A niche auto financing play

We initiate coverage on ELK-DESA Resources with a HOLD rating and Price Target of RM1.18, based on a 13x CY18E PE multiple. We are of the view that share price is fully-valued, taking into account potential EPS dilution arising from the recent rights issue and ICULS. The stock also lacks potential catalysts and continues to rely on organic growth. Nonetheless, with a decent dividend yield of 5.2-5.8% in FY18-19E, the stock may appeal to defensive investors.

A consumer-focused business company

ELK-Desa Resources Berhad (ELK) has two business segments, notably used-car hire-purchase financing (HP financing) in the Klang Valley (differentiating itself from the big banks and competitive market) and furniture trading/manufacturing (which was started in mid-2015).

Earnings are supported by a highly profitable HP business

ELK's core business, the HP division, contributes to bulk of the group's revenue (at 69%) and pre-tax profit (at 99% of group's) (Fig 5-6). The HP business remains a highly profitable entity, with a net profit margin of circa 33-35% (based on FY12-17 earnings), effective interest rates of 13-18%, low gross NPL ratio of circa 1.5-1.6% (FY18E) while net HP receivables are expected to grow at 12-13.8% in FY18E-19E.

Catalysts are lacking, outlook remains modest

The used car HP-industry lacks catalyst while in the medium term (FY18-20E), we also do not foresee a significant increase in ELK's income stream from its furniture trading and manufacturing business. Management does not have plans to further diversify its consumer-financing products apart from used-cars, hence ELK's business growth prospects are modest in our view.

Initiate with a HOLD rating, Price Target RM1.18 based on 13x PE

We initiate coverage on ELK with a **HOLD** rating and a **12-month Price Target** of **RM1.18**, which is pegged to a 13x P/E multiple on our CY18E EPS of RM0.91. Our P/E multiple of 13x is derived based on the average P/E multiple of ELK over the past 1 year (of which, is not comparable to other peers due to ELK's illiquidity in the market). Downside risk – high cost-of-living may cause higher defaults. Upside risk – strict credit approvals to control NPLs.

Earnings & Valuation Summary

FYE 31 Mar (RMm)	2016A	2017A	2018E	2019E	2020E
Revenue	64.2	94.5	109.8	120.5	129.9
Net operating income	25.5	30.2	32.8	37.8	43.1
Pretax profit	25.3	30.6	32.0	36.6	40.6
Net profit	18.8	23.0	24.3	27.8	30.8
EPS (sen)	12.9	10.7	8.9	9.7	10.8
EPS growth (%)	(14.6)	(17.0)	(16.7)	9.1	10.9
FD EPS (sen)	7.9	9.2	8.2	9.2	10.1
PER (x)	17.0	13.9	13.2	12.1	10.9
FD PER (x)	18.9	15.4	14.3	12.8	11.5
ROE (%)	6.5	7.0	6.6	6.8	7.3
BV / share	2.20	1.55	1.48	1.45	1.48
P/BV	0.53	0.76	0.79	0.81	0.79
DPS (sen)	6.8	6.8	6.1	6.8	7.5
Dividend Yield (%)	5.8	5.8	5.2	5.8	6.4
Affin/Consensus (x)			N/a	N/a	N/a

Source: Company, Bloomberg, Affin Hwang forecasts

Initiation of Coverage

ELK-Desa

ELK MK
Sector: Finance

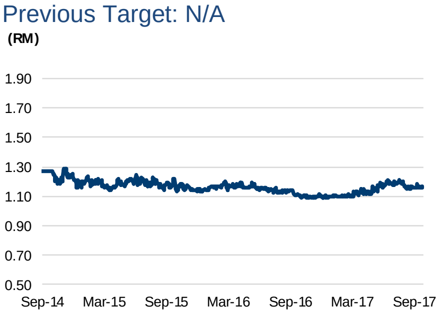
RM1.17 @ 4 Oct 2017

HOLD

Upside: 0.9%

Price Target: RM1.18

Previous Target: N/A



Price Performance

	1M	3M	12M
Absolute	+0.6%	+11.4%	+28.5%
Rel to KLCI	+1.1%	+10.0%	+19.6%

Stock Data

Issued shares (m)	279.0
Mkt cap	326.4/77.2
Avg daily vol - 6mth	0.2
52-wk range (RM)	1.12-1.26
Est free float	36.8
BV per share (RM)	1.45
P/BV (x)	0.8
Net cash/(debt)	15.0
ROE (2018E)	6.6
Derivatives (ICULS)	27.4m
Shariah Compliant	No

