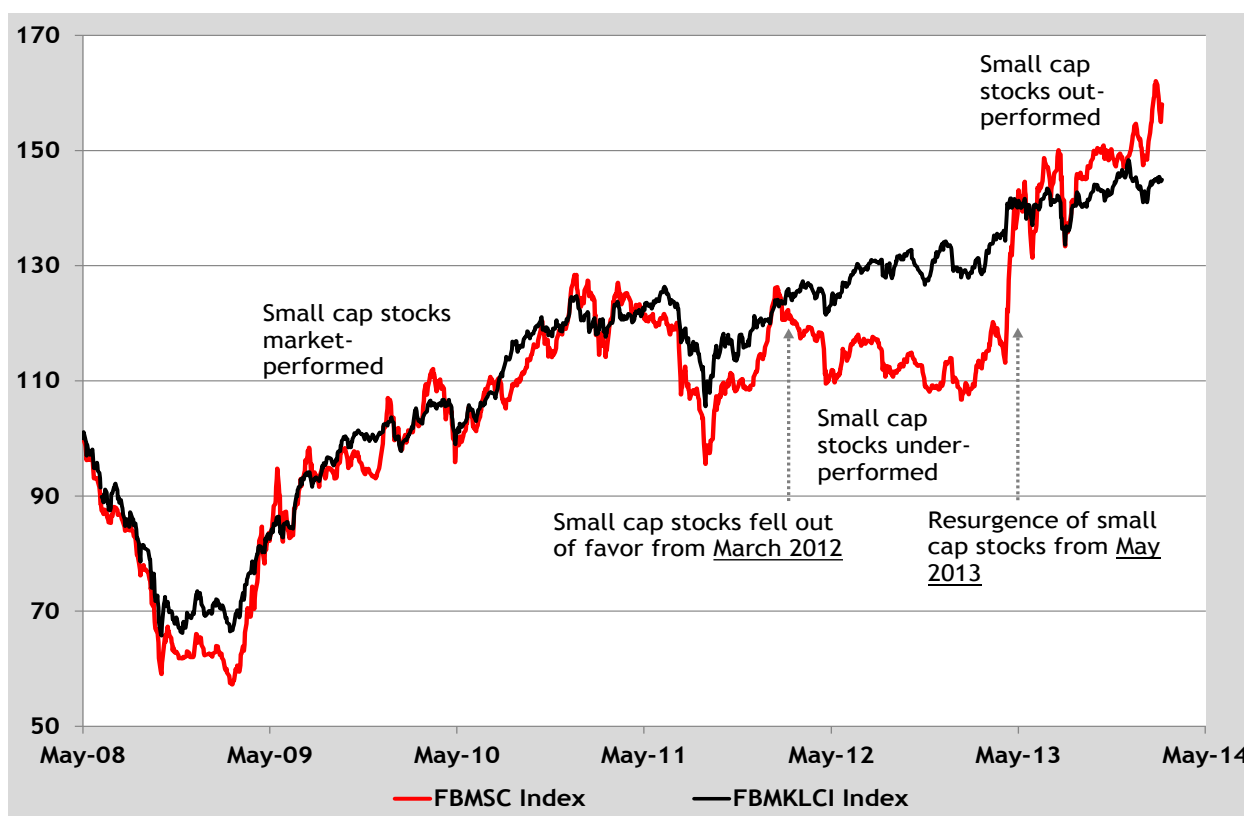
**KINDLY REFER TO THE LAST PAGE OF THIS PUBLICATION FOR IMPORTANT DISCLOSURES**

# 20 UNDER A BILLION

## i. Small versus Big

- Small cap stocks fell out of favor from March 2012... The prices of both small capitalized stocks (as represented by FBMSC Index) and the blue-chips (as represented by FBMKLCI Index) moved almost lock-in-step amidst the downtrend in 2008, as well as during the succeeding recovery in 2009 onwards. However, since the month of March 2012, the FBMSC began to fall relatively out of favor. The FBMSC price underperformance persisted in the ensuing 14 months and was at its widest (by more than minus 20%-points difference) against FBMKLCI in early 2013.

FBMSC versus FBMKLCI (since the onset of 2008 crisis)



Source: Bloomberg, MIDFR

- ...but resurged since May 2013 and continued to outperform the big caps until now. Nevertheless, investors' interest in the small capitalized stocks rekindled from May 2013 which coincided with the post-GE13 market rally. The upward price momentum of FBMSC continued unabated until today as attested by its outperformance vis-à-vis the benchmark FBMKLCI.

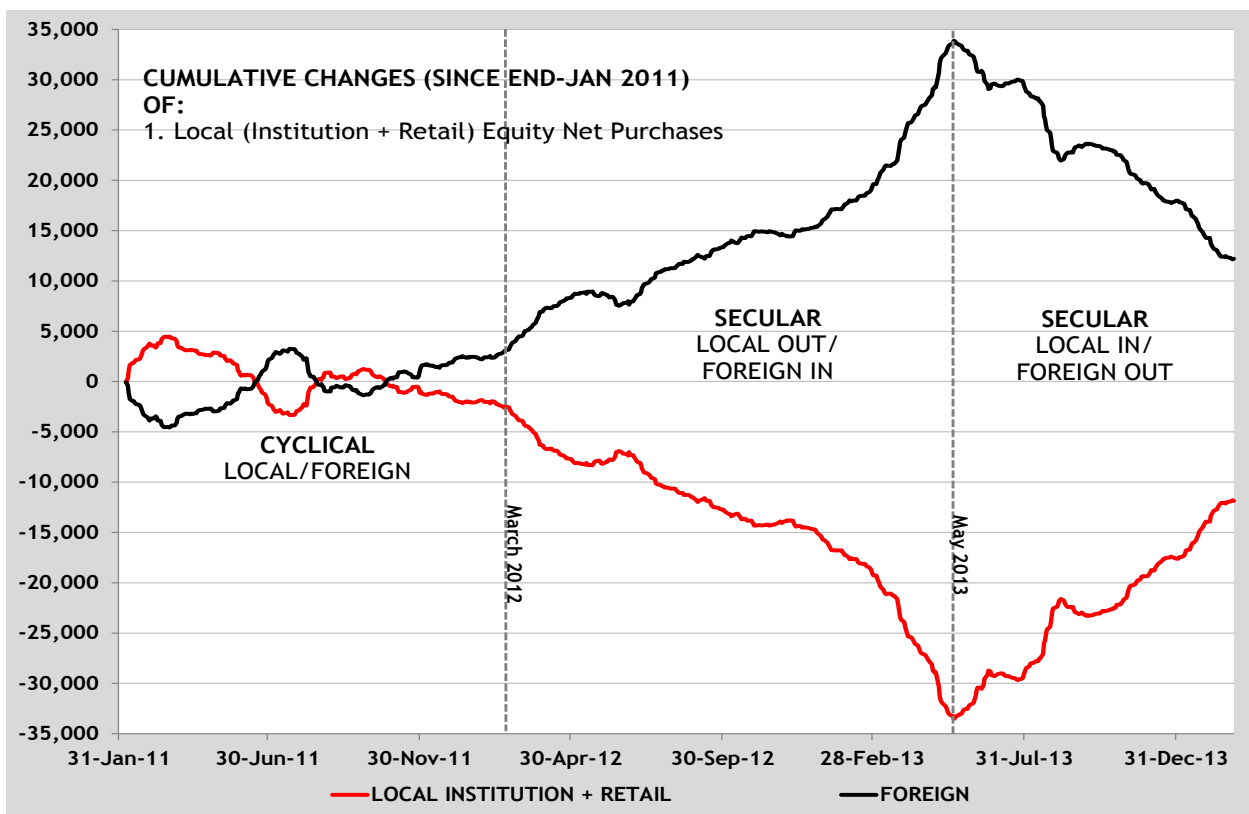
## ii. Liquidity factor

- FBMSC underperformance from March 2012 can be linked to declining exposures of local investors... A plausible explanation to FBMSC underperformance from March 2012 can be associated with then increasingly risk-off mood towards equity investment amongst our local investors arguably due to uncertainty over the outcome of GE13. Coincidentally, the month of March 2012 also marks the beginning

of a secular divergence in the cumulative changes between local and foreign net equity purchases. As from that point forwards, we saw almost incessant net outflows of local investments from the local equity market.

- ...with foreign funds showed little interest in the small caps. While the local net outflows from March 2012 were exactly matched by net inflows from foreign funds, it is notable that small capitalized stocks traded particularly in non-developed equity markets are normally considered an acceptable investment option, almost exclusively, among the country's local investors. Foreign equity investors generally shy away from this category of equity investment.

#### Cumulative changes between local and foreign equity net purchases



Source: Bursa, MIDFR

- But a major shift in liquidity dynamics since May 2013 arguably favored the small caps thenceforth. Pursuant to the post-GE13 market rally in May 2013, the yawning gap between the performances of blue-chips vis-à-vis small capitalized stocks was closed out. It is important to highlight that a new liquidity dynamics emerged since May 2013 whereby the secular divergence in the cumulative changes between local and foreign net equity purchases was completely reversed. From this point forwards, we saw instead almost incessant net outflows of foreign investments from the local equity market.

#### iii. The small cap rally

- Continuation of small cap rally is dependent on favorable liquidity momentum... In our view, firstly, for as long as the broad market momentum remains intact, there is a better chance for (i) continued advances in the forerunners, as well as (ii) rotational plays that may help to lift some of the laggards, among the small capitalized stocks. Secondly, for the broad market momentum to remain intact, the

local investors would have to continue to step up their net purchases as without which the market momentum may eventually narrow down again towards higher capitalized stocks. We are sanguine that more local money which is still on the sidelines may sooner or later re-enter the market.

- ...as well as relatively attractive valuations. Furthermore, contrary to the common perception, small capitalized stocks are not necessarily trading at stretched valuations. Despite its general price outperformance since May last year, valuation wise, the small capitalized stocks remain relatively attractive vis-à-vis the larger ones.
- Small caps still command comparatively lower earnings and net asset multiples and higher growth. By comparison, the FBMKLCI is now trading at current year Price Earnings Ratio (PER) of 16.2x whereas FBMSC is trading at a much lower 11.2x. Additionally, the 2-year consensus forward earnings Cumulative Annual Growth Rates (CAGRs) for FBMKLCI and FBMSC are at 5.4% and 20.7% respectively. Therefore, the Price Earnings-Growth (PEG) Ratio of FBMKLCI is at 3.0x while that of FBMSC at a much cheaper 0.5x. The current year Price to Book Ratio (PBR) of FBMSC is also comparatively lower at 1.2x vis-à-vis 2.2x for the FBMKLCI.

#### Comparative Valuations \*

	FBMSC Index	FBMKLCI Index
PER	11.16	16.17
2-year forward CAGR	20.7%	5.4%
PEG Ratio	0.54	2.99
PBR	1.20	2.15

Source: Bloomberg, MIDFR; \* based on Bloomberg consensus numbers

- We expect the liquidity dynamics, at least in the near future, to remain favorable to the small caps. Additionally, the prevailing valuation discount of the small caps vis-à-vis the blue chips may continue to attract bargain seekers. With these in mind, we present a list of 20 small capitalized (under a billion ringgit) stocks with favorable fundamental justifications and which we believe may outperform its broader category going forward.

# THE 20

- The “20 under a billion stocks” were selected based on both top-down and bottom-up screenings.
- In our top-down filter, leverage factor is taken into consideration with debt/asset of not exceeding 0.4x. And with few exemptions, the ceiling PBR is set at 1.33x so as to provide adequate net asset backing. Additionally, with only one exception, all chosen companies must have positive prior years’ earnings track record. All these parameters, we reckon, would help to ensure a degree of capital safety.
- As for the bottom-up assessment, each of the 20 companies possesses its own unique company-specific factors (refer to ‘Investment highlights’ of the 20 stock in following pages). These so-called alpha factors, we believe, will help to propel the stock to achieve relative outperformance vis-à-vis the broader market going forward.

## 20 Under A Billion

	Price (RM)	Fair Value (RM)	Mkt Cap	PER	PBR	Debt/Asset	Beta	Sector
	5-Mar-14							
FABER GROUP	2.700	3.610	980.1	15.78	1.77	0.00	1.12	Hotel & Property
TH HEAVY	0.935	1.170	959.6	25.00	1.24	0.34	1.81	Oil & Gas
LBS BINA	1.720	2.060	818.9	1.73	0.93	0.18	1.14	Property
SURIA CAPITAL	2.500	3.150	736.7	11.46	0.88	0.23	1.07	Port
BENALEC	0.895	1.020	713.7	21.31	1.26	0.03	1.18	Construction
K. EUROPLUS	1.240	1.580	704.8	-18.93	4.75	0.36	1.89	Construction
PROTASCO	1.590	1.950	548.8	10.02	1.32	0.06	0.79	Construction
PANTECH	0.910	1.260	520.8	8.67	1.24	0.38	1.54	Oil & Gas
GABUNGAN AQRS	1.100	1.190	390.5	9.17	1.82	0.13	-	Construction
LAND & GENERAL	0.490	0.680	320.7	3.80	0.69	0.12	1.46	Property
SKP RESOURCES	0.310	0.470	274.5	9.50	0.55	0.26	0.79	Manufacturing
DESTINI	0.505	0.780	241.8	25.12	0.58	0.04	-	Industrial / Oil & Gas
OCK GROUP	0.785	0.930	223.6	17.44	3.64	0.34	-	Telco Infrastructure
ECS ICT	1.190	1.320	216.0	7.99	1.15	0.00	0.79	Technology
CENSOF	0.495	0.580	194.9	18.27	2.61	0.09	1.77	Technology
ELK-DESA	1.510	1.800	188.8	11.66	1.19	0.11	-	Financing
SCH GROUP	0.235	0.250	98.9	-	-	-	-	Industrial
PROLEXUS	1.150	1.310	88.9	5.76	1.27	0.05	1.62	Consumer Product
EA HOLDINGS	0.185	0.260	78.7	8.41	1.05	0.07	0.90	Technology
SMRT HOLDINGS	0.250	0.320	45.4	5.81	0.90	0.06	1.68	Technology

Source: Bloomberg, MIDFR

# Faber Group Berhad

*The birth of a new AFM champion*

**RM2.70**  
Fair value: RM3.61

## Investment highlights

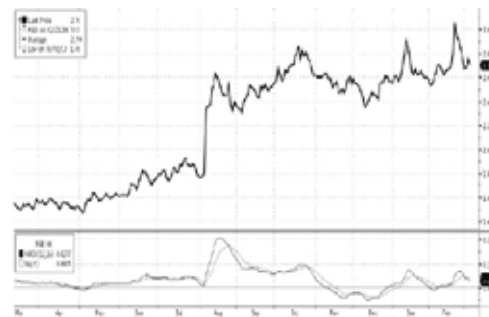
- In September 2013, Faber accepted the offer to purchase UEM Builders' and UEM Group's entire stake in PROPEL and Opus respectively for a total consideration of RM1.15b.
- This will transform Faber into the biggest asset and facility management (AFM) company in Malaysia. Faber will be a national champion in AFM, with expertise in healthcare, infrastructure, and the commercial sectors. With the acquisition of Opus, its business will span across New Zealand, Australia, Canada and the United States
- The synergies from the merger will enable the Group to reduce its unit cost and reap the benefits of scale economics. It will also position Faber as a one-stop AFM solution center.
- The most compelling investment argument for Faber is that the aforementioned acquisitions are extremely accretive to its future earnings. The purchase consideration is fair in our opinion, and the consolidated earnings will more than offset the dilution effect due to the issuance of 438.75m shares by Faber to the vendor of the assets.
- Assume the merger to complete in FY14, we expect the EPS for Faber to jump by 38.6% in 2014.

## Valuation

- Due to the significant earnings surge resulting from the acquisitions, we believe that the stock offers substantial price appreciation potential in the immediate future. We value Faber at **RM3.61**, derived from 14.5x PE ratio of the Group's post-merger FY14F EPS, based on the stock's 3-year historical average price-to-earnings multiple.



## Price Chart



## Stock Info

Bursa / Bloomberg	1368 / FAB MK
Board / Sector	Main / Trading Services
Shariah Compliant	Yes
Issued shares (mil)	363.0
Par Value (RM)	0.25
Market cap. (RM'm)	980.1
Price over NA	1.89
52-wk price Range	RM1.44 - RM3.04
Beta (against KLCI)	1.12
3-mth Avg Daily Vol	0.59
3-mth Avg Daily Value	1.55
Major Shareholders (%)	
UEM Group	18.08
LTH	9.78

## Financial Statistics

FYE Dec 31 (RM'm)	2011	2012	2013	2014F
Revenue	880.1	886.3	689.9	2,542.6
Pretax profit	121.7	198.6	92.1	282.3
Profit after tax and MI	61.6	108.5	105.7	202.8
Earnings per share (sen)	17.0	29.9	17.1	23.7
EPS growth (%)	-21.7	75.9	-42.8	38.7
Price-earnings ratio (x)	7.7	4.4	7.7	5.5
Dividend per share (sen)	6.0	22.5	7.5	8.9
Dividend yield (%)	4.6	17.2	5.7	6.8
Net margin (%)	7.0	12.2	15.3	8.0

Sources: MIDFR, Bloomberg and company

# TH Heavy Engineering Berhad

*Strategically positioned in the O&G fabrication arena*

**RM0.935**  
Fair value: RM1.17

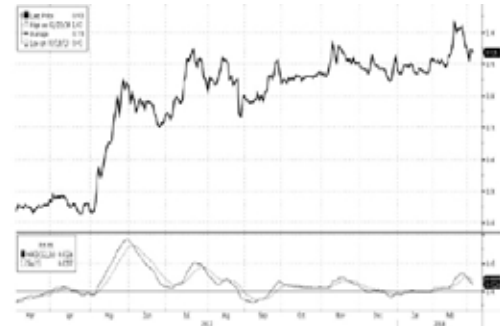
## Investment highlights

- TH Heavy Engineering (THHE) is a rebirth of Ramunia Holdings with brand new management and business direction.
- THHE is now involved in the fabrication of offshore structures for the oil and gas industry. In addition, the company owns a floating, production, storage and offloading (FPSO) vessel.
- It owns the 3rd largest fabrication yard in Malaysia (after SapuraKencana and Malaysia Marine & Heavy Engineering) with capacity of 20mtpa sitting on a 57 acre land.
- It has a joint venture agreement for cross-border cooperation with McDermott of the U.S. to jointly bid for jobs in Malaysia.
- Over the past 12-months, the company has won >RM500m worth of fabrication jobs from top blue-chip companies such as Petronas, Lundin and Murphy Oil.
- THHE's orderbook is strong at around RM400m, with a burn rate that will last until 2015.
- Strong backing from well-known personalities. Notable shareholders include Tan Sri Quek Leng Chan of the Hong Leong Group.
- Rumoured to be close to securing a USD500m FPSO job from JX Nippon.

## Valuation

- The success of securing a job for the FPSO will be a game changer. We are valuing TH Heavy at RM1.17, on the back of its mid-cycle EPS15 of 7.3 sen and PER15 of 16x, in line with our small-mid cap O&G service providers PER.

## Price Chart



## Stock Info

Bursa / Bloomberg	7206 / RH MK
Board / Sector	Main / Trading Services
Shariah Compliant	Yes
Issued shares (mil)	1020.8
Par Value (RM)	0.25
Market cap. (RM'm)	954.4
Price over NA	3.1x
52-wk price Range	RM0.43 - RM1.03
Beta (against KLCI)	1.81
3-mth Avg Daily Vol	13.4m
3-mth Avg Daily Value	RM10.4m
Major Shareholders (%)	
LTH	29.29
Guoline Capital	6.36

## Financial Statistics

FYE Dec 31 (RM'm)	2012	2013	2014F	2015F
Revenue	190.4	259.9	521.5	567.6
Operating profit	33.4	3.4	92.8	101.6
Pretax profit	30.3	-3.2	85.0	93.1
Profit after tax and MI	24.2	1.6	53.7	71.5
Earnings per share (sen)	2.5	0.7	5.5	7.3
EPS growth (%)	12,400.0	-72.0	685.7	32.7
Price-earnings ratio (x)	37.5	131.4	16.9	12.7
Dividend per share (sen)	n.a.	n.a.	n.a.	n.a.
Dividend yield (%)	n.a.	n.a.	n.a.	n.a.
Net margin (%)	12.7	0.6	10.3	12.6

Sources: MIDFR, Bloomberg and company



# LBS Bina Group Berhad


Monetising China Assets

**RM1.72**  
Fair value: RM2.06

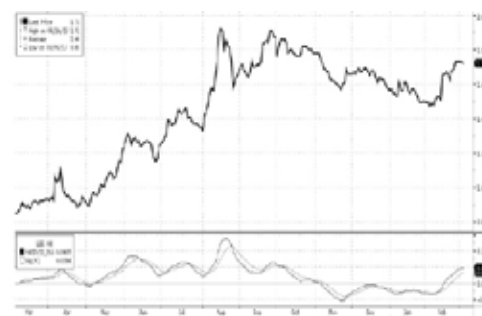
## Investment highlights

- LBS appears to be building a war chest through the monetization of its China assets. The last two assets were sold for RM621.6m and RM36.1m respectively in 2013, providing a gain from sale of approximately RM240m.
- The proceeds are expected to be channelled towards the growth of LBS's Malaysian property business as well as paid-out to shareholders in the form of dividends.
- LBS is also getting more institutional-friendly by adopting 2 dividend policies. A Special Dividend Policy stipulates a payout of 6 sen/share or up to 40% of the deferred receipts from disposal of the China assets from FY14-17. A Normal Dividend Policy stipulates a minimum 30% pay-out ratio out of core earnings from FY13 onwards.
- LBS' jewel is the Zhuhai International Circuit, which will be boosted by the completion of Zhuhai's Y bridge in 2016. Hence, this asset will only be disposed beyond 2016.
- LBS' unbilled sales stood at RM665m at 31 Dec 2013 (FY12: RM745m), while RM1.96b in launches have been lined up for FY14. Target sales in FY14 is RM1.1b (FY13 achieved sales: RM621m).

## Valuation

- We are valuing LBS Bina at a FV of RM2.06, on the back of EPS14 of 15.6 sen and PER of 13.2x, based on the average of its closest peers. 

## Price Chart



## Stock Info

Bursa / Bloomberg	5789 / LBS MK
Board / Sector	Main / Properties
Shariah Compliant	Yes
Issued shares (mil)	470.6
Par Value (RM)	1.00
Market cap. (RM'm)	814.2
Price over NA	1.0x
52-wk price Range	RM0.85 - RM1.92
Beta (against KLCI)	1.1
3-mth Avg Daily Vol	0.7m
3-mth Avg Daily Value	RM1.2m
Major Shareholders (%)	
Gaterich Sdn Bhd	54.7
Lim Advisors Ltd	5.3

## Financial Statistics

FYE Dec 31 (RM'm)	2011	2012	2013E*	2014F
Revenue	425.3	509.6	533.5	637.0
Operating profit	85.2	91.0	437.7	102.4
Pretax profit	67.7	75.0	426.9	89.4
PATAMI	34.3	37.2	392.3	65.8
EPS (sen)	9.8	10.2	96.0	15.6
EPS growth (%)	130.4	3.5	843.1	-83.7
PER (x)	17.7	17.0	18.0	11.1
DPS (sen)	1.9	1.9	10.0	9.0
Dividend yield (%)	1.1	1.1	5.8	5.2
Net margin (%)	8.1	7.3	73.5	10.3

Sources: MIDFR, Bloomberg and company

\*boosted by one-off sale of China assets

# Suria Capital Holdings Berhad


Call this port

**RM2.50**  
Fair value: RM3.15

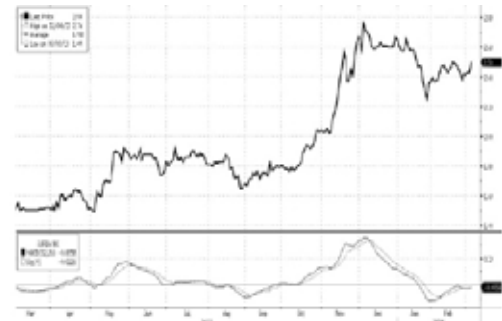
## Investment highlights

- Suria Capital's core business is divided into four streams including: (i) port operations, (ii) logistics and bunkering services, (iii) contract and engineering segment and (iv) ferry terminal.
- Controls the major ports in Sabah, namely the Sepanggar Bay Oil/Container terminal, Kota Kinabalu Port, Kudat Port, Sandakan Port, Tawau Port, Lahad Datu Port and Kunak Port.
- Port operation was its largest source of revenue with 85% of contribution in FY13 (2012: 88%).
- The group's very first property foray following a JV with SBC in Jesselton Quay project is expected to kick-start in FY14 and the tentative completion year is 2017.
- A mixed property development which comprising various business districts as well as a tourism hub.
- Net saleable value (NSV) of RM1.8b for the Jesselton project.
- Under the JV agreement, the group would receive a minimum guaranteed 18% of NSV that will be paid in cash with eight tranches.
- Sale of the land for the project will entail one-off net gain of RM153m for the group.
- The project starts to catch the eye of the international cruise liner as it will be equipped with an international cruise terminal.

## Valuation

- We are valuing Suria Capital at RM3.15, based on EPS14 of 21sen, pegged to the average PER of mid-cap port operator of 15x. 

## Price Chart



## Stock Info

Bursa / Bloomberg	6521 / SURIA MK
Board / Sector	Main / Trading Services
Shariah Compliant	Yes
Issued shares (mil)	283
Par Value (RM)	1.00
Market cap. (RM'm)	283.3
Price over NA	0.82x
52-wk price Range	RM1.44 - RM2.77
Beta (against KLCI)	1.08
3-mth Avg Daily Vol	0.22m
3-mth Avg Daily Value	RM0.56m
Major Shareholders (%)	
Warisan Harta Sdn Bhd	46.18
LTH	9.21
Capital Dynamics Asset	3.30

## Financial Statistics

FYE Dec 31 (RM'm)	2011	2012	2013	2014F
Revenue	276.0	262.9	263.3	276.5
Operating profit	110.3	107.6	114.6	113.4
Pretax profit	74.4	70.1	83.2	78.6
Profit after tax and MI	53.6	50.9	62.0	58.9
Earnings per share (sen)	19.0	18.0	22.0	21.0
EPS growth (%)	-4.3	-5.1	21.6	-3.8
Price-earnings ratio (x)	13.2	13.9	11.5	11.9
Dividend per share (sen)	6.0	6.15	6.15	6.15
Dividend yield (%)	2.4	2.5	2.5	2.5
Net margin (%)	19.4	19.4	23.5	21.3

Sources: MIDFR, Bloomberg and company

# Benalec Holdings Berhad


Reclamation king

**RM0.895**  
Fair value: RM1.06

## Investment highlights

- Land reclamation is turning out to be a major business in Malaysia. Benalec is a premier land reclamation player, and is one of only two listed on Bursa.
- Benalec's outstanding orderbook currently stands approximately RM250m, comprising mainly land-reclamation works in Melaka. Benalec reclaims and realizes gains on the land sales. It has a landbank of >200-acre of reclaimed land in Melaka. We estimate the average price of Benalec's reclaimed land in Malacca to be approximately RM28psf, and a 200 acre land would be worth RM244m. Earlier this year, Benalec disposed a 32-acre reclaimed land in Klebang for RM40psf.
- A key boost to Benalec's orderbook is expected to come from the 1,000-acre reclamation project in Tanjung Piai, Johor. The Sale Purchase Agreement (with the state government and 1My Strategic Oil Terminal Sdn Bhd) for the reclamation project is expected to be in the middle of this year.
- Benalec will be a clear beneficiary of the forthcoming reclamation projects on oil-&-gas-related developments under ETP located at Pengerang.
- In Penang, Benalec is in a good position to continue with reclamation works at the Seri Tanjung Pinang development by E&O

## Valuation

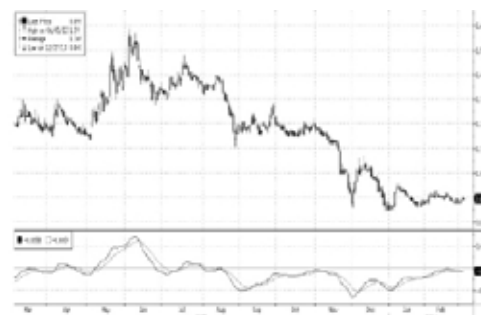
- Benalec is now trading at below its IPO price of RM1.00, at the listing in January 2011.
- Its peer Hock Seng Lee, trades at a PER of 12x, which is the average 4-quarter rolling PER over 5 years. At this multiple, we value Benalec at **RM1.06**, against its EPS15 of 8.8sen. The company also pays dividend, at a yield of 2.2% on a price of 89.5sen. 

## Financial Statistics

FYE Jan 31 (RM'm)	2012	2013	2014F	2015F
Revenue	289.0	265.8	231.9	285.7
Operating Profit	107.6	75.0	73.5	93.5
PBT	100.2	65.6	64.9	84.8
PATAMI	82.7	56.7	55.6	71.4
EPS (sen)	10.7	7.1	6.9	8.8
EPS Growth (%)	-23.6	-33.7	-2.8	27.5
Price-earnings ratio (x)	23.4	12.6	13.0	10.2
Dividend per share (sen)	3.0	2.0	2.0	2.0
Dividend yield (%)	3.4	2.2	2.2	2.2
Net margin (%)	28.6	21.3	24.0	25.0

Sources: MIDFR, Bloomberg and company

## Price Chart



## Stock Info

Bursa / Bloomberg	5190 / BHB MK
Board / Sector	Main/ Construction
Shariah Compliant	Yes
Issued shares (mil)	806.5
Par Value (RM)	0.25
Market cap. (RM'm)	713.7
Price over NA	1.26x
52-wk price Range	RM0.85 - RM1.59
Beta (against KLCI)	1.18x
3-mth Avg Daily Vol	4.85m
3-mth Avg Daily Value	RM4.41m
Major Shareholders (%)	
Oceancove	52.92
KWAP	5.85

# Kumpulan Europlus Berhad

Earnings to turn around in FY15


**RM1.24**

**Fair value: RM1.58**

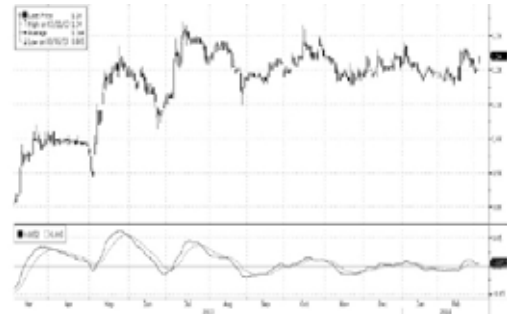
## Investment highlights

- Kumpulan Europlus (KEuro) has effectively broken with the past with the exit of Tan Sri Chan Ah Chye. It also has very little association with Talam now.
- The current share price reflects the potential from its two main assets, namely the West-Coast Expressway (WCE) concession, and its 40% JV in Bandar Rimbayu.
- We believe it would be fair for investors to bet that these two assets are actually worth more than that implied by the share price.
- West-Coast Expressway (WCE) will be a game changer to Kumpulan Europlus (KEuro). This project will transform KEuro into an infrastructure outfit and elevate its rank into a bigger cap company. Backed by IJM Corp, KEuro is likely to undertake WCE construction works worth approximately between RM1b and RM2b spanning over 5 years. Upon completion, WCE is projected to generate a long-term and stable recurring income from 2020.
- We expect earnings to return to black by FY15 attributable to the contribution from WCE construction works and current physical progress at Phase 1 and Phase 2 of Bandar Rimbayu launched last year. The launch of Bandar Rimbayu Phase 3 should contribute to KEuro's earnings growth in FY16 onwards.

## Valuation

- We are valuing Kumpulan Europlus at RM1.58, based on FY15 sum-of-parts which translates into PER of 12.2 times, which we believe is fair given the current size of its market cap. 

## Price Chart



## Stock Info

Bursa / Bloomberg	3565 / KEUR MK
Board / Sector	Main / Construction
Shariah Compliant	Yes
Issued shares (mil)	573.0
Par Value (RM)	1.00
Market cap. (RM'm)	710.5
Price over NA	5.03
52-wk price Range	RM0.81 - RM1.34
Beta (against KLCI)	1.89x
3-mth Avg Daily Vol	0.29m
3-mth Avg Daily Value	RM0.35m
Major Shareholders (%)	
IJM Corp	25.10
MWE Holdings	24.68
United Frontiers Hldgs	9.08

## Financial Statistics

FYE Jan 31 (RM'm)	2012	2013	2014F	2015F
Revenue	19.8	17.9	16.2	18.1
Operating profit	-20.7	-8.0	-11.7	-7.8
Pretax profit	28.7	-22.1	-25.5	13.6
Profit after tax and MI	27.7	-23.2	-25.8	12.9
Earnings per share (sen)	5.3	-4.5	-4.5	1.3
EPS growth (%)	148.2	-184.9	0.0	128.9
Price-earnings ratio (x)	23.4	n.a.	n.a.	9.6
Dividend per share (sen)	n.a.	n.a.	n.a.	n.a.
Dividend yield (%)	n.a.	n.a.	n.a.	n.a.
Net margin (%)	133.3	-129.6	-159.3	71.3

Sources: MIDFR, Bloomberg and company

# Protasco Berhad

*Diversification into oil and gas to boost earnings growth*

**RM1.59**  
**Fair value: RM2.90**

## Investment highlights

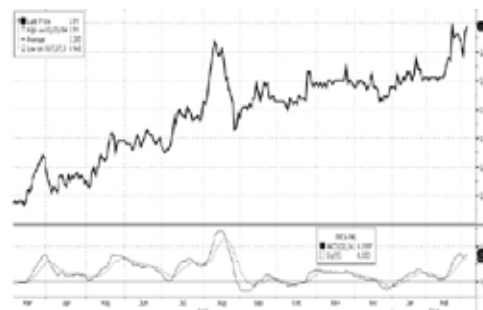
- Primarily involved in maintenance of federal and state roads and other construction works, property development and education.
- Holds road maintenance concessions with an outstanding value of RM1.8b, which contributes to a sizable ~60-70% of its profits.
- Property development business can potentially grow by leaps and bounds, backed by its massive RM10b integrated flagship development, De Centrum on a 100-acre land that it owns in Bangi.
- Plans to aggressively grow its current construction orderbook of RM709m with a focus on government jobs which typically yield higher margins.
- Recently acquired a 14.4 acres land in Pasir Gudang, Johor to ride on the property boom in the Iskandar region.
- Recent entry into the lucrative Indonesian oil and gas industry via its 63% stake in oil exploration company, PT Anglo Slavic Indonesia comes with a guaranteed return to Protasco of net profit totalling USD22m over a span of 4 years.
- Financially sound with a strong balance sheet, while sitting on a large cash pile of RM221m (as at 31-Dec-13) or 66.5 sen per share, together with recurring cash flow from cash-generating concession assets.

## Valuation

- We are valuing Protasco with a FV of RM2.90 based on sum-of-parts valuation, valuing its construction and road maintenance concessions at FY15F PER of 9x, property development business with RNAV of RM503.7 mil (after applying a 20% discount), and all other business segments at FY15F PER of 7x.



## Price Chart



## Stock Info

Bursa / Bloomberg	5070 / PRTA MK
Board / Sector	Main / Construction
Shariah Compliant	Yes
Issued shares (mil)	332.6
Par Value (RM)	0.50
Market cap. (RM'm)	528.8
Price over NA	1.3x
52-wk price Range	RM0.965 - RM1.61
Beta (against KLCI)	0.8
3-mth Avg Daily Vol	1.8 mil shares
3-mth Avg Daily Value	RM2.5 mil
Major Shareholders (%)	
Chong Ket Pen	23.6
Tey Por Yee	17.7
Pemacorp Sdn Bhd	9.1
Protasco Bhd	5.2
LTH	4.9

## Financial Statistics

FYE Dec 31	2012	2013	2014E	2015F
Revenue	793.9	972.2	1,196.0	1,396.0
Operating profit	108.6	104.5	174.5	223.7
Pretax profit	106.6	101.6	171.7	220.6
Profit after tax and MI	37.5	48.6	79.4	102.0
Earnings per share (sen)	12.6	15.8	23.9	30.7
Earnings per share growth (%)	+17.7	+25.4	+51.3	+28.5
Price-earnings ratio (x)	12.6	10.1	6.7	5.2
Dividend per share (sen)	14.0	4.0	12.0	14.0
Dividend yield (%)	8.8	2.5	7.6	8.8
Net margin (%)	9.0	7.3	9.8	10.7

Sources: MIDFR, Bloomberg and company

\*unaudited

# Pantech Group Holdings Berhad

*A rare dividend play in the oil and gas industry*


## RM0.91

**Fair value: RM1.26**

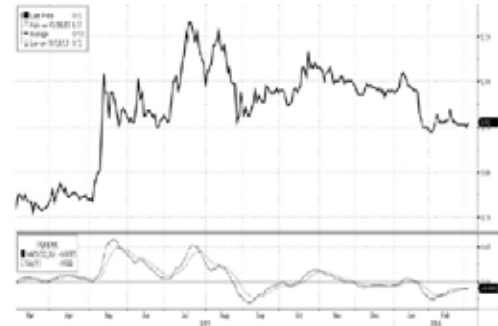
### Investment highlights

- A niche player principally involved in the manufacture of steel pipes, fittings and valves for the oil and gas industry.
- New capacity (Nautic) in the United Kingdom will boost capacity to 800mtpa (from 500mtpa). Company has plans to further boost capacity to 1000mtpa come 2015.
- Recent certification by NORSOK and increase in capex by oil majors seen to support sales and subsequently, profits.
- Investors should not be deterred with relatively flat projected earnings, stemming from weaker-than-anticipated local demand as key projects in RAPID and other fabrication works to sustain sales.
- Investors can look forward to strong dividend payout ratio of 40-45%.
- Pantech is an attractive dividend play stock as yields at current price level north of 5%pa.
- Apart from being a dividend play stock, its forward PER remains very attractive and undemanding, ranging from mid to-high single digits.
- Although the company suffered sell-downs when it was relegated from the Shariah-compliant list, the company aims to be Shariah compliant again by end-2014.
- This provides an opportunistic time to enter, as we are anticipating Shariah-funds to re-enter after the stock gains back its Shariah compliant status.

### Valuation

- Current price level provides investors with undemanding entry into the Malaysian oil and gas industry. We are valuing Pantech at RM1.26, based on EPS15 of 10.5sen and PER15 of 12x. 

### Price Chart



### Stock Info

Bursa / Bloomberg	5125 / PGHB MK
Board / Sector	Main / Trading Services
Shariah Compliant	Yes
Issued shares (mil)	566.1
Par Value (RM)	0.50
Market cap. (RM'm)	515.1
Price over NA	1.1x
52-wk price Range	RM0.71 - RM1.13
Beta (against KLCI)	1.59
3-mth Avg Daily Vol	3.2m
3-mth Avg Daily Value	RM2.9m
Major Shareholders (%)	
CTL Capital	18.23
GL Management	15.07
K. Permodalan Felda	10.33

### Financial Statistics

FYE Feb 28 (RM'm)	2012	2013	2014E	2015F
Revenue	434.6	637.2	550.1	630.1
EBITDA	60.0	98.9	94.3	103.4
Pretax profit	47.2	80.2	73.1	81.4
Profit after tax and MI	34.2	55.0	56.2	59.1
Earnings per share (sen)	6.1	9.7	10.0	10.5
EPS growth (%)	435.1	59.0	3.1	5.0
Price-earnings ratio (x)	14.9	9.4	9.1	8.7
Dividend per share (sen)	3.5	4.6	4.6	5.2
Dividend yield (%)	3.9	5.1	5.1	5.7
Net margin (%)	7.9	8.6	10.2	9.4

Sources: MIDFR, Bloomberg and company

# Gabungan AQRS Berhad

Small-cap proxy to public infrastructure spending

**RM1.10**  
Fair value: RM1.19

## Investment highlights

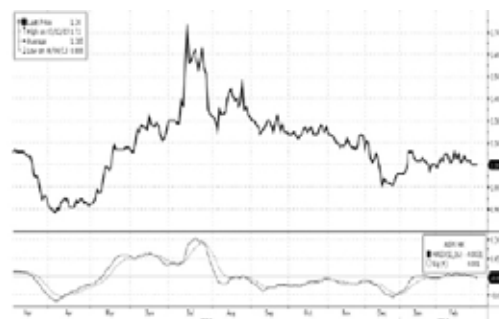
- Gabungan AQRS (GAQRS) was listed on Bursa Malaysia in 2012 as an integrated construction and engineering services provider and lifestyle property developer.
- It has the highly-regarded CIDB Grade 7 licence for tendering projects of any value, and PKK Class A licence to undertake contracting works for Government projects.
- GAQRS recorded an impressive 15% compounded annual growth rate over the last 5 years.
- Backed by its commendable track record with government projects, GAQRS is keen to continue bidding for other public jobs worth some RM1.5b, like the “park and ride” facilities at LRT, KTM commuter and ERL stations and new district police headquarter.
- It clinched a RM303m subcontract job for the high-profile Klang Valley MRT project in 2012, in which it is currently making good progress.
- Recently, GAQRS was awarded a RM173m contract to construct Tropicana Metropark, which will increase its current construction orderbook to RM1.4b (RM781m unbilled) to keep GAQRS busy until 2016.

## Valuation

- GAQRS is currently trading below its IPO price of RM1.18 when it was listed in July 2012.
- We are valuing GAQRS at **RM1.19**, based on FY14F EPS of 11.9 sen pegged to a 10x P/E, which is the average P/E for small-cap construction stocks of similar market cap.



## Price Chart



## Stock Info

Bursa / Bloomberg	5226 / AQRS MK
Board / Sector	Main / Construction
Shariah Compliant	Yes
Issued shares (mil)	355.2
Par Value (RM)	0.25
Market cap. (RM'm)	390.7
Price over NA	1.8x
52-wk price Range	RM0.965 - RM1.61
Beta (against KLCI)	n.a.
3-mth Avg Daily Vol	0.2 mil shares
3-mth Avg Daily Value	RM0.2 mil
Major Shareholders (%)	
Ng Chun Seong	18.2
Lim Ann Kok	12.2
Ng Chun Kai	10.5
Lim Ann Liang	9.5
Shahnum Niza b. Yahya	6.9

## Financial Statistics

FYE Dec 31	2012	2013	2014E	F2014F
Revenue	319.5	406.3	487.6	551.0
Operating Profit	36.8	76.5	72.4	77.5
Pretax profit	31.9	72.3	67.7	71.4
Profit after tax and MI	21.6	42.7	42.1	44.4
Earnings per share (sen)	6.8	12.0	11.9	12.5
EPS growth (%)	-51.8	+77.9	-0.8	+5.1
Price-earnings ratio (x)	16.2	9.2	9.2	8.8
Dividend per share (sen)	1.6	1.9	1.4	1.5
Dividend yield (%)	1.5	1.7	1.3	1.4
Net margin (%)	7.0	12.6	10.4	9.7

Sources: MIDFR, Bloomberg and company

\*unaudited

# Land & General Berhad

Another job at Ampang

**RM0.49**

**Fair value: RM0.68**

## Investment highlights

- L&G is predominantly a property developer, engaged also in education (Sekolah Sri Bestari), oil palm plantations (2,500 acres of oil palm and rubber plantation), and club house management (Tuanku Jaafar Golf & Country Resort).
- Following the success of its maiden forage into Ampang with its residential development Elements @ Ampang, L&G is taking another job at Ampang.
- The Group recently acquired the 5.66 acres leasehold commercial land adjacent to Elements @ Ampang for a proposed mixed development on a JV basis with the Mayland Group (known for its expertise in studio serviced apartments). This will mark L&G's second collaboration with the latter after Elements @ Ampang.
- The residential development is targeted for launch in 3QFY14 with an estimated GDV of RM788.7m.
- We are expecting a possible psf pricing for the residential component of the development to be in the range of RM800-900, which will ensure a good take-up rate.
- Other planned launches in 3QFY14 are Phase 2 of Damansara Foresta condominium in Bandar Sri Damansara (GDV RM500m), and the Tuanku Jaafar Golf & Country Resort project in Negeri Sembilan.
- In the meantime, unbilled sales of RM600m (as at Feb 2014) is expected to last the company through to the next 15 months.

## Valuation

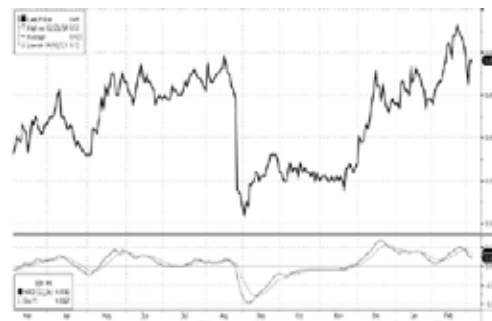
- We are valuing L&G at a FV of **RM0.68**, on the back of EPS14 of 8.5 sen and a PER of 8x representing the average of its closest peers.



## Financial Statistics

FYE Mar 31 (RM'm)	2011	2012	2013E	2014F
Revenue	44.2	130.8	216.3	255.5
Operating profit	16.9	48.2	79.2	116.4
Pretax profit	13.9	43.5	72.8	88.1
Profit after tax and MI	10.2	30.4	44.0	50.9
Earnings per share (sen)	1.7	5.1	7.4	8.5
EPS growth (%)	-65.5	197.1	44.7	15.8
Price-earnings ratio (x)	28.8	9.6	6.6	5.8
Dividend per share (sen)	n.a.	n.a.	n.a.	n.a.
Dividend yield (%)	n.a.	n.a.	n.a.	n.a.
Net margin (%)	23.1	23.2	20.3	19.9

## Price Chart



## Stock Info

Bursa / Bloomberg	3174 / LGH MK
Board / Sector	Main / Properties
Shariah Compliant	Yes
Issued shares (mil)	635.1
Par Value (RM)	0.20
Market cap. (RM'm)	311.2
Price over NA	0.7x
52-wk price Range	RM0.31 - RM0.53
Beta (against KLCI)	1.5
3-mth Avg Daily Vol	7.1m
3-mth Avg Daily Value	RM3.4m
Major Shareholders (%)	
Mayland Parkview S/B	16.3
Wan Azmi Wan Hamzah	4.7

Sources: MIDFR, Bloomberg and company



# SKP Resources Berhad

Electronics demand to drive growth

**RM0.31**  
Fair value: RM0.47

## Investment highlights

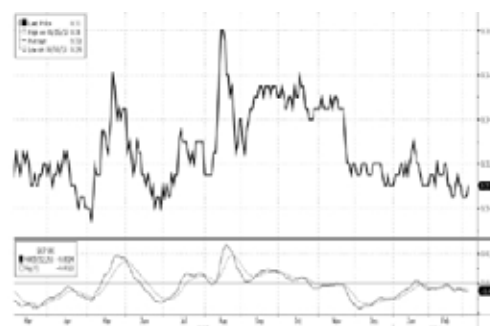
- SKP Resources (SKP) is involved in the manufacturing of plastic parts and components, precision mould making, sub-assembly of electronic and electrical equipment as well as other secondary processes.
- It is a fast growing company in the industry as it achieved the ISO 9002 by SIRIM QAS in 1997, only after 5 years of operation.
- Currently, SKP has achieved a strong clientele base with globally well-known multi-national corporations such as Sharp, Sony, Microsoft, and Hewlett Packard.
- Its main investment attraction is its solid balance sheet with a current cash balance of RM98.5m and a high current ratio of 2.9x which shows it has a low liquidity risk.
- Driven by the increase in demand of electronic products, SKP's earnings surged at a 5-year CAGR of 69%.
- Going forward in FY15, we expect continued higher demand of electronics devices such as computer as well as audio video accessories will further drive the manufacture of plastic parts and components sector. Concomitantly, this increase in demand will be backed by SKP's expansion of capacity which is expected to kick in FY15.

## Valuation

- We value SKP Resources at RM0.47, attaching FY15 EPS of 5.7sen against PER15 of 8.3x, 1-year rolling historical PER. With SKP's current PER15 of 5.4x, we view that SKP is still undervalued and will provide an attractive return of more than 70%.



## Price Chart



## Stock Info

Bursa / Bloomberg	7155 / SKP MK
Board / Sector	Main / Manufacturing
Syariah Compliant	No
Issued shares (mil)	900
Par Value (RM)	0.10
Market cap. (RM'm)	274.5
Price over NA	1.3x
52-wk price Range	RM0.30 - RM0.40
Beta (against KLCI)	0.8
3-mth Avg Daily Vol	1.0m
3-mth Avg Daily Value	RM0.33m
Major Shareholders (%)	
Beyond Imagination Sdn Bhd	20.03
Renown Million Sdn Bhd	19.47
Kim Huat Gan	11.15
LTH	10.00

## Financial Statistics

FYE Mar 31	2012	2013	2014F	2015F
Revenue	414.8	422.5	409.4	597.3
Operating profit	48.2	52.2	37.4	70.6
Pretax profit	49.6	54.4	39.1	71.2
Profit after tax and MI	36.8	40.6	28.6	51.5
Earnings per share (sen)	4.1	4.5	3.2	5.7
EPS growth (%)	-6.6	10.3	-29.5	79.8
Price-earnings ratio	7.6	6.9	9.7	5.4
Dividend per share (sen)	2.0*	2.2	1.6	2.7
Dividend yield (%)	6.5	7.1	5.0	8.9
Net margin (%)	8.9	9.6	7.0	8.6

Sources: MIDFR, Bloomberg and company

\*Adjusted for bonus issue

# Destini Berhad

Exciting turnaround story

**RM0.505**  
Fair value: RM0.78

## Investment highlights

- Destini is a reincarnation of Satang Holdings Berhad, but with a sexier and more exciting business.
- Once the corporate exercises are completed, Destini will emerge as a player in in three core businesses - (i) aviation maintenance, repair and overhaul (MRO); (ii) marine manufacturing (lifeboats) and; (iii) oil & gas services.
- The cornerstone of Destini's renaissance is its purchase of Kejuruteraan Samudra Timur's (KST's) tubular handling business, which marks the former's entry into the highly lucrative O&G industry. Destini will be paying only RM80m for KST's RM1.1b tubular handling orderbook. That is on the cheap side. The shareholders of KST will end up controlling 31.7% of Destini.
- Destini's current orderbook is already strong- Aviation MRO (>RM154.4m with burn-rate of 3 years); Marine manufacturing (>RM33.4m until 2018); and oil & gas (>RM1b spanning 5 years).
- It will be adding aggressively to the orderbook in due course. Expect more new jobs for Aviation MRO - especially for the supply of military equipment.
- Most importantly, earnings visibility is high as contracts are of superior quality - clientele includes Ministry of Defence, Petronas, Shell etc.
- We do not believe that the market has imputed the earnings consolidation impact post-acquisition. We believe that Destini is still in the early stages of its price discovery.

## Valuation

- At 50 sen, Destini is a compelling buy with a potential 12-month upside of at least 50%. We believe its fair value to be RM0.78, on the back of EPS14 of 4.9 sen and PER14 of 16x, which is based on the average PER of small-to-mid cap O&G service providers.



## Financial Statistics

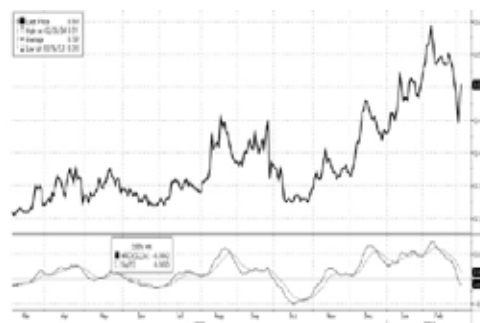
FYE Dec 31 (RM'm)	2011*	2012	2013	2014F**
Revenue	40.2	56.8	93.3	234.0
Operating profit	6.3	8.0	15.2	63.2
Pretax profit	5.9	8.2	14.0	43.9
Profit after tax and MI	5.8	7.1	8.2	35.1
Earnings per share (sen)	1.2	1.4	2.7	4.9
EPS growth (%)	-92.9	22.4	92.9	81.5
Price-earnings ratio	42.5	36.4	18.7	10.4
Dividend per share (sen)	n.a.	n.a.	n.a.	n.a.
Dividend yield (%)	n.a.	n.a.	n.a.	n.a.
Net margin (%)	14.5	12.4	8.8	15.0

Sources: MIDFR, Bloomberg and company

\*5 quarters results due to change in FYE

\*\*Consolidated earnings post acquisition based on enlarged sharecap of 722m

## Price Chart



## Stock Info

Bursa / Bloomberg	7212 / DSTN MK
Board / Sector	Main / Trading Services
Shariah Compliant	Yes
Issued shares (mil)	493
Par Value (RM)	1.00
Market cap. (RM'm)	249.2
Price over NA	5x
52-wk price Range	RM0.31 - RM0.59
Beta (against KLCI)	n.a.
3-mth Avg Daily Vol	3.9m
3-mth Avg Daily Value	RM1.5m
Major Shareholders (%)	
BPH Capital	18.08
Pascal Resources	9.78
Ramasamy Ramesh	7.73
Navis Capital	7.05
Prudential	5.10

# OCK Group Berhad

*Telco site expansion to accelerate*

**RM0.785**  
**Fair value: RM0.93**

## Investment highlights

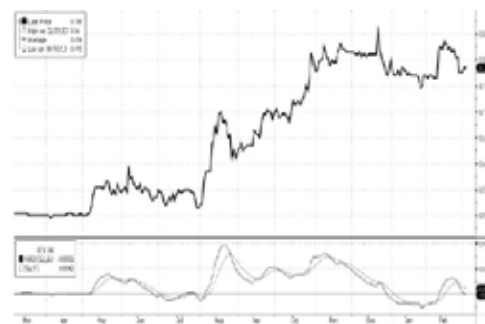
- OCK is a regional telecommunications, mechanical and electrical engineering services company, in providing engineering services to cellular operators and equipment vendors in the areas of full turnkey network roll-out planning and optimisation and operation and maintenance.
- It possessed valuable NFP license to build and own telecommunication sites that will bring in steady recurring income. As at end of 2013, OCK owned 235 NFP sites. This is expected to swell by another 100 sites in 2014, an increase of more than 40%.
- OCK outlook is further brightened subsequent to the Budget 2014 announcement. It was announced during the Budget that some 1,000 transmission towers worth RM1.5b will be stationed in rural and under-served areas.
- In an effort to further boost its recurring income portion, OCK diversified into the green energy solutions. Currently, it owns a 1MW solar farm in Kelantan which is selling energy to the national grid. In addition, OCK managed to secure a contract from MAHB to build a 10MW solar farm in Sepang.
- Future earnings will be boosted by its overseas presence as well. In its latest venture, the company is looking to penetrate the China market through the incorporation of a new subsidiary i.e. Fuzhou 1-Net Solution Co., Ltd.

## Valuation

- We value OCK at RM0.93, pegging FY14 EPS of 7.9sen against forward PER of 8.6x, the highest PER achieved for the past 3 years.



## Price Chart



## Stock Info

Bursa / Bloomberg	0172 / OCK MK
Board / Sector	Main / Technology
Shariah Compliant	Yes
Issued shares (mil)	259.0
Par Value (RM)	0.1
Market cap. (RM'm)	223.6
Price over NA	2.6x
52-wk price Range	RM0.49 - RM0.87
Beta (against KLCI)	n.a.
3-mth Avg Daily Vol	0.72m
3-mth Avg Daily Value	RM0.58m
Major Shareholders (%)	
Aliran Armada Sdn Bhd	52.22
LTAT	13.57

## Financial Statistics

FYE Dec 31	2012	2013	2014E	2015F
Revenue	138.6	150.4	220.2	280.7
Operating profit	21.0	22.9	37.2	52.7
Pretax profit	19.0	19.7	33.9	49.3
Profit after tax and MI	14.0	14.4	24.9	36.1
Earnings per share (sen)	5.1	4.5	7.9	11.5
EPS growth (%)	na	-10.8	75.2	44.8
Price-earnings ratio	15.5	17.3	9.9	6.8
Net margin (%)	9.5	8.6	10.3	11.7

Sources: MIDFR, Bloomberg and company

# ECS ICT Berhad

Leading the Pack in ICT Distribution


RM1.19

Fair value: RM1.32

## Investment highlights

- ECS is an ICT product distributor with the widest distribution network in Malaysia, boasting more than 3,000 resellers nationwide, consisting of retailers, system integrators and corporate dealers.
- It has authorised distributorship with most top ICT brands around the world such as Samsung, Apple, IBM, HP, Microsoft and Google to name a few. In total, the group has gained the allegiance of more than 30 leading principals.
- As an ICT wholesaler, ECS is an efficient distributor, as the margin in the business is low. Therefore, its strategy is to continue to increase its product offerings, in order to reap the benefits of economies of scale, as well as better pricing aggregation. We believe that ECS is on course to obtain the distributorship of Xiaomi, probably the hottest brand name coming out of China currently.
- ECS is a direct beneficiary of the double-digit growth in the sales of smart devices and mobile gadgets. According to IDC, tablet and smartphone sales are expected to grow 11.6% and 21.3% in 2014 respectively. This is important as ICT distribution is a volume game.
- ECS is a clean company with zero borrowing. Its net cash per share as at end 2013 stood at RM0.47 per share, which is almost 40% of its share price. Investors are only paying 60% of the share price for its business. Further, its net asset is RM1.14 per share, close to its share price. ECS maintains an attractive dividend payout ratio of at least 30%, or a dividend yield of approximately 5%.

## Valuation

- We believe ECS is worth at least RM1.32, based on PER of 8.6x EPS14 of 15.5sen, the highest PER achieved in the past 3 years. With a dividend yield of 4.6%, total potential return of ECS is >15%. 

## Financial Statistics

FYE Dec 31 (RM'm)	2012	2013	2014E	2015F
Revenue	1,276.1	1,326.3	1,376.7	1,418.0
Operating profit	39.0	35.2	36.6	37.0
Pretax profit	40.3	36.6	38.0	38.5
Profit after tax and MI	29.9	26.9	27.9	28.3
Earnings per share (sen)	16.6	14.9	15.5	15.7
EPS growth (%)	-0.7	-10.0	3.8	1.4
Price-earnings ratio (x)	7.2	8.0	7.7	7.6
Dividend per share (sen)	5.5	5.5	5.5	5.5
Dividend yield (%)	4.6	4.6	4.6	4.6
Net margin (%)	2.3	2.0	2.0	2.0

## Price Chart



## Stock Info

Bursa / Bloomberg	5162 / ECS MK
Board / Sector	Main / Technology
Shariah Compliant	Yes
Issued shares (mil)	180.0
Par Value (RM)	0.5
Market cap. (RM'm)	214.2
Price over NA	1.1x
52-wk price Range	RM0.995 - RM1.40
Beta (against KLCI)	0.8
3-mth Avg Daily Vol	0.10m
3-mth Avg Daily Value	RM0.11m
Major Shareholders (%)	
ECS Holdings Ltd	41.02
Sengin Sdn Bhd	12.05

# Censof Holdings Berhad

A GST winner

**RM0.495**  
Fair value: RM0.58

## Investment highlights

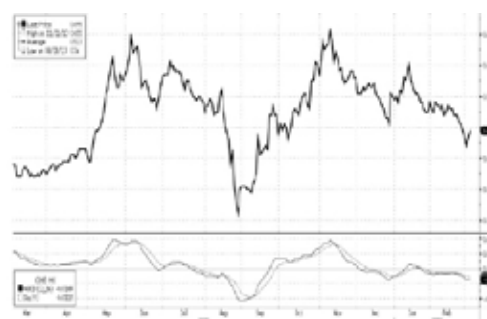
- Censof provides both back-end products and services such as financial management solutions, e-payment gateway services and investment/asset management solutions to its customers.
- Its primary business operations include system design, development geared towards its implementation in installation, maintenance, and support; certified by the ISO 9001:2008 standards, established by a Bureau Veritas Certification.
- Censof is one the major accounting solutions providers for the government agencies, where most of its contracts come from. It counts over 100 key government-related agencies and ministries among its clients. Among such clients are the SOCSO, IRB and Finance Ministry.
- Given the impressive track record, the company would likely be a frontrunner for a sizeable contract in relation to the provision of GST software services nationwide. Note that implementation of the GST system is due in a year time. As such, we expect stronger uptake in GST system upgrade in the second half of 2013.
- Its recent acquisition of a 45% in Time Engineering Bhd is also expected to produce some synergistic benefits. Censof will have instant access to Time's client base of more than 30,000 which employ the latter's services of e-commerce, cyber security and integrated intelligent infrastructure.

## Valuation

- We value Censof at **RM0.58**, attaching FY15 EPS of 3.6sen against forward PER of 15.8x, which is the average 4-quarter rolling PER over 2 years. We expect Censof to provide an attractive return of more than 17%.



## Price Chart



## Stock Info

Bursa / Bloomberg	5195 / CSHB MK
Board / Sector	Main / Technology
Shariah Compliant	Yes
Issued shares (mil)	344.2
Par Value (RM)	0.10
Market cap. (RM'm)	196.9
Price over NA	2.3x
52-wk price Range	RM0.34 - RM0.67
Beta (against KLCI)	1.7
3-mth Avg Daily Vol	2.49m
3-mth Avg Daily Value	RM1.35m
Major Shareholders (%)	
ECS Holdings Ltd	44.99

## Financial Statistics

FYE Dec 31	2012	2013	2014E	2015F
Revenue	44.8	50.8	64.4	69.0
Operating profit	9.8	3.3	13.0	19.4
Pretax profit	9.8	1.6	10.5	16.5
Profit after tax and MI	9.3	0.4	8.4	14.5
Earnings per share (sen)	2.7	0.1	2.1	3.6
EPS growth (%)	-15.1	-96.3	1,989.4	72.3
Price-earnings ratio	18.3	493.1	23.6	13.7
Dividend per share (sen)	n.a.	n.a.	n.a.	n.a.
Dividend yield (%)	n.a.	n.a.	n.a.	n.a.
Net margin (%)	20.8	0.8	13.1	21.1

Sources: MIDFR, Bloomberg and company

\*change in financial statement to March from December

# ELK-Desa Resources Berhad

Synergies from complementary core businesses

**RM1.51**

**Fair value: RM1.80**

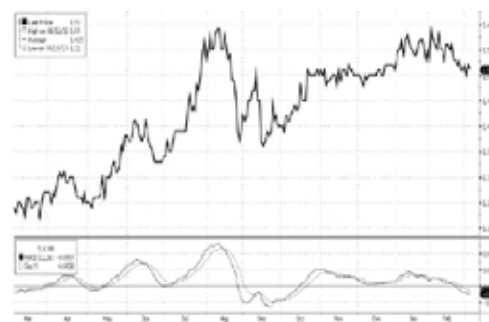
## Investment highlights

- ELK was listed in December 2012 and provides hire purchase financing for second hand motor vehicles. Approximately 90.0% of its revenue is derived from hire purchase financing.
- It is also involved in the insurance agency business selling general insurance policies (contributing <10% of Group PATAMI) as well as in trading of used motor vehicles.
- ELK's three core businesses are complementary to each other. There is a lot of synergy in the group.
- The EBITDA margin of ELK is very high, at 55.0% to 67.0% in the past three financial years (FY11-13). No financial institution can match this.
- ELK's management of its credit risk is remarkable. Its NPL ratio, which is already very low, improved further from 4.74% in FY09 to 2.79% in FY13. The key to this is the strong credit background of its shareholders and management.
- Its loan loss coverage ratio is also very healthy at 179% as at end FY13, which is higher than the banking industry's average of only 104% at the end of January 2014. This is a strong mitigation of its credit risk.
- ELK's gearing is still only at 0.35x as at end FY13, which means there is tremendous room for expansion. However, the management is conservative and the company has announced a rights ICULS.

## Valuation

- We value ELK Desa at RM1.80, based on EPS15 of 17.6 sen pegged to reasonable PER of 10x. The company is managed well and we like the fact that revenue synergies can be further extracted from its complementary core businesses to provide uplift to its profit margins moving forward.

## Price Chart



## Stock Info

Bursa / Bloomberg	5228 / ELK MK
Board / Sector	Main/ Finance
Shariah Compliant	No
Issued shares (mil)	125
Par Value (RM)	1.00
Market cap. (RM'm)	192.5
Price over NA	1.18x
52-wk price Range	RM1.22 - RM1.75
Beta (against KLCI)	n.a.
3-mth Avg Daily Vol	3.8m
3-mth Avg Daily Value	RM1.5m
Major Shareholders (%)	
Eng Lee Kredit	24.48
Unico Holdings Bhd	23.67
Amity Corporation S/B	6.84

## Financial Statistics

FYE Mar 31 (RM'm)	2012	2013	2014E	2015F
Revenue	38.6	41.0	46.6	51.1
Earnings before interest and tax	24.8	22.8	25.6	31.5
Pretax profit	21.5	19.5	22.5	28.1
Profit after tax and MI	15.9	13.9	16.8	22.0
Earnings per share (sen)	15.9	13.0	13.4	17.6
EPS growth (%)	4.3	-18.2	3.1	31.3
Price-earnings ratio	9.7	11.8	11.5	8.8
Dividend per share (sen)	n.a.	6.5	6.7	8.8
Dividend yield (%)	n.a.	4.2	4.4	5.7
Net margin (%)	41.2	33.9	36.1	43.0

Sources: MIDFR, Bloomberg and company

\*From FY13 onwards EPS has been based on enlarged share capital of 125,000,000 shares

# SCH Group Berhad

*Riding on construction boom*

**RM0.235**  
Fair value: RM0.25

## Investment highlights

- Listed in ACE market on 13 February 2014.
- Prior to listing exercise, the group had completed acquisition of SCH Corporation, Italiaworld, SCGWM and SCHME to form its group structure.
- Divided into four business segments: - (i) supply of quarry industrial products; (ii) supply of quarry machinery; (iii) supply of related spare parts; and (iv) manufacturing and distribution of quarry grill.
- The main brand of quarry equipment sold by the group are from Japan and Korea reputable manufacturers, namely Nakayama, Alpha Plus and Junjin CSM.
- The demand for its quarry industrial products from the existing customer base is recurring in nature as the quarry products have a short industrial useful life with approximately 3-6 months.
- For FY13, the supply of quarry industrial product is the group's largest revenue generator with 44% contribution and followed by the supply of quarry machine with 33% contribution.
- The constant demand growth in construction materials and iron ore mining operation had spurred the FY10-13 topline growth by 10.5%yoy, 22.5%yoy and 12.9%yoy respectively.
- The group considers to adopt a formal dividend policy in future.
- Healthy PBT margin with the range in 11-19%.
- Low net gearing ratio at 0.12x.

## Valuation

- We are valuing SCH with a FV of RM0.25., on the back of EPS14 of 2.1sen, premised on the average PER of construction material players of 12x.

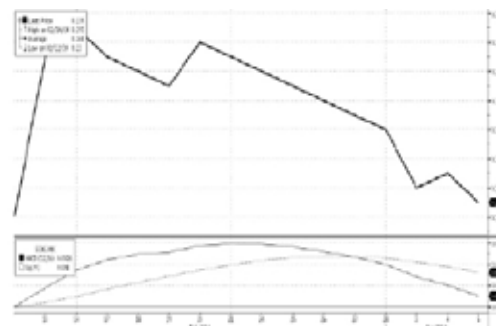


## Financial Statistics

FYE Aug 31 (RM'm)	2011	2012	2013E	2014F
Revenue	44.3	54.2	61.3	67.4
Operating profit	15.6	19.8	21.3	23.6
Pretax profit	6.7	10.3	10.5	11.9
Profit after tax and MI	8.5	7.5	7.7	8.8
Earnings per share (sen)	2.6	2.3	2.4	2.1
EPS growth (%)	60.0	43.8	4.3	-12.5
Price-earnings ratio (x)	14.7	10.2	9.8	11.2
Dividend per share (sen)	n.a.	n.a.	n.a.	n.a.
Dividend yield (%)	n.a.	n.a.	n.a.	n.a.
Net margin (%)	19.1	13.8	12.5	13.1

Sources: MIDFR, Bloomberg and company

## Price Chart



## Stock Info

Bursa / Bloomberg	0161 / SCHG MK
Board / Sector	Ace / Trading Services
Shariah Compliant	No
Issued shares (mil)	412
Par Value (RM)	0.10
Market cap. (RM'm)	113.4
Price over NA	1.9x
52-wk price Range	RM0.23 - RM0.40
Beta (against KLCI)	n.a.
3-mth Avg Daily Vol	n.a.
3-mth Avg Daily Value	n.a.
Major Shareholders (%)	
Chin Wong Sin	23.06
Hin Yeen Yoon	23.06
Ling Lau Mong	23.05

# Prolexus Berhad

*A textile player proving sceptics wrong*

## RM1.15

**Fair value: RM1.31**

### Investment highlights

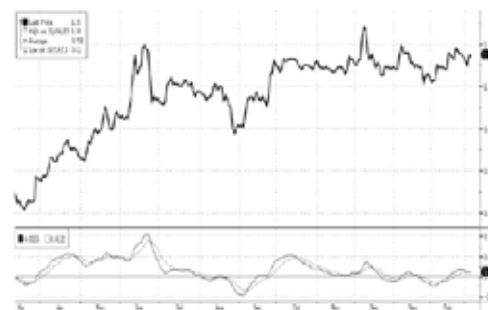
- Since 2009, Prolexus has recorded sterling performance. Over the last 4 years, its revenue and net profit has grown at a compounded annual growth rate (CAGR) of 12.6% and 99.5% respectively.
- The commendable performance was attributable to the significant increase in orders received for the manufacturing of the garment's division, which mainly came from the United States and European countries. In 2013, about 86% of its revenue was contributed by these two countries – the US (71%) and EU countries (15%).
- Bulk of Prolexus' products is supplied to the sports apparel market. As the sports apparel market is expected to grow due to (i) growing fitness consciousness, (ii) rising income levels in developing countries, and (iii) increasing trend towards stylish and comfortable sportswear, we expect Prolexus' apparel sales volume to continue to register a double-digit growth.

