

# OSK

Institutional Research Team  
+66 (0) 2200 2080

THAILAND EQUITY  
Investment Research  
Daily Report

## Thailand Morning Call

### Market Highlight

#### Govt move to limit fall out on terror

After Chalerm's chaotic response, officials say the situation is under control, criticize US alert as hasty. The Yngluk government yesterday appeared to adjust its public relations strategy involving terrorism threats, after concerns arose that Deputy Prime Minister Chalerm Yoobanungs' hasty remarks in the wake of the latest US warning could have made things worse.

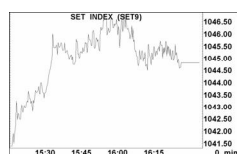
Source: The Nation

#### 3G concessions under fire

Thailand's third-generation (3G) service on high-speed packet access (HSPA) technology is being challenged again, with some saying it should be terminated for not falling under current concession agreements.

Source: Bangkok Post

#### SET Index Data



Open	1,052.00
High	1,053.94
Low	1,041.18
Closed	1,044.81
Chg.	-7.42
%Chg.	-0.71
Value	23,837.44

Up	159	P/E (x)	12.30
Down	317	P/BV (x)	1.90
Unchanged	130	Yield (%)	3.65
Market Capitalization			8,568,762.09

#### SET 50-100 - MNI - Futures Index

	Closed	Chg.	(%)
SET 50	730.40	-5.48	-0.74
SET 100	1,590.15	-11.15	-0.70
Sso_Con	723.40	-10.00	-1.38
MNI Index	273.99	+1.28	+0.47

#### Trading Breakdown: Daily

(B,m)	Buy	Sell	Net
Institution	1,664.60	2,036.42	-371.83
Broker Port	3,030.58	3,229.80	-199.22
Foreign	5,863.94	6,295.00	-431.06
Customer	13,278.32	12,276.21	+1,002.11

#### Trading Breakdown: Month to Date

(B,m)	Buy	Sell	Net
Institution	18,672.40	16,778.27	+1,894.12
Broker Port	26,601.41	24,531.59	+2,069.82
Foreign	43,059.85	46,006.14	-2,946.28
Customer	95,426.03	96,443.69	-1,017.66

### What we're talking about today:

#### Ti sco Bank (TISCO B5.0, Neutral) company visit -23% drop in our 2012 forecast

- Net profit for 4Q1 was B76m decrease of 24%qoq and 1%yoy
- The floods caused a 1.5% rise in NPL's to 1.4% from 1.2%. Loan growth was 1.9%qoq but 23%yoy
- BOT likely to charge fees against BEs (73% of Tisco's funding base) as part of the Deposit Protection Agencies (DPA) mandate to raise funds to service FIDF debt. BEs were previously exempt DPA fees.
- We have cut our 2012 net profit forecast by 23% to B3.02bn from B3.93bn based on our view that the BOT will charge Tisco 0.5% of its deposits and BEs but expecting the bank to be able to pass on 0.2% onto its customer base.
- We change our recommendation to Neutral from Buy and target price to B5.00 from B4.00. We see the dividend yield at 7% as a supporting factor for this year. However, should Tisco be unable to pass on any of the DPA charge to customers then expect a further downward revision.

#### Bangkok Transit System (BTS B0.72) to pay a dividend

- The dividend payment will be at Baht 0.02393 per share and is a 6-months interim one.
- This is positive news for the company and shareholders. However, the interim dividend doesn't come as a surprise and is a result of receiving compensation from the government.
- The Treasury department will pay B1.049 billion to BTS within January 2012. BTS already booked this compensation in Q4FY 2011/12
- Our target price of BTS is B0.80 (1.2x PBV which is the average PBV for Transportation sector in the past) and we recommend buy

## Ti sco Bank company visit -- 4Q net profit fell 24% qoq, 1% yoy; 23% drop in 2012 earnings forecast

- Net profit for 4Q1 was B676m, a decrease of 24% qoq and 1% yoy mainly from the impact of the floods, deferred tax asset reversal and an increase in cost of funds

### ➤ Net Income reduced in 4Q1

The floods caused a 1.5% rise in NPL's to 1.4% from 1.2%. Loan growth was 1.9% qoq but 23% yoy. Retail and corporate loans increased 1.8% qoq and +5.2% qoq respectively, while SME loans dropped 1.9% qoq mostly from floor plan customers affected by floods. This lowered revenue by B250m

- Decrease in interest income for B20m and fee income for B30m
- Impairment from the investment in insurance company for B50m

However, after tax deduction, the reduction is about B80 million. Moreover, almost B30bn in funds raised in 4Q1 to support loans increased cost of funding 19% qoq. We expect the NMI will not improve until 2H2.