Key Shareholders

Teoh Hock Chai	36.6%
Dr. Yeong Yue Chai	5.5%

Source: Affin, Bloomberg

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ELK-Desa: A niche consumer-services provider

A consumer-focused business company

ELK-Desa Resources Berhad (ELK) was listed under the Finance Sector on the Main Market of Bursa Malaysia on 18 December 2012. The group focuses on two business segments: i) used-car hire-purchase financing (HP financing) through ELK-Desa Capital Group; and ii) furniture trading and manufacturing via ELK-Desa Furniture Group. The key shareholders of the company are Mr Teoh Hock Chai (who collectively owns 36.6% of ELK) and Dr Yeong Yue Chai (owns 5.5% of ELK). Mr Teoh Hock Chai is an industry veteran in car-financing (with 46 years of experience) and currently serves as the Advisor and Trustee to the Kuala Lumpur and Selangor Car Dealers & Credit Companies Association. Mr Teoh Hock Chai's experience dates back to 1971, when he incorporated Eng Lee Finance Sdn Bhd (which was subsequently renamed as Eng Lee Kredit), which was primarily involved in HP financing for used motor vehicles (but had ceased its business operations in 2004).

ELK is also a family-run business, with key personnel Mr Teoh Seng Hui (Group Executive Director) and Mr Henry Teoh Seng Hee (Executive Director & Chief Financial Officer) being Mr Teoh Hock Chai's children.

Fig 1: ELK-Desa Group Structure

Source: Company data, Affin Hwang

A specialist in used-car 'hire-purchase financing' in Klang Valley

In the area of hire purchase financing, ELK-Desa has successfully differentiated itself from its competitors by focusing on a niche area within this highly competitive market. Over the years, the Group has carved a strong presence as a reputable lender in the used motor vehicles sector, specifically targeting buyers who require small amount of financing. The Group's hire purchase financing operations are currently concentrated in the Klang Valley area. In addition, ELK also cross-sells motor and related general insurance products (from leading insurance brands such as Tokio Marine Insurans (Malaysia) Berhad and Berjaya Sompo Insurance Berhad) to its HP customers, which also generates supplement income to its revenue.

Furniture trading and manufacturing – a scalable business

The Group is also involved in furniture trading, which was started in mid-2015. Earnings contribution from this division to ELK's pre-tax profit remains minimal and management is looking into various opportunities to beef up the contribution to the group. Presently, this division is involved in retail, wholesale, export and manufacturing of furniture products under the brand '**ELK-DeSA**'.

ELK's furniture division has four retail showrooms (contemporary and urban-centric) located in Klang and Shah Alam, catering to domestic consumer's needs. Despte being a new brand in the furniture market, the feedback from visitors and customers have been positive, while products are appealing and highly-reasonable. The manufacturing facility meanwhile, is capable of producing both fabric and leather sofa sets.

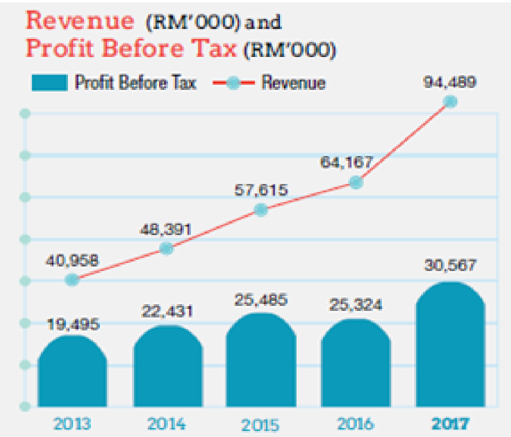
For the wholesale market, furniture products are currently being sold to more than 400 furniture retailers throughout Malaysia and exported to countries such as the United States, Australia, Singapore, Brunei, Africa and the Middle East.

A brief financial background – consistent profit track record

Based on the last five years' historical profit track record, ELK saw its pre-tax profit grow by a compounded annual growth rate (CAGR) of 7.3%, with a return-on-equity (ROE) generation of between 10% (FY12) to 7.0% (FY17). The decline in ROE despite the expansion of profits (Fig 2-3) was due to a RM100m ICULS raised in FY15 (on 15th of April 2014) and a 1-for-2 rights issue (to raise RM71.8m in FY16, completed in Oct 2015), of which have bolstered its capital base. Another RM53.9m rights issue was also completed on 8th Sept 2017.

