

Thailand Industry Focus

Automotive Sector

DBS Group Research . Equity

20 Sep 2012

Strong August data

- **August auto production grew 37% y-o-y to 210k units, within expectations**
- **Expect production and sales to hit record high in September**
- **Our top picks remain SAT (Bt36.50 TP) and STANLY (Bt250 TP)**

Strong auto production, as expected. The Federation of Thai Industry reported that August auto production grew 37% y-o-y (flat m-o-m) to 210k units as all carmakers had ramped up production. 8M12 auto production grew 33% y-o-y to 1.47m units, and is 67% of our FY12 forecast. Passenger vehicles accounted for 36% of production and commercial vehicles the balance.

Local and export sales remain solid. August domestic auto sales surged 64% y-o-y to 129k units, while exports rose 18% to 85k units. These took 8M12 domestic sales to 867k units (+48% y-o-y) and exports to 637k units (+16%). Strong local sales were mainly due to pent-up demand post-flood and tax incentives for first-time car buyers.

Expect production and sales to remain solid. We project auto production to grow 51% y-o-y to 2.2m units this year. Of this, 1.2m units would be sold in the domestic market and 1.0m for export, led by strong demand for pickup trucks and small passenger cars. We also expect auto production to hit 2.3m units next year as Eurozone crisis should have limited impact on Thailand's auto industry (Europe accounts for only 7% of Thailand's auto export volumes).

Overweight Thailand auto sector. We remain positive on Thailand's auto industry. We are retaining our BUY calls for SAT (Bt36.50 TP, 12x 2013F PE) and STANLY (Bt250 TP, 12x 2013F PE ending March). These companies' earnings should gain momentum the rest of this year supported by capacity expansion and lower corporate tax rates.

SET : 1285.46

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AUTOMOTIVE SECTOR - TOP PICKS

	Price Bt	Target Price Bt	% Upside	Rating
Somboon Advance	29.25	36.50	25%	BUY
Thai Stanley Electric	226.00	250.00	11%	BUY

Source: DBS Vickers

Somboon Advance Technology : SAT manufactures automotive parts, including axle shafts, leaf springs, disc & drum brakes, exhaust manifolds, stabiliser bars and others.

Thai Stanley Electric: STANLY manufactures light bulbs and lighting equipment for cars and motorcycles.

SAT : PE Band



STANLY : PE Band



Source: Company, DBS Vickers

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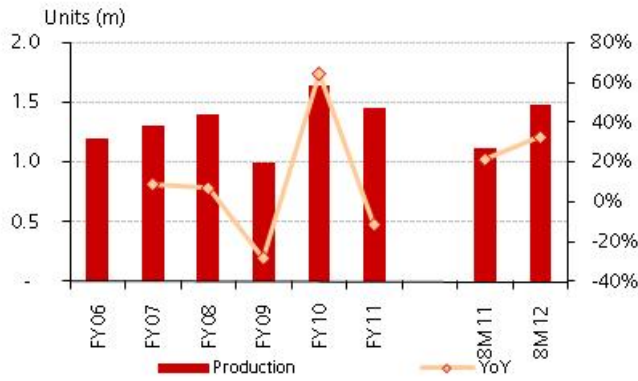
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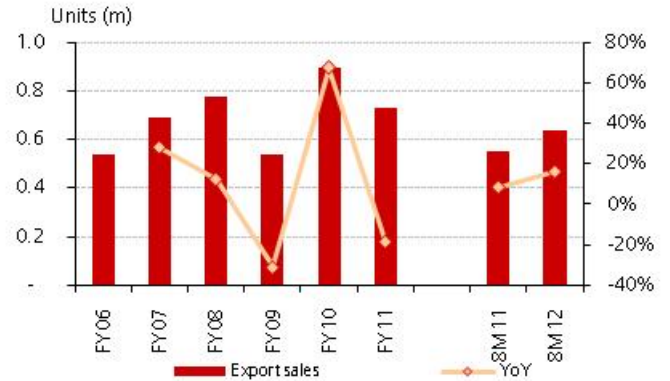
Automotive Sector

Thailand Auto Production



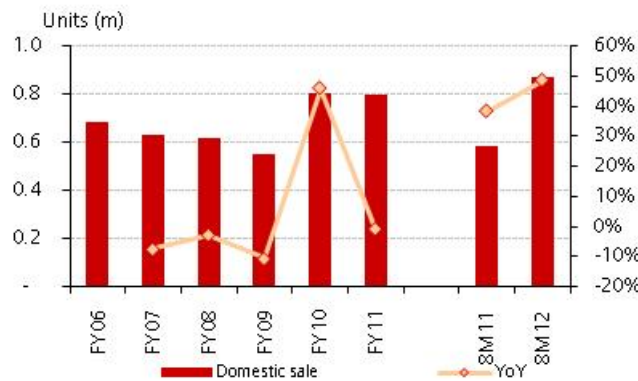
Source: Federation of Thai Industry (FTI)

Auto Export Sales



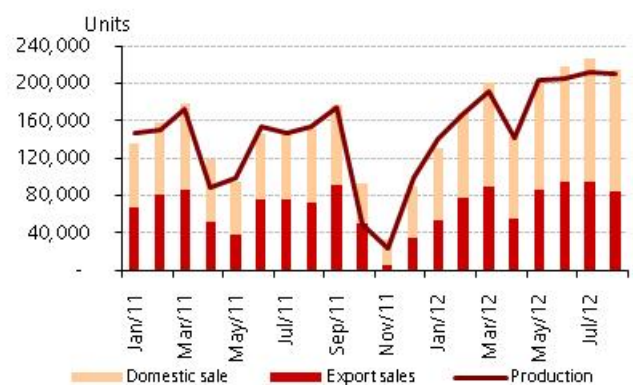
Source: Federation of Thai Industry (FTI)

Domestic Auto Sales



Source: Federation of Thai Industry (FTI)

Monthly auto production and sales



Source: Federation of Thai Industry (FTI)

Peer Comparison

BB Ticker	Name	Market Cap (US\$m)	PE		P/BV		EV/EBITDA		Div Yield (%)	ROE (%)	Share Price Performance (%)			
			12F	13F	12F	13F	12F	13F			12F	12F	1M	3M
AH TB	AAPICO HITECH PCL	157	9.4	9.3	1.2	1.1	11.0	11.0	3.8	12.9	15.1	52.9	109.8	62.1
SAT TB	SOMBOON ADVANCE TECHNOLOGY PCL	323	11.2	9.3	2.1	1.8	7.2	6.3	3.3	19.5	(2.5)	6.4	39.3	22.9
STANLY TB	THAI STANLEY ELECTRIC PUB CO	562	23.8	10.8	2.0	1.8	8.3	5.1	3.7	18.4	4.6	15.3	53.7	32.2
Average (simple)			14.8	9.8	1.8	1.5	8.8	7.5	3.6	16.9				

Source: Bloomberg, DBS Vickers

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10 to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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