



18 January 2012

Bina Puri Holdings

M9 – Pakistan Superhighway

Bina Puri announced that it had secured a 28-year concession to build, operate and transfer of M9 - Superhighway deal in Pakistan worth RM864m. This includes conversion works for the existing 4-lane Karachi-Hyderabad superhighway into a 6-lane motorway, which expected to complete in 30 months time. This is the second highway concession for Bina Puri after Latar Expressway, which connects Rawang with Kuala Selangor and currently in the early stage of its operation. We expect this highway concession will only make a positive contribution to Bina Puri's earnings from FY15 onwards. Meanwhile, the power plant in Indonesia contributes about RM4m to RM5m to the pre-tax profit. However, these projects will not have any material impact to our FY12 and FY13 forecasts as we are expecting more meaningful contributions from them only from FY15 onwards. We are maintaining our **OUTPERFORM** recommendation and Target Price of RM1.24 based on 10x PER on an unchanged FY12 earnings estimate.

M9 – Superhighway concession. The 28-year concession will include upgrading works on the existing 136km highway which links Karachi and Hyderabad. It is expected to take about 30 months as with the ADT (Average Daily Traffic) currently registering at 23,000 vehicles. The project will be financed by debt (70%) and equity (30%) at the prevailing Pakistan's interest rate of 15% while the IRR is expected to be at 20%. The management is considering loan stocks as an option to finance the equity portion of RM193m.

Project viability. Based on our analysis, we think it will be tough for management to achieve the 20% IRR due to the short period of the concession to recoup the construction cost and finance cost. We do not expect the project to register positive bottom line given the high depreciation and finance cost which will be incurred.

Latar Expressway and power plants. To recap, Latar Expressway was the first highway concession for Bina Puri with a 40-year concession and a 50% stake. It is expected to deliver a 11% IRR while contributing about RM1.0m to Bina Puri's pre-tax profit by FY16. The power plants in Indonesia on the hand are expected to contribute c. RM4.0m to the group's earnings annually.

Maintaining forecast. We have however not imputed any contributions from the above highway and power plant projects. Construction revenue will still remain as the main contributor to earnings. With the order book currently at RM2.7b, this will be enough to sustain the company's earnings for the next three years.

We are maintaining our **OUTPERFORM** recommendations with an unchanged Target Price of RM1.24 based on 10x PER on FY12 EPS. We expect the contribution from the LRT project to pick up pace in 1Q12 as more Development Orders are issued by the state government.

OUTPERFORM↔

Price: RM0.92

Target Price: RM1.24↔

STOCK DATA

Bloomberg Ticker	BIN MK Equity	YTD price chg	4.6%
Market Cap	113.0	YTD KLCI chg	-0.7%
Issued shares	123.5	Beta	1.3
52-week range (H)	1.55	Major Shareholders	
52-week range (L)	0.85	JENTERA JATI SDN BHD	16.5%
3-mth avg daily volume	562,889	HOCK SENG TEE	12.7%
Free Float	63.2%	CHENG KIAT TAN	7.6%

AT A GLANCE

Target Price (RM):	1.24	Maintain
Valuation:	10x PE FY12	
Current Price (RM):	RM0.92	

BINA PURI HOLDINGS BHD

Action:	OUTPERFORM	Maintain
Reason:	-	

Basis of call:

Catalyst:

FYE31Dec RMm	2010	2011E	2012E
Turnover	1,232.2	1,334.7	1,327.2
Net Profit (NP)	11.9	8.0	14.2
Consensus (NP)	N.A.	8.0	14.2
Earnings Revision:	N.A.	0%	0%
Earnings Revision Rationale:	No changes to earnings forecast		

SHARE PRICE CHART

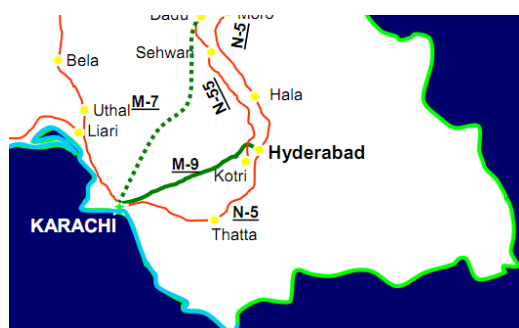


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Earnings Estimates

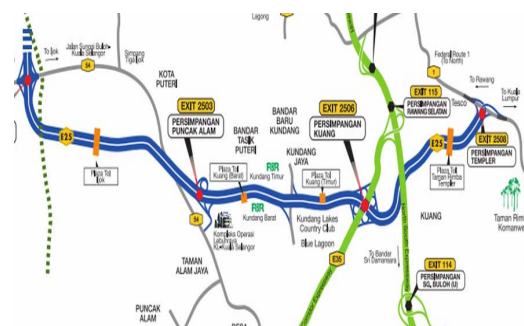
FYE 31st Dec (RMm)	2008	2009	2010	2011E	2012E
Revenue	676.5	780.1	1,232.2	1,334.7	1,327.2
Pretax profit	8.0	11.5	14.3	28.1	23.3
Net profit	4.3	6.5	11.9	8.0	14.2
EPS (sen)	4.1	6.2	11.5	7.0	12.4
EPS growth (%)	-39%	51%	84%	-39%	77%
DPS (sen)	4.0	4.0	4.0	4.0	6.0
NTA/ share (RM)	0.9	1.0	1.0	1.1	1.2
Net gearing (%)	1.4	1.0	1.0	1.6	1.5
PER (x)	22.3	14.8	8.0	13.2	7.4
P/NTA (x)	1.0	1.0	0.9	0.9	0.8
Div. yield (%)	4%	4%	4%	4%	7%
EV/ EBITDA (x)	12.2	9.5	8.8	7.6	10.2
ROE (%)	6.9%	8.7%	11.3%	7.9%	14.5%

	M9 – Superhighway	Latar Expressway
Ownership (%)	100%	50%
IRR (%)	20%	11%
Toll rate hike	3 years 5%	5 years 10%
Concession period (years)	28	40
Length (km)	136km	33km



M9 - Superhighway

Source: Unescap.org, Kenanga Research



Latar Expressway

Source: Company website, Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

- OVERWEIGHT : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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