

Thailand Equity Research

kasikornsecurities.com (+ 662 696 0000)

Morning Brief

10 September 2009

News

ICT (Neutral) - NTC approves draft procedure for 3G licensing, but omits upfront fees and other costs

BGH (Neutral) - Signs MOU to manage one hospital in Abu Dhabi

Spotting Trends

Steel Spotlight

Where Fundamentals and Timing Converge

Fundamentally 'BUY' rated with technical stop loss & break out signals							Fundamentally 'SELL' rated with technical resistance & stop loss warnings					
#	Stock	Current Price	Fundamental Target	Technical Support			#	Stock	Current Price	Fundamental Target	Technical Resistance	
				Stop Loss	Upside target	Breakout if above					Resistance	Downside target
1	PTTEP	146.00	194.00	will update	158, 163	149						
2	DELTA	17.50	17.30	will update	18.3, 20.7	-						
3	TSTH	2.06	2.00	will update	2.08-2.10, 2.7	-						
4	PTTAR	26.00	22.70	19 (closing)	26.25, 28	-						
5	CENDEL	3.82	4.34	will update	4.24-4.26	4						

The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable, but their accuracy, completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information known to us then, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice.

News Comment

10 September 2009

Kusumaporn Sookmongkol

Kusumaporn.s@kasikornsecurities.com

+662 696-0053

ICT (Neutral)

NTC approves draft procedure for 3G licensing, but omits upfront fees and other costs

The NTC yesterday approved the first draft of the procedure for 3G licensing. There will be an auction for four licenses - one for 15Mhz and three for 10Mhz. The term of the license will be 15 years. The bidders must be Thai companies, whose structures comply with the Joint Venture and Telecom Acts. The bidders must not have a mobile license to operate on a similar frequency range, suggesting that TOT will not be allowed to enter the bidding. A public hearing will be held to discuss the draft during 11-28 September.

The draft approved by the NTC makes no mention of the pricing structure, including the upfront fees (or cost of frequency used) and licensing fee. The NTC said it expects to provide more details regarding pricing by mid-October. The bidding period is expected to be within this year.

KS Comments

We have mixed feelings. On one hand, the NTC has made progress in submitting the first draft of the IM to the public, which was in line with our expectations (for this step). This creates more confidence that the NTC will be able to finally issue 3G licenses in the near future.

On the other, it failed to deliver a pricing structure, which makes it difficult to quantify the material impact on operators' bottom lines. We also suspect that the dispute over pricing could drag on. Note that the consensus estimates for the upfront fees are \$150-200m for 15Mhz, and \$100-150m for 10Mhz, with a licensing fee set at 6.5% (of service revenue excluding IC). There are also use-of-spectrum & number fees, which are expected to be around 1-2%, the same as in existing concessions.

Although the NTC insisted that licenses could still be granted by the end of the year, we reiterate our expected timeline for license distribution in 1Q10. Thus, our expectations for the commercial launch of 3G remain unchanged, meaning ADVANC in late 2Q10, True in 3Q10, and DTAC in 4Q10.

We suspect that investors might react negatively to the omission of a pricing structure, as well as most of the details that have been guided for quite a while. We maintain our Neutral rating for the sector and keep our base-case scenario limited to 2G operations. While progress on 3G bidding is expected in mid- October, we believe trading momentum will revive once a clearer pricing structure is seen.

News Comment

10 September 2009

Siriporn Arunothai

siriporn.a@kasikornsecurities.com

+662 696-0051

BGH (FP Bt22.60, Neutral)

Signs MOU to manage one hospital in Abu Dhabi

According to a Thai newspaper, BGH has signed an MOU to operate one hospital in Abu Dhabi. The hospital is under construction and scheduled to start operations by the end of next year. The agreement has a provision that would allow BGH to invest in the hospital in the next few years (2011-13). BGH is also negotiating with 2-3 other hospitals in Abu Dhabi to manage their operations.

KS Comments

- ▶ We asked BGH about the report yesterday but the company said it could not confirm the news. It did note, however, that it has a policy to expand in overseas markets through an asset-light business model such as that used by hotel operators.
- ▶ If the report is correct and BGH does manage this new hospital, the benefit to the company will be long term, not short term.
- ▶ In July and August, BGH's overall operation improved from 3Q08 and 2Q09 due to a rising number of patients in both IPD and OPD.
- ▶ We now have a more bullish view on BGH, which we currently rate Neutral. An increase in its utilization rate due to a rising number of H1N1 cases in 3Q09 and the expected return of international patients in 4Q09 will help BGH to move on from its bottom in 2Q09. Furthermore, the company's new policy to utilize an asset-light model will boost earnings and the returns for shareholders in the long term. We will find out more about this news and may revise up the company's long-term prospects and our DDM-based fair price.

Steel Spotlight

Thailand
10 September 2009

- Cheaper prices for Chinese exports have started to take their toll, with CIS producers lowering their prices to compete with goods of Chinese origin. High inventory levels coupled with a collapse in domestic prices have forced Chinese traders to look overseas, creating a more competitive environment compared with the previous month. Baosteel has also cut its prices in response to the falling spot price and traders believe other producers will follow in its footsteps. The sentiment ahead is rather bearish, and the question is: Will orders from Europe and the Middle East be large enough to absorb Chinese exports after the Ramadan and summer holidays come to an end? We are cautious as the recovery in developed regions has been generally milder than China's own recovery, so we expect the price to consolidate further in the near future.