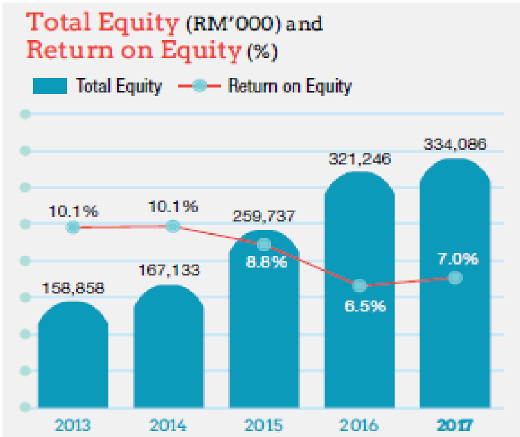
Given the enlarged share base, ELK's EPS from FY12 (15.9 sen) had also declined to 10.66 sen in FY17, as a result of the dilution effect (Fig 4).

Fig 2: ELK – Revenue and pre-tax profit (FY13-17)



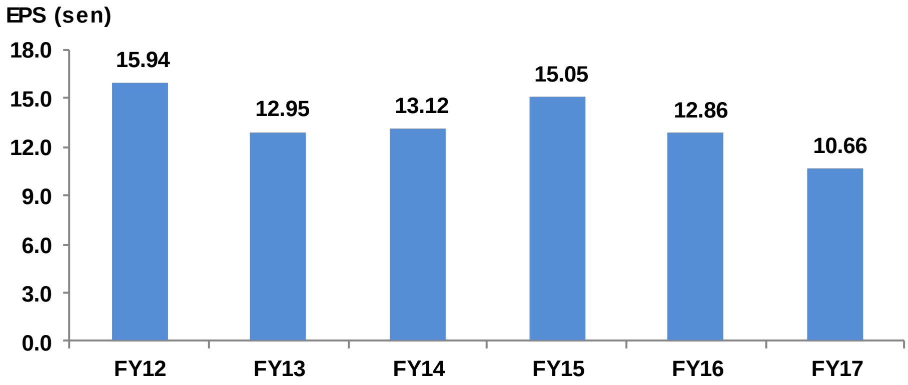
Source: ELK 2017 Annual Report

Fig 3: ELK – ROE (FY13-17)



Source: ELK 2017 Annual Report

Fig 4: ELK – Earnings per share (FY12-FY17)

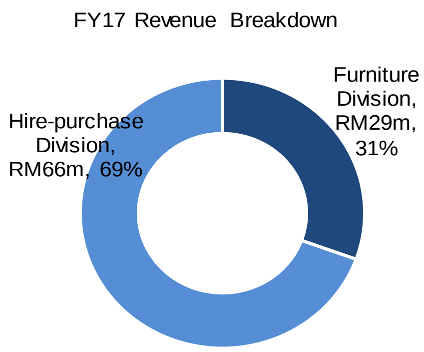


Source: ELK 2017 Annual Report

Earnings are supported by a highly profitable HP business

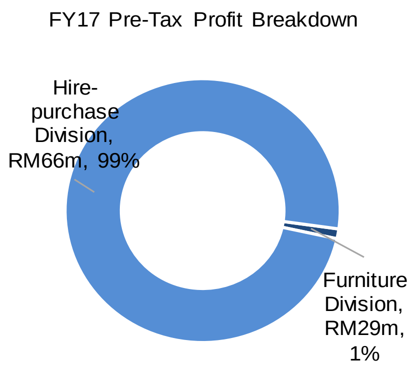
ELK's core business, the HP division, contributes the bulk of the group's revenue (at 69%) and pre-tax profit (at 99% of group's) (Fig 5-6). The HP business remains a highly profitable entity, with a net profit margin of circa 33-35% (based on FY12-17 earnings) while net HP receivables grew at a CAGR of 13% from FY12-17 (Fig 7-8).

