

Thailand Morning Cuppa

Top Story

Kasikornbank (KBANK TB, NEUTRAL, TP: THB82.00)

Visibility On Asset Quality Still Poor; NEUTRAL

Company Update

NEUTRAL, new THB82.00 TP from THB91.00, 9% upside with 3% FY20F yield. Kasikornbank's loans under forbearance stayed at 40% of gross loans in Sep 2020, a contrast to most peers that reported sequential declines. With the operating environment of its small & medium enterprise customers being still extremely challenging, expected credit loss risks will be elevated for FY20-21F. Admittedly, the risks could be priced in, given the 50% YTD fall in share price. Still, we believe the uncertainty will keep the stock range-bound in the near term.

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[Today's Report: Kasikornbank : Visibility On Asset Quality Still Poor; NEUTRAL \(26 Oct 2020\)](#)

[Previous Report: Kasikornbank : Bracing For Uncertain Times; D/G To NEUTRAL \(21 Jul 2020\)](#)

Economic Research

Budget To Focus On Economic Recovery, Reform

Economics View

- The fiscal year 2021 (FY21) budget of THB3.3trn – which is 3.1% higher than the FY20 budget, requires domestic borrowings of THB623bn, the largest amount of borrowings in any single fiscal year – would play a vital role to counter Thailand's worst economic slump amidst the COVID-19 pandemic.
- Fiscal deficit-to-GDP ratio is expected to narrow to -2.7% in 2021 despite the increase in domestic borrowings as the economy is expected to see a rebound from 2020 amidst the low-base effect and global economic recovery. As fiscal discipline is maintained while balancing the need to boost the economy, we expect Thailand's sovereign rating to be remain resilient in the light of its strong public and external finance buffers.
- As the budget is within our expectations, we maintain our GDP growth forecast of 5.0% YoY in 2021F vs a contraction of -7.6% YoY in 2020F.

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[Today's Report: Budget To Focus On Economic Recovery, Reform \(26 Oct 2020\)](#)

[Previous Report: September Exports -3.9% YoY, Tops Consensus Estimates \(23 Oct 2020\)](#)

Chart 1: SET intra-day graph


	Index	Chg	Chg (%)	YTD (%)
Thailand (SET)	1213.61	-2.87	-0.24%	-23.2%
Thailand (SET50)	762.68	-2.42	-0.32%	-28.6%
Thailand (SET100)	1716.16	-4.06	-0.24%	-26.7%
USA (Dow Jones)	28335.57	124.75	0.44%	-0.7%
USA (S&P500)	3465.39	29.83	0.87%	7.3%
USA (Nasdaq)	11548.28	63.59	0.55%	28.7%
UK (FTSE)	5860.28	83.78	1.45%	-22.3%
Singapore (FSSTI)	2537.39	11.78	0.47%	-21.3%
Hong Kong (Hang Seng)	24918.78	164.36	0.66%	-11.6%
Japan (Nikkei)	23527.62	-111.84	-0.47%	-0.5%
Malaysia (KLCI)	1494.64	2.24	0.15%	-5.9%
China (SHANGHAI SE)	3278.00	-47.03	-1.41%	7.5%
Indonesia (JCI)	5112.19	15.74	0.31%	-18.8%

Foreign Exchange Rates / Oil Market

USD	Closed	Chg	Chg (%)
Baht (Onshore)	31.29	-0.02	0.05
Yen	104.71	0.00	0.00
Euro	1.18	0.00	-0.11
Oil Price (USD/barrel)			
Brent	40.59	-0.48	-1.17
Nymex-Crude Light	39.24	-0.61	-1.53

Note: *As at 22 Oct 2020 closing

Table 1: Key market indices (26 Oct 2020)