### ➤ BOT expected to charge fees against BEs

TISCO's NMI may fall further later in this year as almost 73% of funds are BEs which have not so far been charged under the Deposit Protection Scheme (banks are charged 0.4% for deposits of B50m and in August this will change to all deposit accounts of B1m). The management estimates that a 50 bps charge for deposits and BEs even though the BE will not be guaranteed by the scheme. We expect the policy will impact TISCO's NMI around 30bps assuming that the bank can pass 20bps onto customers. Net Interest Income is likely to be booked as cost of funding. The company mentioned that it may shift its strategy back to focusing on deposits in light of being charged a fee regardless, as at least they can then benefit from the guarantee.

### ➤ Deferred Tax Asset reversal caused B20m rise in 4Q income tax.

As the income tax rate has been reduced to 23% for 2012 and will fall to 20% 2013, TISCO reversed a deferred tax asset in 4Q previously based on an expected tax rate of 30%.

### ➤ Target for 2012

The management hasn't finalized the targets for year 2012, but guided analysts towards:

- Loan growth at around 15%.
- To maintain NMI at 3% and cost of income at 43%
- Provision at 0.8% to total loans.
- Continue to reduce NPLs.

We have cut our 2012 net profit forecast by 23% to B3.02bn from B3.9bn based on our view that the BOT will charge TISCO 0.5% of its deposits and BEs but expecting the bank to be able to pass on 0.2% onto its customer base. This would be a 7% decline from 2011 actual NP of B3.3bn.

We change our recommendation to Neutral from Buy and target price to B35.00 from B48.00 (-27%). We see the dividend yield at 7% for this year. However, should TISCO be unable to pass on any of the DPA to customers then expect further downward revisions.

### Snail - Medium Cap Institutional Coverage

**BTS Group Holdings (BTS)**

Market Cap: US\$1.3bn

Corporate Governance Score: 3 (highest is 5)

Price: B0.71; Buy.

Target Price: B0.80

**What's the news?** BTS Group Holdings approve the payment of an interim dividend from the Company's retained earnings and net income for the six-month periods ended September 30, 2011. The dividend payment will be at Baht 0.02393 per share. The date of determining the names of shareholders who shall be entitled to receive the interim dividend is January 30, 2012 and the payment date of the interim dividend is February 10, 2012.

#### Overall Impression: Positive

**Comment & Valuation:** This is positive news for the company and shareholders. However, the interim dividend doesn't come as a surprise. The court had previously ordered the Treasury department to pay compensation of B.049 billion to BTS for piloting work at Morchi for a commercial and residential project due to the reversal of a previous allowance for loss in value of civil works amounting to B705.2 million as well as compensation (interest charges) related to the allowance of B344.2 million. The Treasury department will pay B.049 billion to BTS within January 2012. BTS already booked this compensation in Q4 FY 2011/12 which is why it's expected that BTS would reward shareholders by paying an interim dividend and the news has been speculated on for a while. Our target price of BTS is B0.80 (1.2x PBV which is the average PBV for Transport sector in the past) and we recommend buy with 11% upside.

## OSK Research Guide to Investment Ratings

**Buy:** Share price may exceed 10% over the next 12 months

**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months

**Take Profit:** Target price has been attained. Look to accumulate at lower levels

**Sell:** Share price may fall by more than 10% over the next 12 months

**Not Rated (NR):** Stocks not within regular research coverage

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## Branches

## Malaysia

Malaysia Research Office  
OsK Research Sdn. Bhd  
6th Floor, Plaza Csk  
Jalan Ampang  
50450 Kuala Lumpur  
Malaysia

TEL : +(60)3 9207 7688  
FAX : +(60)3 2175 3202

## Hong Kong

Hong Kong Office  
OSK Securities Hong Kong Ltd  
12th Floor, World Wide House  
19 Des Voeux Road Central,  
Hong Kong

TEL : +(852) 2525 1118  
FAX : +(852) 2810 0908

## Singapore

Singapore Office  
DMG Partners  
Securities Pte Ltd  
10 Collyer Quay  
#09-08 Ocean Financial Centre  
Singapore 049315

TEL : +(65) 6533 1818  
FAX : +(65) 6532 6211

## Shanghai

Shanghai Office  
OSK (China) Investment Advisory  
Co. Ltd  
Room 606, Plaza 66,  
No.1266, West Nanjing Road  
200040 Shanghai  
China

TEL : +(8621) 6288 9611  
FAX : +(8621) 6288 9633

## Indonesia

PT OSK Nusantara Securities  
Indonesia  
Plaza CIMB Naga 14th Floor,  
Jl. Jend. Sudirman Kav.25,  
Jakarta Selatan 12920,  
Indonesia

## Thailand

Thailand Office  
OSK Securities (Thailand) Plc.  
16th Floor, Siam Complex  
Building  
191 Siam Road, Siam Bangrak  
Bangkok

TEL : +(66) 2200-2000

## Phnom Penh

OSK Indochina Securities  
Limited  
No. 3, Street 271  
Sangkat Toeuk Thia, Khan Sen Sok,  
Phnom Penh  
Cambodia

TEL : +(855) 2396 9161

TEL :+(6221) 2598 6888  
FAX:+(6221) 2598 6777

FAX: +(66) 2632- 0191

FAX: +(855) 2396 9171