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Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1664.1	67.2	4.2
Catalist	66.3	1.7	2.6
Finance	381.9	14.8	4.0
Property	323.5	13.6	4.4
Electronics	313.8	16.2	5.4
Vol (m)	1566.3	560.3	55.7
Val (S\$m)	1124.8	280.3	33.2

World Indices			
	Close	Chg	% Chg
Dow Jones	7775.9	497.5	6.8
Nasdaq	1555.8	98.5	6.8
S&P500	822.9	54.4	7.1
FTSE	3952.8	110.0	2.9
KLCI	878.3	21.5	2.5
Hang Seng	13447.4	613.9	4.8
Nikkei	8215.5	269.6	3.4
SET	438.2	8.5	2.0
KOSPI	1199.5	28.6	2.4
TWSE	5124.2	162.6	3.3

Market Statistics (SG)		
STI 52-week range	1,455	3,270
No. of gainers		394
No. of losers		120
No. of unchanged		120

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	97.0	0.1
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.2	0.0
Crude futures (US\$)	53.8	0.0

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Key Idea

Hyflux: Crystal Clear Choice

Hyflux Ltd (Hyflux) is one of Asia's leading environmental companies, offering integrated solutions and services using its proprietary membrane technology in the waste-water segment. Hyflux has its operations and projects mainly in Singapore, China, the Middle East and North Africa (MENA) and India; this includes one of the world's largest desalination plants in Algeria. Currently, Hyflux is sitting on an impressive order book of S\$1.5b (end 2008), up from the S\$1.1b as of end 2007. Going forward, management remains confident that it can continue to grow its order book by some 20% this year. While the outlook for the water treatment industry has improved, we believe that not all companies will benefit equally - only those with superior technology, proven track record and strong financial position would emerge victorious. We see Hyflux as one of these victors. We initiate coverage on Hyflux with **BUY** and a DCF-based fair value of S\$2.03.

More reports:

- **Straits Asia Resources: Lacklustre takeover offer**
- **CapitaLand Ltd: Over 80% tenancy commitment for ION Orchard**

News Headlines

- US Treasury Secretary Timothy Geithner finally unveiled details of the plan that will buy up so-called toxic assets that have weighed on the balance sheets of US banks.
- SM Goh said that Keppel Corp is in talks with a Chinese partner to build a "knowledge city" in the southern city of Guangzhou.
- Fullerton Fund Management, a unit of Temasek Holdings, is handing hedge funds a vote of confidence, saying it will allocate more money to the beleaguered products this year.
- The Singapore government will pump in S\$15b to S\$17b in building and infrastructure projects in 2010 and 2011 each, on top of the S\$18-20b it is expected to spend this year.
- SGX and the Nasdaq OMX group will undertake a study of a migration plan to GENIUM, Nasdaq OMX's trading platform.
- China Exim Bank may provide facilities for two Gulf power projects in coming months for Sembcorp Industries.
- Unionmet (Singapore) is proposing a two-for-three rights issue at two S cents per rights share to raise S\$4.78m.
- Transcu Group has signed a MOU with Nanomizer Inc to jointly develop and commercialise the Nano-Emulsion Fuel System for the global market.
- A unit of Koyo International has signed a framework agreement with Yong Ning county of Yingchuan city in China for the build-operate-transfer of a waste water treatment plant.

Source: MasNet, Bloomberg, Business Times, Straits Times and others

Hyflux: Crystal Clear Choice

Leading environmental company in Asia. Hyflux Ltd (Hyflux) is one of Asia's leading environmental companies, offering integrated waste-water treatment solutions and services using its proprietary membrane technology. Hyflux has its operations and projects mainly in Singapore, China, the Middle East and North Africa (MENA) and India. Based on its FY08 results, Hyflux derived 54% of its revenue from China, 40% from MENA and 6% from Singapore and other regions. Flagship projects in Singapore include the nation's first S\$200m desalination plant; in China, they include a 100k m³/day desalination plant in Tianjin; in Algeria, the company is involved in building a S\$632m 500k m³/day desalination plant.

Focus on municipal business. Increasingly, Hyflux has also turned its attention to the municipal sector for growth. This comes as no surprise as most major environmental projects are initiated by the public sector. In addition, governments typically use these major projects as means to pump prime their economies during recessions; China has already launched a massive RMB4t aid package to stimulate its economy where a large portion will be spent on environmental protection. However, due to the lower risk associated with these projects, gross margins are typically much lower (as much as 10 percent points less).

Growing order book but lumpy revenue stream. Currently, Hyflux is sitting on an impressive order book of S\$1.5b (end 2008), up from the S\$1.1b as of end 2007. Going forward, management remains confident that it can continue to grow its order book by some 20% this year. It is also cognizant of the fact that its EPC business, which contributes some S\$1.1b to that order book, can be lumpy in terms of revenue recognition, and is thus working to increase its O&M business, which is more stable as it provides recurring revenue over the projects. However, funding for these projects could remain a concern, given the tight credit situation. Fortunately, management is able to alleviate this by adopting an "asset light" strategy where it constantly monetizes its completed projects to finance future projects.

Initiate with BUY and S\$2.03 fair value. While the outlook for the water treatment industry has improved, we believe that not all companies will benefit equally - only those with superior technology, proven track record and strong financial position would emerge victorious. We see Hyflux as one of these victors. We initiate coverage on Hyflux with **BUY** and a DCF-based fair value of S\$2.03. (*Carey Wong*)

The analyst/analysts who wrote this report holds 1.875 shares in the above security.

