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25 March 2009

# Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1706.3	42.3	2.5
Catalist	66.9	0.6	0.8
Finance	399.4	17.5	4.6
Property	341.1	17.6	5.4
Electronics	315.7	1.9	0.6
Vol (m)	1715.3	149.0	9.5
Val (S\$m)	1578.0	453.2	40.3

World Indices			
	Close	Chg	% Chg
Dow Jones	7660.0	-115.9	-1.5
Nasdaq	1516.5	-39.3	-2.5
S&P500	806.3	-16.7	-2.0
FTSE	3911.5	-41.4	-1.0
KLCI	877.9	-0.4	0.0
Hang Seng	13910.3	462.9	3.4
Nikkei	8488.3	272.8	3.3
SET	438.2	0.0	0.0
KOSPI	1221.7	22.2	1.9
TWSE	5242.2	118.0	2.3

Market Statistics (SG)			
STI 52-week range	1,455	3,270	
No. of gainers		304	
No. of losers		168	
No. of unchanged		187	

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	98.0	0.1
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.2	0.0
Crude futures (US\$)	53.7	-0.2

## Research Team

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## Key Idea

### Miyoshi Precision Limited: Facing multi-faceted challenges

Amidst the rapid erosion in economic conditions, Miyoshi Precision Limited (MPL) updated that the group is expecting its 1HFY09 top line and bottom line to fall ~30% YoY. Pertaining to the announcement by Toshiba to buy over Fujitsu's HDD business in mid-Feb 2009, MPL had also voiced concerns of losing allocations for Fujitsu's 2.5" mobile HDDs in the longer term as Toshiba may integrate it with its existing facilities following the acquisition. In addition, we note that MPL's CE segment is likely to come under pressure with the anticipated change in Hewlett-Packard's (HP) printer supply chain. Notwithstanding the several prospective businesses sought by the group, we now see significant uncertainties in MPL's earnings following the expected changes in its major customers' arrangements. Together with the lack of regular daily trading liquidity in the stock and a reallocation of our coverage resources, we are **CEASING COVERAGE** on MPL.

## News Headlines

- Raffles Education plans to privately place out 80m new ordinary shares at S\$0.381 each; the net proceeds of S\$30.1m will be used to repay bank loans, for acquisitions and working capital.
- The Obama administration is considering asking Congress to give the Treasury Secretary unprecedented powers to initiate the seizure of non-bank financial companies.
- China proposed a sweeping overhaul of the global monetary system, outlining how the US dollar could eventually be replaced as the world's main reserve currency by the IMF's Special Drawing Right.
- First Ship Lease Trust is seeking for unitholders' approval for a unit buy-back mandate and will hold an EGM for this purpose.
- Koon Holdings has won a project for construction works worth S\$16.5m for the proposed wetlands at Lorong Halus Landfill, with a related maintenance services contract worth S\$2m.
- A unit of United Fiber System has received its commercial license to undertake general contracting of civil constructions in UAE.
- 100k employers employing approximately 1.3m local workers will receive S\$920m from the first Jobs Credit payment on 31 Mar 09.
- The Singapore government has given US memory chip giant Micron Technology a S\$300m loan to "facilitate" more investment in its local joint-venture wafer fab plant.
- BT reports that auditors have raised going-concern issues on two more S-chips - China Enersave and Sino-Environment.

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

### **Miyoshi Precision Limited: Facing multi-faceted challenges**

**Expecting declining sales and profitability.** Amidst the rapid erosion in economic conditions, Miyoshi Precision Limited (MPL) updated that the group had seen the worst-ever quarter in 1Q09. Its major revenue generator, HDD segment, had suffered from faltering demand due to continued weakness in consumer spending. While MPL's sales has benefited from a strong USD, supported by relatively flat contribution from its consumer electronics (CE) segment, the group is expecting its 1HFY09 top line and bottom line to fall ~30% YoY.

**2.5" HDD allocations from Fujitsu an uncertainty.** Pertaining to the announcement by Toshiba to buy over Fujitsu's HDD business in mid-Feb 2009, MPL had also voiced concerns about its long-term business prospects. Despite having a strong 75% allocation of top covers for Fujitsu's 3.5" server Hard Disk Drives (HDDs), MPL may risk losing allocations for its 2.5" mobile HDDs; although Miyoshi has recently met up with Toshiba and Fujitsu and was told that there will not be any drastic changes in the coming year, there is a chance that Toshiba may eventually absorb the production in-house.

**HP printer business in doubt too.** In addition, we note that MPL's CE segment is likely to come under pressure with the anticipated change in Hewlett-Packard's (HP) printer supply chain. HP is said to have appointed three EMS/ODMs, namely Flextronics, Jabil and new incumbent Foxconn, for its printer segment. While MPL has historically been servicing Flextronics and Jabil, it may still lose business, as HP may allocate more to Foxconn which has ample capacity in-house. Out of 40% YTD contribution to revenue by the CE segment, we understand that ~30% is derived from HP printers.

**Cutting costs to align with business slowdown.** In face of the murky outlook and sharp slowdown, MPL has embarked on aggressive cost-cutting measures such as reducing its staff headcount by 20% and easing their salaries (including management) by 3-18% to trim its operating costs. In terms of capex, it is also limiting itself to S\$2-4m for FY09 (S\$2m in 1HFY09 mainly to revamp China plant). MPL says it sees a need to conserve cash, both for strategic opportunities and working capital, hence could not commit to a dividend payout.

**Ceasing coverage.** Notwithstanding the several prospective businesses sought by the group, we now see significant uncertainties in MPL's earnings following the expected changes in its major customers' arrangements. Together with the lack of regular daily trading liquidity in the stock and a reallocation of our coverage resources, we are **CEASING COVERAGE** on MPL. *(Kevin Tan)*

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

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

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