Fig 5: FY17 revenue contribution



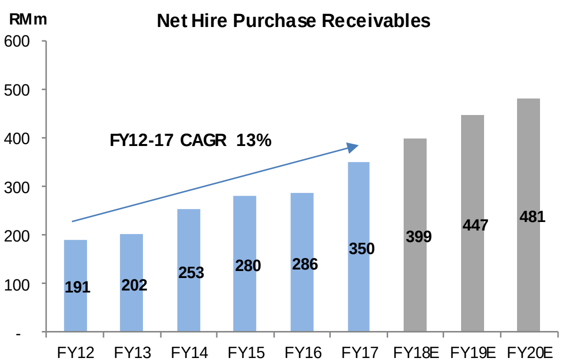
Source: Company data, Affin Hwang

Fig 6: FY17 pre-tax profit contribution



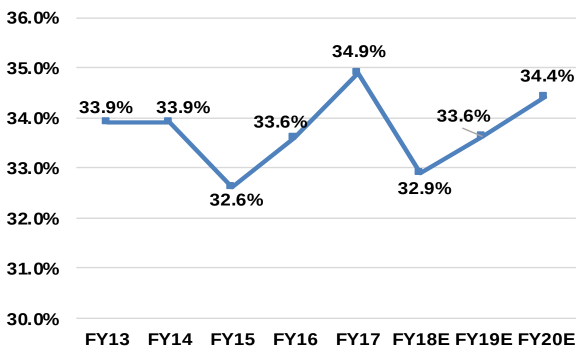
Source: Company data, Affin Hwang

Fig 7: Net HP receivables growth



Source: Company data, Affin Hwang

Fig 8: HP division net profit margin



Source: Company data, Affin Hwang

The investment merits and shortfalls of ELK

Key strengths – mid-teens growth, high EIR, credit risk well-covered

In our view, the investment merits and key strengths of ELK's business are underpinned by the following factors:

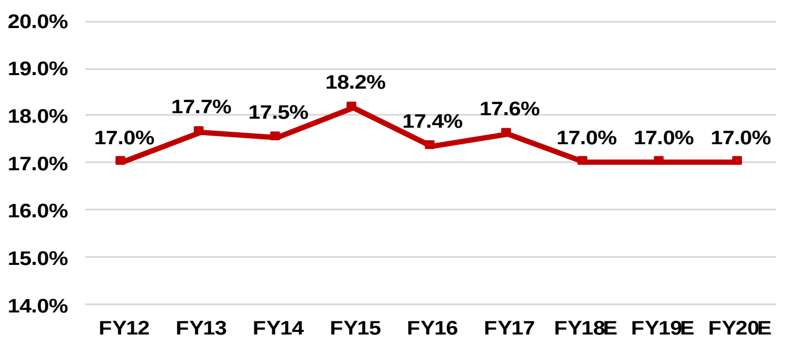
i) **Mid-teens HP receivables growth**. ELK continues to capture financing opportunities in the used car market in Klang Valley, a market in which the larger banks prefer not to be in, owing to the small-ticket size. ELK finances used-passenger vehicles (2,200cc and below) (excluding motorcycles) which are at or below RM20,000. The age profile of these vehicles are between 6 to 15 years, while the average tenure of financing is 5 years, with a maximum tenure of 7 years. Key criteria of the vehicle asset which ELK takes into account include: i) a relatively good resale value (in the event of repossession); ii) minimal or slower depreciation value; iii) can be easily disposed off; and iv) low risk of thefts.

Given ELK's established and extensive motor vehicle dealer network (of more than 1,000), as well as the mutual benefit of the tie-ups for both parties, it is expected that ELK's receivables will continue to grow in the mid-teens over FY18-20E. In our forecast, we are projecting an annual net receivables growth of 13.8% (FY18E), 12.1% (FY19E) and 7.7% (FY20E). The moderating growth assumption in FY20E is a conservative forecast, as we believe that ELK may have to raise more funding (either debt or equity) should management aim for more robust growth. In our assumptions, we have not priced in the expectation of equity capital-raising. Meanwhile, ELK is not highly in favour of medium-term debt or term loan funding and would prefer to remain as a lowly-geared company. At present, block discounting funds about 9% of ELK's net HP receivables.

The overall passenger car market in Klang Valley (Kuala Lumpur and Selangor) is relatively sizeable at 4.8m cars as at 2016 vis-à-vis ELK's books which have captured around 35,000 to 40,000 of these vehicles.

ii) **Effective interest rates (EIR) of 13-18%**. The HP rate which ELK charged to hirers (borrowers) ranges from 7.5% to a maximum of 10% p.a. (allowed under Malaysia's Hire Purchase Act). This translates into a highly profitable effective interest rate (EIR) of 13.6% to 18.2%. Based on the historical track record (Fig 9), the average HP EIR is around 17% from FY12-17, while for FY18-20E, we have also priced in an assumption of 17%. *Note: EIR can also be referred to as the loan's IRR*

Fig 9: Hire-purchase division's effective interest rate (FY12-20E)

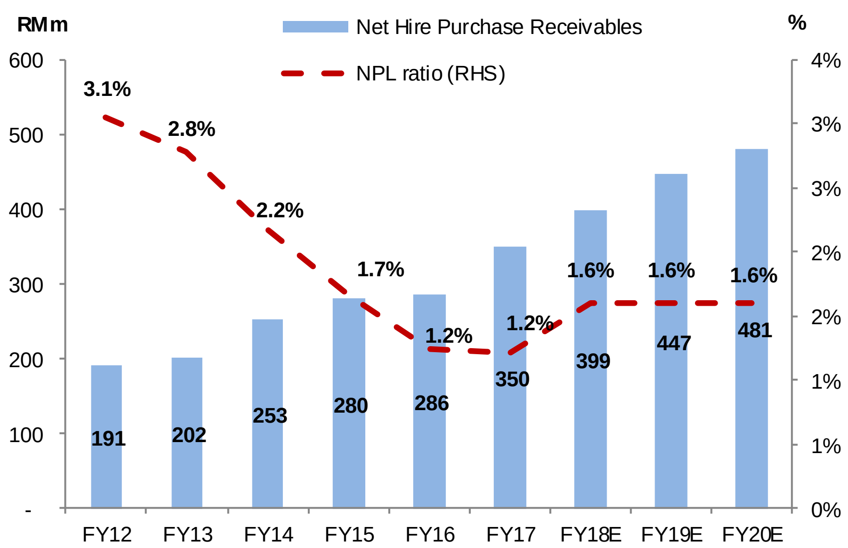


Source: Company data, Affin Hwang

iii) **Low NPL ratio**. As ELK maintains a stringent credit policy and remains highly selective in its criteria for financing (refer page 5, point (i)), the group has been able to maintain a low NPL ratio of 1.2% in FY16-17. The high NPL ratio of above 2% in FY12-14 was brought down through recovery efforts, more active collection and tightening in credit approvals. Nonetheless, for FY18, we are forecasting ELK's gross NPL ratio to increase to 1.6% as a result of increased delinquent accounts (of which are past 90 days due). This is largely attributable to the high cost of living which continue to hit the lower-income group (blue collar workers, government servants) while other reasons for default are such as the burden of high car overhaul charges, loss of income.

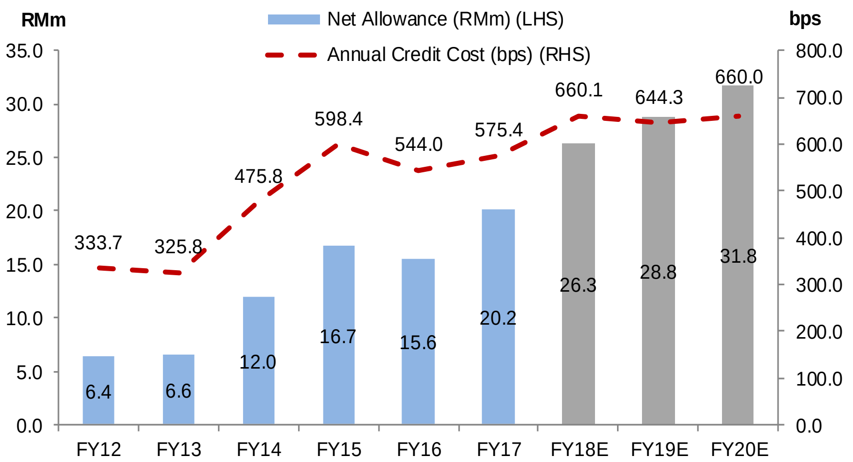
In our FY18-20E forecasts, we are factoring in an assumption of 1.6% in gross NPL ratio, while for credit charge, we are pricing in 660bps for FY18E, 644bps for FY19E and 660bps for FY20E. ELK's management adopts a prudent NPL management by setting aside full allowances once an account falls into NPL-status. As such, the HP receivables has a loan loss cover as high as 289% as at FY17. Meanwhile, in our FY18-20E forecasts, we continue to build in conservative assumptions from 290-494%.

Fig 10: Hire-purchase division's NPL ratio (FY12-20E)



Source: Company data, Affin Hwang

Fig 11: Hire-purchase division's allowances and credit charge (FY12-20E)



Source: Company data, Affin Hwang

iv) **Low gearing, at 0.11x as at Jun17**. On the funding side, ELK finances its HP receivables growth through equity capital, ICULs and block discounting payables. As at Jun17, ELK's debt-to-equity ratio measures at 0.11x, while in our FY18-20E forecasts, we are assuming a ratio of 0.09-0.11x. The average cost-of-debt stands at 6.2% and we have build-in this assumption into our FY18-20E forecasts.

In summary, ELK has a niche business model

In our view, ELK has a niche business model which caters to the affordable needs of the lower income consumers, who have a much higher dependence on credit to make ends meet. In fact, finance companies such as ELK earn a higher margin or EIR (13-18%) compared to an average bank (whereby the EIR could range at 5-6%). Contrary to conventional wisdom, the lower income consumers have a lower tendency of default as these consumers have families and are more willing to take up additional jobs in order to supplement daily needs, including to meet repayment of their borrowings.

Nonetheless, we do not discount the possibility of higher default rates especially during festive occasions. We gather that non-performing loan ratios are relatively low except during seasonal periods (such as the Hari Raya Aidilfitri or Chinese New Year) when consumers might have other financial commitments. Nonetheless, our channel checks revealed that debt-servicing normalizes after the festive periods end.

….however, EPS expansion remains limited, dividend yields are decent

Despite our net profit forecasts of a +5.6% yoy, +14.5% yoy and +10.9% yoy expansion in FY18-FY20E, on an EPS basis, taking into account the dilutive impact from the recently completed rights issue in Sept17 as well as additional new shares from the ICULs conversion in FY18, we note that FY18E's EPS is expected to decine by 16.7% yoy while FY19-20E EPS is projected to expand by 9.1% yoy and 10.9% yoy.

On a more positive note, we believe that ELK may appeal to more conservative investors. Based on a dividend payout ratio of 70%, with FY18-19E's DPS projected at 6.1 sen and 6.8 sen respectively, this translates into a yield of 5.2-5.8%. Compared to closest peer AEON Credit Services, its FY18-19E's yields are lower at 3.5-3.8%

Initiate with a HOLD rating, PT at RM1.18

Initiate with a HOLD rating, Price Target RM1.18 based on 13x CY18E PE

We initiate coverage on ELK with a **HOLD** rating and a 12-month **Price Target** of **RM1.18,** which is derived by pegging a **13x P/E multiple** to our CY18E EPS of RM0.91. Our P/E multiple of 13x is derived based on the average P/E multiple of ELK over the past 1 year (of which, is not comparable to peers due to ELK's illiquidity in the market). We think share price is fully-valued at current level, taking into account the potential EPS dilution in FY18-20E.

Catalysts are lacking, outlook remains business-as-usual

The used car HP-industry lacks catalyst while in the medium term (FY18-20E), we also do not foresee a significant increase in ELK's income stream from its furniture trading and manufacturing business. Nonetheless, we believe that there is ample opportunities to tap on the used-car financing market in Malaysia, given ELK's close relationship with various car dealers, its extensive network, high number of fresh graduates coming into the workforce and years of experience in the HP-financing business in Klang Valley.

Management does not have plans to further diversify its product-financing to vehicles in the price range of above RM20,000 or to diversify into other consumer-financing products such as general easy payments, personal financing, SME-financing or motorcycle finaning.

Fig 12: Peer comparison

Stock	Bloomberg Code	Rating	Price 4-Oct	PT (RM)	Mkt Cap (RMm)	FYE	P/E (x) CY17E	P/E (x) CY18E	EPS growth (%) CY17E	EPS growth (%) CY18E	ROE (%) CY17E	ROE (%) CY18E	Net DPS (sen) CY17E	Net DPS (sen) CY18E	Net Yield (%) CY17E	Net Yield (%) CY18E
ELK-DESA	ELK MK	HOLD	1.17	1.18	329.2	Mar	14.0	12.5	(16.7)	9.1	6.6	6.8	6.1	6.8	5.2	5.8
Aeon Credit	ACSM MK	SELL	12.82	9.8	2,769.1	Feb	7.0	6.8	11.7	4.1	24.6	22.1	44.6	48.8	3.5	3.8
RCE Capital	RCE MK	Not rated	1.57	0	535.9	Mar	7.0	6.4	(7.9)	9.1	17.6	16.7	4.0	4.0	2.5	2.5

Source: Bloomberg, Affin Hwang forecasts

Key risks

Risk of defaults will rise in tandem with stress in cost-of-living

Most of the HP hirers (accounts) under ELK are largely the low to medium income group, who are mainly blue collar workers, business traders, government servants (armed forces, teachers, office workers) and fresh graduates. Exposure to the mass market is deemed to be high-risk due to their low capacity to mitigate the rising living cost in urban cities.

Strict credit approvals; affordably structured repayment schemes

Management has continued to maintain strict credit approvals and remains vigilant on its collection efforts to ensure that NPLs are well-managed. Meanwhile, we understand that the affordably structured repayment schemes have also ensured that these low income group are not overly-cumbersome and hence, honour the monthly repayments.

ELK-Desa Resources - FINANCIAL SUMMARY

Out think. Out perform.

Profit & Loss Statement

FYE 31 Mar (RMm)	2016	2017	2018E	2019E	2020E
Revenue	**64.6**	**95.1**	**110.5**	**120.8**	**131.3**
- HP financing & related income	56.4	66.1	74.5	83.0	91.6
- Furniture division	8.2	29.1	36.0	37.8	39.7
Operating expenses	(39.1)	(64.9)	(76.4)	(81.8)	(87.9)
EBITDA	**26.0**	**30.8**	**33.4**	**38.5**	**43.7**
EBIT	**25.5**	**30.2**	**32.8**	**37.8**	**43.1**
Net Finance Costs	(0.2)	0.3	(0.9)	(1.2)	(2.5)
Pre-tax Profit	**25.3**	**30.6**	**32.0**	**36.6**	**40.6**
Taxation	(6.5)	(7.6)	(7.7)	(8.8)	(9.7)
Profit After Tax	**18.8**	**23.0**	**24.3**	**27.8**	**30.8**

Balance Sheet Statement

FYE 31 Mar (RMm)	2016	2017	2018E	2019E	2020E
Plant and Equipment	6.9	7.2	7.5	8.0	8.0
Deferred Tax Assets	6.3	3.9	3.9	3.9	3.9
Receivables	194.3	243.3	298.9	330.6	367.6
Non-current Assets	**207.4**	**254.4**	**310.3**	**342.4**	**379.4**
Inventories	1.9	6.7	8.1	9.7	10.2
Trade Receivables & Others	2.4	9.9	11.9	12.5	13.0
Hire Purchase Receivables	81.7	94.9	85.8	100.6	97.0
Prepayments & Others	1.0	1.9	1.9	1.9	1.9
Cash and bank balances	77.4	14.6	53.4	11.2	8.3
Current Assets	**164.5**	**127.9**	**161.1**	**135.9**	**130.3**
	164.5	127.9	161.1	135.9	130.3
TOTAL ASSETS	**371.9**	**382.3**	**471.4**	**478.3**	**509.7**
ICULS - Liability component	16.2	4.2	3.7	3.7	3.7
Block discounting payables	4.0	12.1	22.0	20.0	30.0
Non-current liabilities	**20.2**	**16.3**	**25.7**	**23.7**	**33.7**
Trade Payables	11.6	14.9	18.6	19.6	20.5
Other Payables and accruals	5.5	4.8	5.2	5.2	5.2
Block discounting payables	11.5	9.7	12.7	10.0	20.0
Overdrafts	-	0.5	2.0	3.0	3.0
Taxation	1.8	2.0	2.0	2.0	2.0
Current liabilities	**30.5**	**31.9**	**40.5**	**39.7**	**50.7**
Share Capital	184.8	243.1	299.7	299.7	299.7
Reserves	66.6	81.8	98.3	108.0	118.5
ICULS - Equity component	83.3	25.9	23.9	23.9	23.9
Treasury Shares	(13.4)	(16.7)	(16.7)	(16.7)	(16.7)
Shareholders Funds	**321.2**	**334.1**	**405.2**	**414.9**	**425.3**
TOTAL EQUITY & LIABILITY	**371.9**	**382.3**	**471.4**	**478.3**	**509.7**

Receivables (RMm)	2016	2017	2018	2019	2020
Hire Purchase	286.2	350.5	398.7	446.8	481.3
Total Receivables	**286.2**	**350.5**	**398.7**	**446.8**	**481.3**
Growth rate (%)	*2.3*	*22.4*	*13.8*	*12.1*	*7.7*

Operating Income Breakdov	2016	2017	2018	2019	2020
Hire Purchase	47.3	54.1	61.5	69.4	76.1

Receivables Yield (%)	2016	2017	2018	2019	2020
Hire Purchase	17.4%	17.6%	17.0%	17.0%	17.0%

Key Financial Ratios

FYE 31 Mar (RMm)	2016	2017	2018E	2019E	2020E
Returns and efficiency:					
ROE (%)	6.5%	7.0%	6.6%	6.8%	7.3%
ROA (%)	5.3%	6.1%	5.7%	5.9%	6.2%
Net Profit Martin (%)	29.3%	24.3%	22.1%	23.1%	23.7%
Cost-to-income ratio (%)	60.9%	68.7%	69.6%	67.9%	67.7%
Asset Quality:					
Gross NPL ratio (%)	1.2%	1.21%	1.60%	1.60%	1.60%
Credit Cost (bps)	544.0	575.4	660.1	644.3	660.0
Loan Loss Cover (%)	286%	289%	291%	382%	494%
Leverage Ratio:					
Debt Service Ratio (x)	9.7	27.5	15.8	15.9	15.2
Net Debt/Equity (x)	0.1	0.1	0.1	0.1	0.1
Investment statistics					
PBT growth (%)	-0.7%	20.7%	4.5%	14.5%	10.9%
Net earnings growth (%)	-0.1%	22.4%	5.6%	14.5%	10.9%
EPS growth (%)	-14.6%	-17.0%	-16.7%	9.1%	10.9%
Fully-diluted EPS growth (%)	-21.3%	16.3%	-10.4%	11.6%	10.7%
PER (X)	17.0	13.9	13.2	12.1	10.9
FD PER (X)	18.9	15.4	14.3	12.8	11.5
EPS (sen)	12.9	10.7	8.9	9.7	10.8
FD EPS (sen)	7.9	9.2	8.2	9.2	10.1
BV/share (RM)	2.20	1.55	1.48	1.45	1.48
P/BV	0.5	0.8	0.8	0.8	0.8
Net DPS (sen)	6.8	6.8	6.1	6.8	7.5
Net yield (%)	5.8%	5.8%	5.2%	5.8%	6.4%
Dividend payout (%)	73%	65%	70%	70%	70%

Cash Flow Statement

FYE 31 Mar (RMm)	2016	2017	2018E	2019E	2020E
EBIT	**25.5**	**30.2**	**32.8**	**37.8**	**43.1**
Depreciation & Amortization	0.4	0.6	0.6	0.6	0.6
Allowance for impairment	16.3	20.9	26.3	28.8	31.8
Working capital changes	(27.7)	(91.3)	(51.1)	(50.3)	(35.5)
Taxes paid	(5.5)	(7.8)	(7.7)	(8.8)	(9.7)
Interest expense paid	(4.7)	(4.0)	(2.1)	(2.4)	(2.8)
Others	1.0	(0.1)	(20.4)	(25.7)	(29.9)
Cash Flow from Operations	**5.4**	**(51.6)**	**(21.5)**	**(19.9)**	**(2.5)**
Capex	(1.5)	(0.9)	(0.3)	(0.5)	-
Sale / (Purchase) of investments	-	0.0	-	-	-
Interest Received	2.4	1.4	1.2	1.1	0.3
Fixed Deposits	(15.3)	26.0	-	-	-
Cash Flow from Investing	**(14.4)**	**26.6**	**(0.3)**	**(0.5)**	**-**
Dividends paid	(14.9)	(15.4)	(15.2)	(18.1)	(20.4)
Term Loan raised/(repaid)	(21.6)	6.4	13.9	(3.7)	20.0
Equity raised	70.0	-	61.9	(0.0)	(0.0)
Share buy-back	(13.3)	(3.3)	-	-	-
Cash flow from Financing	**20.1**	**(12.4)**	**60.7**	**(21.8)**	**(0.4)**
Net Cash Flow	**11.1**	**(37.3)**	**38.8**	**(42.2)**	**(2.9)**
Effects of overdraft	**26.0**	**0.5**	**-**	**-**	**-**
Cash at Start of Year	**40.3**	**51.4**	**14.6**	**53.4**	**11.2**
Cash at End of Year	**77.4**	**14.6**	**53.4**	**11.2**	**8.3**

Source: Company, Affin Hwang forecasts

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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