### Valuation

- Considering the above factors, we believe that Prolexus stock offers substantial price appreciation in the immediate future.
- We value Prolexus at RM1.33, derived from 5.0x PE ratio of FY14F EPS, +0.5 standard deviation over its 5-year average PER. Moreover, with the expectation of higher earnings growth moving forward, we expect Prolexus to continue to pay dividend to its shareholders.



### Price Chart



### Stock Info

Bursa / Bloomberg	8966 / PROL MK
Board / Sector	Main / Consumer
Shariah Compliant	Yes
Issued shares (mil)	78.0
Par Value (RM)	1.00
Market cap. (RM'm)	89.7
Price over NA	1.34
52-wk price Range	RM0.41 - RM1.31
Beta (against KLCI)	1.12
3-mth Avg Daily Vol	0.58m
3-mth Avg Daily Value	RM0.67m
Major Shareholders (%)	
JE Holdings	8.53
NARSPA Holdings	6.53
Ying Lau Mong	6.27

### Financial Statistics

FYE July 31	2011	2012	2013	2014F
Revenue	184.5	189.5	235.5	259.1
Operating Profit	5.9	11.2	19.5	26.5
PBT	4.9	10.6	19.4	25.9
PATAMI	5.8	10.0	15.3	20.7
EPS (sen)	16.0	27.0	41.6	26.6
EPS growth (%)	45.5	69	54	-36
Price-earnings ratio (x)	7.2	4.3	2.8	4.3
Dividend per share (sen)	n.a.	n.a.	2.5	1.5
Dividend yield (%)	n.a.	n.a.	2.2	1.3
Net margin (%)	3.1	5.3	6.5	8.0

Sources: MIDFR, Bloomberg and company  
\*Larger share base



# EA Holdings Berhad

Explosive growth

**RM0.185**  
Fair value: RM0.26

## Investment highlights

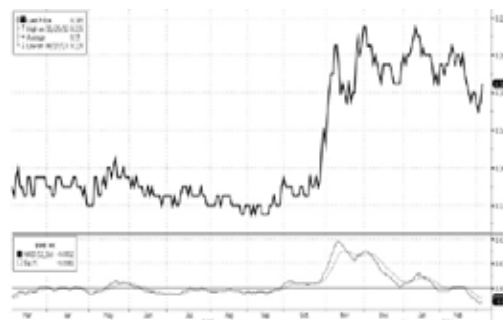
- EA Holdings (EA) has already been identified by Forbes as one of the most promising small-cap companies in Malaysia. It was listed on Forbes Asia's 200 Best Under A Billion List of companies within the Asia-Pacific region for 2011 and 2012.
- Its market capitalization is only RM79m, which is low for an IT growth company focusing on (i) ICT services; (ii) software solutions and; (iii) Radio Frequency Identification (RFID), Access Control Systems (ACS) and Building Automation System(BAS).
- The growth in earnings of EA in the past three years had been spectacular. Between 2010-2013, its earnings grew at a CAGR of 32%.
- The growth is sustainable as EA's clientele base is strong. It services the government, government-linked-companies (GLCs), corporate and retail enterprises, as well as financial sectors (primarily banking institutions).
- Its jobs-in-hand amount is currently RM103.6m, including a RM71.1m job obtained from the Inland Revenue Board in 2013. This year, EA will be bidding for at least RM90m in new jobs. The prospect is good as IT spending is expected to grow 6.5% in 2014 compared with an estimated 5.9% in 2013.

## Valuation

- We believe EA Holdings is worth at least RM0.26, on the back of EPS14 of 2.8sen and PER14 of 9.1x, the highest 4-quarter rolling PER achieved in the past 3 years. It is a clean company with very little borrowing.



## Price Chart



## Stock Info

Bursa / Bloomberg	0154 / EAHB MK
Board / Sector	ACE / Technology
Shariah Compliant	Yes
Issued shares (mil)	425.2
Par Value (RM)	0.10
Market cap. (RM'm)	78.7
Price over NA	2.1x
52-wk price Range	RM0.23 - RM0.11
Beta (against KLCI)	0.9
3-mth Avg Daily Vol	4.8m
3-mth Avg Daily Value	RM0.95m
Major Shareholders (%)	
Peter Ambrose Sequerah	25.56
Saad Mohammad Sobri	22.30
Farisah Bt Mohd Farid	6.21

## Financial Statistics

FYE Dec 31 (RM'm)	2012	2013	2014F	2015F
Revenue	45.9	91.8	119.8	153.6
Operating profit	9.4	10.9	12.6	14.6
Pretax profit	8.8	10.2	12.1	14.2
Profit after tax and MI	5.9	9.3	12.0	15.1
Earnings per share (sen)	1.8	2.2	2.8	3.5
EPS growth (%)	-38.6	22.2	27.3	25.0
Price-earnings ratio (x)	10.3	8.4	6.6	5.3
Dividend per share (sen)	n.a.	n.a.	n.a.	n.a.
Dividend yield (%)	n.a.	n.a.	n.a.	n.a.
Net margin (%)	12.8	10.1	10.0	9.8

Sources: MIDFR, Bloomberg and company

# SMRT Holdings Berhad

Expanding education division with MOU

## RM0.25

Fair value: RM0.32

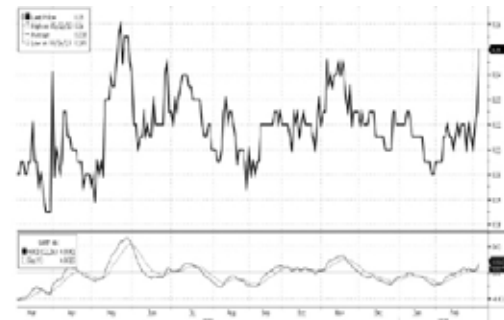
### Investment highlights

- With more than 30 years of experience in the human capital development sector, SMRT Holdings (SMRT) is known for its technology-driven integrated solutions.
- SMRT has three core businesses, namely (i) human resource (HR) professional services; (ii) HR software; and (iii) education.
- Its largest revenue generating segment is HR professional services which contributes over 80%. This segment includes the process of talent search, HR consulting and outsourcing, as well as learning and development.
- Another growing segment for SMRT is Education. In FY13, SMRT acquired Cyberjaya University College Medical Sciences which is expected to further expand its education segment.
- To further strengthen their business, SMRT has entered an MOU with Persada Mewah Sdn Bhd in January 2014, for a proposed construction of an International School and residential purposes at Mukim Dengkil, Sepang.
- SMRT also has a well-established cooperation with the Ministry of Education (MOE). It has been in a contract with MOE for the English Language Teaching (ELT) project since 2010.
- Its strong clientele ranges from global corporations to small and medium enterprises in over 30 countries, including from the Gulf Cooperation Council (GCC) countries.

### Valuation

- We are valuing SMRT at RM0.32, based on EPS14 of 4.8sen pegged to PER14 of 6.6x, which is the average 4-quarter rolling PER over 5 years.

### Price Chart



### Stock Info

Bursa / Bloomberg	0117 / SMRT MK
Board / Sector	ACE / Technology
Shariah Compliant	Yes
Issued shares (mil)	189
Par Value (RM)	0.10
Market cap. (RM'm)	45.4
Price over NA	1.1x
52-wk price Range	RM0.27 - RM0.18
Beta (against KLCI)	1.7
3-mth Avg Daily Vol	0.39m
3-mth Avg Daily Value	RM0.08m
Major Shareholders (%)	
Special Flagship Hldg sdn	28.79
Fikir Wawasan Sdn Bhd	15.18
Goldleaf Pavilion Sdn Bhd	9.13
Detik Perkasa Sdn Bhd	7.23
Destini Berhad	5.83

### Financial Statistics

FYE Dec 31 (RM'm)	2012	2013	2014F	2015F
Revenue	61.4	52.4	59.8	68.5
Operating profit	10.4	10.4	12.5	15.0
Pretax profit	10.0	10.2	12.3	14.6
Profit after tax and MI	8.5	8.2	9.4	10.8
Earnings per share (sen)	5.2	4.3	4.8	5.6
EPS growth (%)	-4.6	-17.3	11.6	16.7
Price-earnings ratio (x)	4.8	5.8	5.2	4.5
Dividend per share (sen)	0.5	0.5	0.6	0.6
Dividend yield (%)	2.0	2.0	2.2	2.2
Net margin (%)	13.8	15.7	15.7	15.8

Sources: MIDFR, Bloomberg and company

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
<b>STOCK RECOMMENDATIONS</b>	
BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
<b>SECTOR RECOMMENDATIONS</b>	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.



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