For more details, please refer to full report.

Straits Asia Resources: Lacklustre takeover offer

Lacklustre takeover offer. PTT International (PTT), one of Thailand's largest energy companies, has made a mandatory takeover offer for Straits Asia Resources Ltd (SAR) at S\$0.807/share. The offer is a result of it purchasing Straits Resources Ltd's 47.1% stake in SAR as part of a strategic alliance. The offer price was derived from SAR's 20-day volume-weighted average price (VWAP) prior to 20 Mar 09, but falls 4.5% below SAR's last transacted price and 7.9% short of its six-month VWAP. In addition, it values SAR at a modest 2.2x FY09F PER and 1.2x FY09F NAV - far lower than the 11x PER price tag that Chinalco and Alcoa forked out for their stake in mining company Rio Tinto just a year ago. We are of the view that the takeover offer undervalues SAR, and do not expect investors to accept the offer. SAR will be appointing an independent financial adviser to provide a recommendation in connection with the offer.

No intention to privatise SAR. PTT's takeover offer for SAR appears to be a procedural obligation as a result of it crossing the 30% ownership level. It has articulated its intention to retain SAR's listing status on the SGX-ST, and added that it currently has no plans to introduce any major changes to SAR's business, redeploy its fixed assets, or discontinue the employment of its employees. As such, the takeover offer will probably result in a change of SAR's effective ownership with no major changes to the group's strategy or management.

Good dividends and earnings prospects provide little incentive to accept offer. SAR's shareholders may reap better returns in the long term by holding on to their shares, given the group's generous dividends and robust outlook. SAR's dividends yielded a generous 11.5% return in FY08, and we expect FY09 yield to increase to 17.8% on the back of higher earnings. Earnings are expected to more than double in FY09 thanks to higher coal prices secured during the commodity boom in 2008.

Sound fundamentals, maintain BUY. PTT's takeover offer puts an end to months of speculation over SAR's privatisation. It also rules out any acquisition by Noble Group Ltd (previously reported to be one of the interested bidders) or other strategic investors in the near term. We maintain our **BUY** rating and S\$1.15 fair value estimate for SAR and do not expect PPT to raise its offer price. As for Noble, our BUY rating and S\$1.33 fair value estimate remains intact. *(Lee Wen Ching)*

CapitaLand Ltd: Over 80% tenancy commitment for ION Orchard

CapitaLand yesterday announced that ION Orchard is on target for its soft launch in July 2009. To date, it has already achieved over 80% tenancy commitment and negotiations are ongoing for the remaining spaces. Previous update on the tenancy commitment was in July 2008 when it was reported that 50% of the retail space had been committed. Since then, ION Orchard still managed to secure another ~30% tenancy commitment for its retail space and we think that this is a commendable achievement in light of the rapid deterioration of the economy since their previous update. In addition, tenants at ION Orchard will get rebates of up to 30% of base rental until the end of October. No change to our forecast as we maintain our forecast of 97% occupancy rate when the mall is fully operational. We maintain our **BUY** recommendation on CapitaLand with fair value of S\$2.42.
(Foo Sze Ming)

Monday	Tuesday	Wednesday	Thursday	Friday
23-Mar	24-Mar	25-Mar	26-Mar	27-Mar
SG Feb CPI	US Jan House Price Index	US Feb Durable Goods Orders	SG Feb Indust Production US 4Q GDP QoQ	US Mar U of Michigan Confidence China Feb Indust Profits YoY
30-Mar	31-Mar	01-Apr	02-Apr	03-Apr
	SG Feb Money Supply SG Feb Bank Loans & Advances US Mar Consumer Confidence	US Mar ISM Manufacturing	US Feb Factory Orders	US Mar Umemployment Rate US Mar ISM Non-Manf Composite
06-Apr	07-Apr	08-Apr	09-Apr	10-Apr
		US Feb Wholesale Inventories	US Feb Trade Balance	China Mar Trade Bal(11 Apr)
13-Apr	14-Apr	15-Apr	16-Apr	17-Apr
SPH 2Q09	US Mar PPI US Mar Advance Retail Sales	SG Feb Retail Sales US Mar CPI US Mar Indust Production	China 1Q Real GDP US Mar Housing Starts	SG Mar NODX/SG Mar Electronic Exports China Mar PPI/China Mar CPI China Mar Retail Sales/China Mar Ind Prod China Mar Fixed Assets Inv US Apr U of Michigan Confidence
20-Apr	21-Apr	22-Apr	23-Apr	24-Apr
US Mar Leading Indicators			SG Mar CPI	

Note: US Initial jobless claims released every Friday. MBA mortgage applications released every Wednesday

All US Tech results dates have been adjusted to Singapore Date

Please refer to the individual company's full report for additional disclosures

RATINGS AND RECOMMENDATIONS:

OCBC Investment Research's (OIR) technical comments and recommendations are short-term and trading oriented.

- However, OIR's fundamental views and ratings (Buy, Hold, Sell) are medium-term calls within a 12-month investment horizon. OIR's Buy = More than 10% upside from the current price; Hold = Trade within +/- 10% from the current price; Sell = More than 10% downside from the current price.

- For companies with less than S\$150m market capitalization, OIR's Buy = More than 30% upside from the current price; Hold = Trade within +/- 30% from the current price; Sell = More than 30% downside from the current price.

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