SET	2018	2019	2020F	2021F			
PE (x)	16.25	18.02	21.35	15.15			
P/BV (x)	1.74	1.71	1.37	1.31			
Yield (%)	3.35	3.26	2.76	3.22			
SET Value by investor Type: Daily			Sell (THBm)	Net (THBm)			
Institution		4,052.70	9,197.99	-5,145.29			
Proprietary		8,789.08	7,027.04	1,762.04			
Foreign		26,361.54	27,023.45	-661.91			
Retail		27,052.22	23,007.07	4,045.15			
SET Value by investor Type			MTD (THBm)	YTD (THBm)			
Institution			-9,748.93	58,423.41			
Proprietary			2,576.15	4,887.33			
Foreign			-14,145.68	-291,819.68			
Retail			21,318.46	228,508.93			
SET50 Index Future			Long	Short	Net	MTD	YTD
Institution		52,719	58,898	-6,179	-18,679	-34,165	
Foreign		86,443	78,609	7,834	15,632	140,673	
Local		133,852	135,507	-1,655	3,047	-106,508	
Foreign Fund Flows (USDm)			MTD	YTD	YoY		
Thailand		-21.1	-63.7	-453.5	-9201.6	-9476.0	

Note: *As at 22 Oct 2020 closing

Bulletins

STOCK/SECTOR	NEWS	COMMENT	RATING
Sino-Thai Engineering & Construction (STEC TB)	<p>Sino-Thai Engineering & Construction's board of directors' meeting, held on 22 Oct, passed a resolution to approve the company entering a disposition of common shares totalling 29.55m shares. This is with a par value of THB27.25, representing 100% of Mo Chit Land's paid-up capital. Total share value is THB4.45bn.</p> <p>Mo Chit Land is the land owner of 63 plots located at the Chompol Sub-district, Chana District, Bangkok Metropolis. The approximate land size is 11 <i>rai</i> (1.8ha). Note that the latter has a paid-up capital of THB805.24m. (SET)</p>	<p>Before this sales transaction, STEC was the sole owner of Mo Chit Land – which had been acquired from U City (U TB, NR) in Apr 2019 – and the construction company awarded the development of an 180,000 sq m 36-floor office building worth c.THB9.14bn on these land plots. STEC intended this project to be its recurring-income contributor after construction was completed in FY24.</p> <p>After the sales transaction to BTS Group (BTS TB, NR), the firm will only act as the construction company responsible for developing and delivering office building projects to the new owner. We expect STEC to record a pre-tax gain from the sales transaction of only THB130m – this is based on the sales price of THB4.45bn and purchase price of THB4.32bn.</p> <p>The objective of this transaction was to raise liquidity despite the company currently being in a net cash position. We expect it to prepare the amount raised to be used for future infrastructure project bids under the public private partnership scheme, especially the Orange-Line Mass Rapid Transit concession – which is currently under the bidding process. We retain our call and TP on this stock.</p>	BUY, TP: THB17.50
Supalai (SPALI TB)	<p>Supalai's board of directors' meeting on 19 Jun passed the resolution to dispose the ownership of land, buildings, and fixtures – including other movable properties – of the Supalai Grand Tower project. This is an office building project located in the business district along Rama 3 Road. These assets are being sold to Supalai Real Estate Investment Trust or SPALIRT.</p> <p>The disposal value of Supalai Grand Tower Project's assets shall not exceed THB3.2bn. In addition, the board also passed the resolution to approve the investment in SPALIRT to not exceed 20% of total trust units to be issued and offered for sale – this is in case SPALIRT receives the approval to be established and to offer trust units for sale.</p> <p>In addition, Adelphi – as REIT manager – and Jay Capital Advisory as financial advisor have prepared the documents for the approval of the establishment of the REIT. They have also submitted the Registration Statement of Trust Units of SPALIRT to the SEC on 22 Oct. (SET)</p>	<p>This is the positive news for the company, as it is planning to unlock its recurring-income project into market value. Currently, the Supalai Grand Tower project – with its oval shape and panoramic view of the Chao Phraya River – is the first project to be spun off to the newly established REIT.</p> <p>We anticipate the sale transaction to occur in FY21 and the handsome gain from this transaction to be based on the project's book value of THB800m. This gain should help support FY21 earnings to grow YoY, although we expect SPALI to have solid potential to show earnings growth in FY21. This is based on its high orderbook on hand worth THB40bn, with a third them being recognised within FY21.</p> <p>In addition to earnings growth potential, net D/E should decline from the current 0.6x. We maintain our call and TP on this counter.</p>	BUY, TP: THB19.40