- TSTH's spread declined 4% WoW due to the sluggish price for rebar while flat producers such as SSI benefited from the smaller drops in hot rolled coil compared to its slab price, resulting in a 10% increase in spread WoW.

- Integrated mills are trading at a higher PBV of 1.5x, up from 1.4x while mini-mills are trading at 0.9x, up from 0.8x, due to an increase in stock prices. Local mills are trading at 0.5x, unchanged from the previous week.

Dusadee Chantrataragul: dusadee.c@kasikornsecurities.com (662 696 0038)

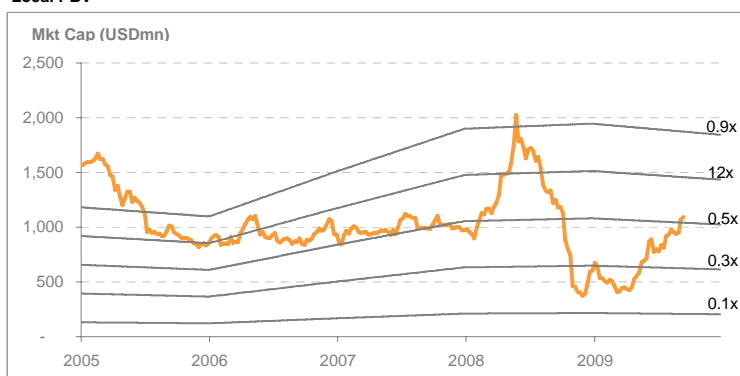
Units : USD/tonne

	Current	% WoW	QTD	% QoQ	YTD	% YoY	KS Assumption	Implication to forecast
Rebar	535	-1.8	513	12.0	473	-41.9	614	Lower
Wire Rod	560	0.0	543	14.9	493	-39.6	617	Lower
HRC	565	-0.4	565	27.4	480	-43.1	636	Lower
Billet	500	-1.0	473	13.1	424	-45.8	590	Lower
Slab	480	-2.0	464	27.1	400	-51.6	624	Lower
Scrap	360	-0.7	339	24.1	291	-43.3	387	Lower

Spread

	Current	% WoW	QTD	% QoQ	YTD	% YoY	KS Assumption	Implication to forecast	
Rebar-Scrap	175	-4.1	174	-	5.7	182	-39.6	227	TSTH-
HRC-Scrap	205	0.0	226	32.7	189	-42.9	249	249	GSTEEL
HRC-Slab	85	9.7	102	28.9	79	385.9	12	12	SSI+

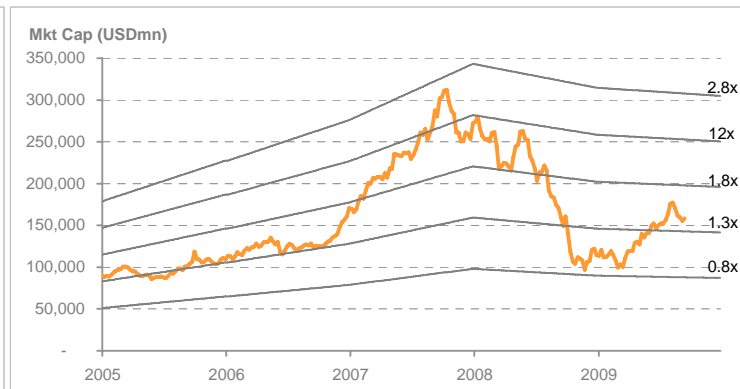
Local PBV



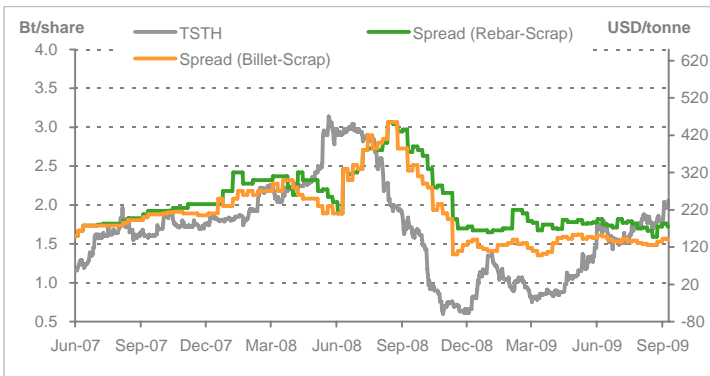
GSTEEL price performance and spread



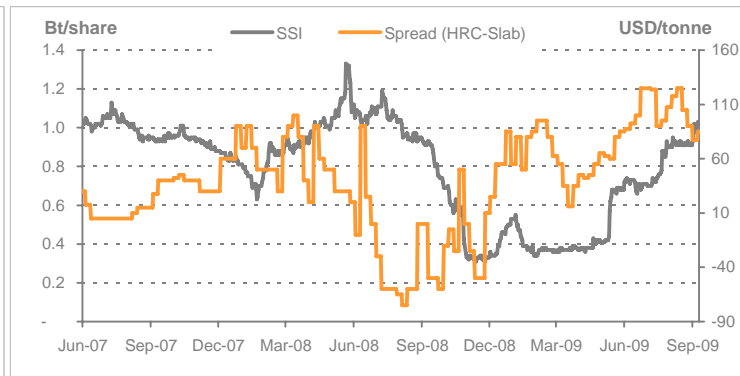
Regional (integrated mills) P/BV



TSTH price performance and spread



SSI price performance and spread



Data as of 9 September 2009

The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable, but their accuracy, completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information known to us then, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice.