

Sector Focus

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6 Dec 2007

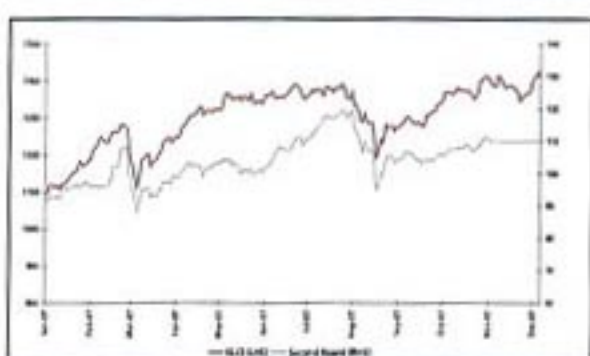
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Upcoming company visits

Wellcall Holdings 7 Dec

KLCI Vs Second Board Index



KLCI 1431.69
Second Board Index 109.98

An asymmetrical perspective

In this week's feature of *Small/Mid Caps*, we highlight an interesting mix of companies poised for growth. Tomei is one of the larger local jewellery retailers while NV Multi is a well-recognised provider of funeral care services. Both look to further expand to other countries in the region. Melati Ehsan, a turnkey construction player, is a potential beneficiary of the acceleration of Ninth Malaysia Plan spending.

Face to Face

◆ **Tomei (Not Rated) – A golden opportunity.** One of Malaysia's largest jewellery retailers by number of outlets, Tomei is now advancing regionally, moving into other ASEAN countries and China. Tomei is prepared to capitalise on its recent acquisition of a premier diamond brand, burgeoning manufacturing expertise and solid experience on the local retail front to drive growth overseas, and is trading at an implied 6.4x FY08 earnings.

◆ **NV Multi (Not Rated) – Strong positioning at home and venturing overseas for growth.** Nirvana's strength in the bereavement-care service lies with its strong branding and extensive distribution channels through its estimated 1,000 agents. Nirvana looks to leverage on its experience and strong branding in foreign markets. Trailing 12-mth earnings is undemanding at 15x as compared to its peers that trade between 21-47x earnings.

◆ **Melati Ehsan Holdings (Not Rated) – Eyeing for the piece of the pie.** Turnkey construction specialist, Melati Ehsan, is poised to benefit from the Ninth Malaysia Plan's infrastructure projects. With 15 years experience in the construction industry, the Group has established a strong business relationship with government-linked agencies. Outstanding orderbook is RM1.4b. The stock is trading at 6.2x FY08 consensus EPS.

Altered vision

Company	Code	2008F EPS (sen)	% Chg	2009F EPS (sen)	% Chg	Rating
CB Industrial Product	CBP	33.6	-	52.8	20.0	Buy
E&O Berhad	EAST	17.2	(26.3)	21.9	(22.0)	Buy
BCT Technology	BCTT	6.0	(42.1)	9.2	(47.1)	Buy

Refer to important disclosures at the end of this report.

Face to Face...

From the scratch pad

Not Rated

Price Target: NA

Sector: Retail

When: Aug 2007

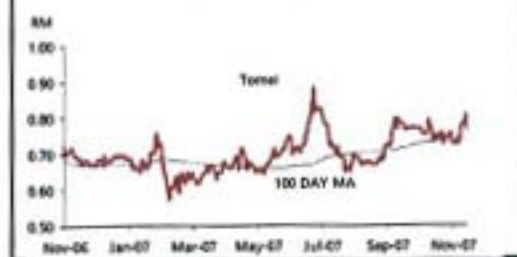
Why: Expansion into regional markets at cheap valuation

How Big: RM100.8m

Principal business: Retailing, wholesale and manufacturing of jewellery

FY Dec (RMm)	05A	06A	07F
Net profit	11.1	*26.4	11.8
EPS (sen)	8.8	21.7	30.1
PE (x)	22.0	8.9	6.4
Div Yield (%)	5.0	5.0	10.0
P/Book Value (x)	1.2	1.2	1.0

*Includes RM14.8m goodwill arising from Group restructuring



Source: Bloomberg, Company

Tomei (TOME MK: RM0.81)

◆ **Local name in luxury.** Tomei Consolidated is one of Malaysia's largest retailers of jewellery, offering jewellery products of precious metals and gemstones. The company takes part in the jewellery manufacturing, wholesale, and retailing, though retail and distribution contribute more than 70% of revenue. Established in 1968, Tomei currently holds 7% market share in Malaysia with 39 stores: more than 90% of turnover is captured locally, though the company is also looking to expand regionally.

◆ **Strategic positioning.** Tomei recently moved to the Main Board in August 2007 after being listed on the Second Board since June 2006, and has since embarked on a strategic plan to develop its technological expertise and brand recognition. It has partnered with a German jewellery chain manufacturer, one of the largest in Europe, which allows the company lower manufacturing costs—70% of Tomei's jewellery is manufactured in-house—and also acquired, in September 2007, Lumiere 2006, a Hong Kong based company that owns the rights to distribute Le Lumiere diamonds, cut in a specialised, niche 'Hearts and Arrows' design.

◆ **Expansion plans.** The jewellery industry is expected to grow from 3%-5% over the next three years, driven by increases in household consumption, a favourable socioeconomic environment, and increasing affluence, especially in the ASEAN/China region. Riding on this growth, Tomei is expanding aggressively, with outlets to open in Brunei and Indonesia, an outlet opened in Vietnam earlier this year, and a calculated move into China, following the Parkson chain stores as an in-house brand.

◆ **Attractive valuations.** Tomei's most recent quarterly results show that the company is on target to achieve net profit of RM11.8m for FY07. In light of the company's expansion and brand and production enhancement, we believe earnings growth of 15% may be conservative. This implies the stock is currently trading at an undemanding 6.4x FY08 earnings.

Not Rated

Price Target: NA

Sector: Service

When: Sep 2007

Why: Strong positioning in Malaysia and potential growth from overseas.

How Big: RM152.2m

Principal business: Bereavement-care service

FY Dec (RMm)	04A	05A	06A
Net profit	9.6	12.9	16.2
EPS (sen)	2.8	3.8	4.7
PE (x)	24.6	18.2	14.7
Div Yield (%)	2.1	-	3.0
P/Book Value (x)	1.5	1.5	1.4



Source: Bloomberg, Company

NV Multi Corporation Berhad (NVMC MK: RM0.69)

◆ **NV Multi's (Nirvana) main business** is provision of bereavement-care products and services with eight memorial parks and three funeral complexes throughout Malaysia and one memorial park in Jakarta, Indonesia. We understand NV Multi has a strong position with more than 50% market share in the Klang Valley due to its strong Nirvana branding. It derives 2/3 of its revenue from the Klang Valley and the balance from other states. Nirvana's strength lies with its strong branding and extensive distribution channels through its estimated 1,000 agents. Pre-need market (advance funeral plots sale) funeral contract revenue was RM102m in FY06 or average of 6,800 contracts which implies the growing franchise value of Nirvana. We believe the segment should grow with the nature of the business to capture customers.

◆ **Net gearing of 4%.** Nirvana managed to pare down its gearing from 17% in 2004 to 4% currently due to the robust cash-generating operations. Nirvana has a large landbank of 650 acres but minimal holding cost. For land owned by a third party, Nirvana will only pay the landowners as it uses the land.

◆ **Strong in Malaysia, venturing overseas for growth.** Nirvana is expanding its franchise to foreign market through MOU and JV agreements signed with local partners in Vietnam, Singapore and Taiwan. Nirvana is optimistic that contributions from overseas to augment the earnings growth especially its venture in Vietnam.

◆ **As certain as death and taxes.** Although slower growth expected in the local market, Nirvana's earning should be stable with its captive customers. Nirvana could leverage on its experience and strong branding in foreign markets. Trailing 12-mth earnings is undemanding at 15x as compared to funeral operators globally that trade between 21x-47x earnings.

Face to Face...

Not Rated

Price Target: NA

Sector: Construction

When: Oct 2007

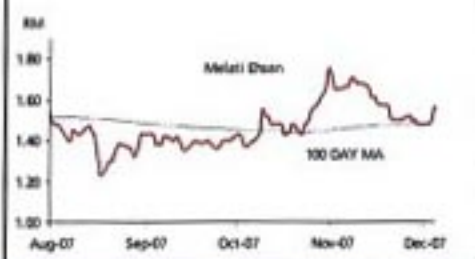
Why: Beneficiary of government construction projects

How Big: RM187.2m

Principal business: Construction management providing services such as planning, designing, engineering, procurement and construction works.

FY Aug (RMm)	05A	06A	07A
Net profit	16.2	22.7	*25.7
EPS (sen)	13.5	18.9	21.4
PE (x)	11.6	8.2	7.3
Div Yield (%)	-	-	4.8
P/Book Value (x)	-	-	1.6

* Ex negative goodwill of RM1.4m



Source: Bloomberg, Company

Melati Ehsan (MEHB MK: RM1.56)

◆ **Construction company and property developer.** Listed on the main board in Mar 2007, Melati Ehsan is a tier 1 contractor that undertakes design, construction and maintenance of roads, bridges, highways and flood mitigation projects. The Group is also involved in property development.

◆ **Integrated turnkey contractor.** The Group's strength lies in its ability to create new business opportunities by identifying infrastructure problems and providing innovative business solutions to potential clients. Current unbilled orderbook stands at RM1.4b which includes: (i) a mixed development project in Pandamaran, Klang (contract value: RM500m), (ii) turnkey construction project in Taman Aman Putra (RM523m), (iii) the "Trans Eastern Kedah Interland" highway project (RM287m), and (iv) a flood mitigation project in Kepala Batas, Pulau Pinang (RM169m). The mixed development in Klang represents Melati's maiden venture into property development. Gross development value for the project is RM500m. Construction will start in Dec 2007 and is scheduled for completion in Nov 2012.

◆ **FY07 performance.** In FY07 (9 months), the Group recorded net profit of RM25.7m, a y-o-y increase of 13%. This was backed by RM173.4m of revenue contributed from the Trans Eastern Kedah Interland Highway and flood mitigation project in Kepala Batas. As of 31 Aug, the Group is at a net cash position of RM17.6m. Melati raised RM35.2m from its initial public offering (IPO). The proceeds will be used to fund its working capital and cashflow.

◆ **Undemanding valuations.** The stock is trading at 6.2x FY08 consensus EPS, which is relatively undemanding compared to average peers' multiple of 10.2x. In addition, Melati provides 4.8% gross dividend yield.

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