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Advance Info Service (ADVANC TB)	220.00	28.65	<ul style="list-style-type: none"> Outlook should continue to recover with cost management on focus. While we expect the normalisation of prepaid segment demand, subs acquisition activities and easing competition to gradually drive topline to recovery in 2H20, we think a value-to-money strategy through a bundling package should continue to yield additional revenue to the group The toning down of capex guidance should ease investor concern over the imminent margins pressure. We expect the impact from the roll-out of 5G network to be limited, as it should be partially absorbed by network cost saving initiative, staggered payment profile, and tax incentive scheme
Bangkok Chain Hospital (BCH TB)	17.50	26.81	<ul style="list-style-type: none"> We still expect to see robust COVID-19 screening services demand throughout 2H20 on the continuous return of students studying abroad, migrant workers, and business travellers after border restrictions are relaxed. The doubling of its capacity under the alternative state quarantine should boost upside from this new revenue stream and bolster FY20 earnings We expect to see strong 2H20 recovery in SSO revenue, driven by the resumption of pent-up demand from high-cost care, trauma, and dental services. We also think global budget disbursements could bring further upsides this year, thanks to relatively lower insured patients traffic during COVID-19
CP All (CPALL TB)	77.00	35.09	<ul style="list-style-type: none"> In 2H20, we expect a gradual recovery of convenience stores sales in 2H20, as a V-shaped recovery, while Siam Makro's operations remain solid As it has the most extensive store network, CP All may strongly benefit the new normal in terms of facilitating delivery of products and services through its developing omni-channel platform Still the best-in-class retailer with intact new store opening plan. Expect full-year earnings returning to pre-pandemic levels in 2021
Global Power Synergy (GPSC TB)	72.00	35.21	<ul style="list-style-type: none"> We expect GPSC's earnings continue to grow steadily at least 2-3 years ahead, mainly on pipeline projects and efficiency improvements. Being power flagship of PTT Group, we believe GPSC would receive more long-term support from the group, e.g. Gas to Power 600 MW in Myanmar, electricity supply for New Yangon City. The current price doesn't reflect acquisition of GLOW and the current 20x P/E is trading below average P/E regional peers, making long-term investment risk/reward attractive.
Siam Cement (SCC TB)	440.00	31.34	<ul style="list-style-type: none"> There are three growth drivers, including an upcycle of petrochemical spreads, a series of new infrastructure projects to start the construction process, and growth expansion in the packaging business especially after SCG Packaging raises funds from its IPO Its earnings going forward should rely mainly on petrochemical unit's performance starting to improve in 2H20 and growing stronger on a full-year basis in FY21
Supalai (SPALI TB)	19.40	18.29	<ul style="list-style-type: none"> Earnings should improve significantly in 2H20, with four condominium projects starting to be transferred during this period. The revenue from these projects should enhance revenue growth and GPM in 2H20. Revenue upside could emerge if Supalai is able to transfer its mega-size Supalai Oriental Sukhumvit 39 condominium project, which is valued at THB10bn, within 4Q20. Consistent earnings growth in FY21F-22F is supported by orderbook of THB12-14bn per year to be recognised in the next two years. In addition, we expect the company to enjoy the advantages of being a well-known developer in the low-rise project segment.
Thai Union Group (TU TB)	16.00	2.56	<ul style="list-style-type: none"> While we expect demand of canned food products to normalise after global lockdowns are lifted, revenue from chilled and frozen seafood and related business segment is likely to recover in 2H20 largely due to HORECA businesses gradually resuming operations. Margin should remain firm, supported by favourable raw materials prices and growth from its pet care business that has relatively high margin.
TISCO Financial (TISCO TB)	81.70	15.89	<ul style="list-style-type: none"> We believe high pre-emptive provisions and robust CAR would lead TISCO to survive amidst uncertainties and get ready to pay outstanding full-year dividends TISCO's asset quality is resilient among peers. Loans under debt relief measures only stand at 24% of total loans in 3Q20, which is one of the lowest among Thai banks. Although management does prudent and cautious policy under uncertainties, they still proactive to find ways to improve NIM as best as they can.

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