

**HOLD
RM0.945**

Target Price: RM0.97

Stock data

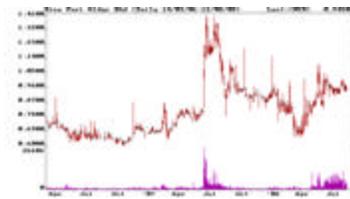
Market cap (RMm):	78.2
Issued shares (m):	82.8
52-week range:	RM0.65-RM1.20
3-mth avg daily volume:	268,228 shrs
Bloomberg code:	BINMK
Syariah:	Yes
YTD price chg:	+5.0%
YTD KLCI chg:	-22.6%
Est. free float:	35.31%
Major shareholders:	
<i>Jentera Jati S/B:</i>	24.61%
<i>Tan Sri Datuk Tee</i>	16.65%
<i>Hock Seng, JP:</i>	
<i>Dr Tan Cheng Kiat:</i>	10.96%
<i>Dato' Mohamed Feisal B. Ibrahim:</i>	6.43%
<i>Tee Hock Hin, Henry:</i>	6.04%

Consensus

FYE 31 Dec	2008E	2009E
Net profit (RMm):	n.a.	n.a.
EPS (sen):	n.a.	n.a.

Forecast revision

FYE 31 Dec	2008E	2009E
Revision (%):	-	-
Net profit (RMm):	7.3	7.7

Share price chart


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Bina Puri Holdings

Strong order book

- **Mainly a civil engineering and building contractor**, Bina Puri is also involved in property development, quarrying and manufacturing of polyol.
- **Outstanding construction order book of RM1.8b** will keep group occupied up to 2011. Foreign projects accounted about 50% of group's order book and include RM151m housing development in Pakistan and the RM119m UAE-AI-Reem Project. Group has made successful inroads into Thailand in the recent years and has since completed 40,000 units of low costs apartment units worth more than RM1b for the National Housing Authority of Thailand.
- **No delays in completing current jobs.** Recent property developments by group include the Jesselton Condominium and the Taman Malawa Jaya apartments in Kota Kinabalu with GDV of RM64m and RM14m respectively. Both developments are coming close to completion and upcoming launches comprised of a condominium and townhouse development in Puchong and 18 units of Semi-D in Johor Bahru with a combined GDV estimated at RM70m.
- **We believe group's construction division will continue to face margin squeeze on surging material costs.** Prospect for other divisions such as quarry & premix and manufacturing of polyol, however is looking bright. The quarry & premix division has benefited from rising prices and growing demand of construction materials on the back of higher construction activities in the region. Even the polyol division is set to grow due to growing market acceptance. We expect lower construction profit to be cushioned by higher contribution from other divisions.
- **The latest contract awarded is the RM293m subcontract works for the Eastern Dispersal Link in Johor Bahru from MRCB.** Group is still bidding for another RM1b construction jobs and is confident of turning some of the tenders into projects. In addition, group was granted a 40 years concession of KL-Kuala Selangor Expressway and this should provide a stable income to group when the expressway commences operation in 2011.
- **Introducing our FY08 and FY09 new net profit projections of RM7.3m and RM7.7m respectively.** We derive a **fair value of RM0.97** by valuing group at FY08 PER of 11x and have a **HOLD** recommendation on Bina Puri. Yield is reasonable at 6.3% and should limit downside risk.

Earnings Estimates

FYE 31 Dec (RMm)	2005	2006	2007	2008F	2009F
Revenue	464.8	491.6	607.9	688.7	722.1
Pretax profit	5.0	6.4	8.5	9.4	10.0
Net profit	4.1	5.1	7.0	7.3	7.7
EPS (sen)	4.9	6.2	8.5	8.8	9.3
EPS growth (%)	-14.4	26.3	37.1	3.5	6.1
Gross DPS (sen)	5.0	5.0	6.0	6.0	6.0
NTA/share (RM)	0.8	0.8	0.9	0.9	1.0
Net gearing (%)	2.8	4.1	1.9	1.8	2.0
PER (x)	19.3	15.3	11.2	10.8	10.2
P/NTA (x)	1.2	1.1	1.1	1.0	1.0
Div. Yield (%)	5.3	5.3	6.3	6.3	6.3
ROE (%)	5.1	7.8	11.3	11.5	11.6

Operation and Financials Review

- **Strong overseas presence** with half of group order book being overseas projects and contracts in Thailand make up 67% of foreign order book. Group has made successful inroads into Thailand in recent years, building more than 40,000 low cost residential apartments units worth more than RM1b for the National Housing Authority of Thailand. To assist contractors to cope with the recent rising material prices, the Thailand government has granted a 120-180 days extension, revised price ceilings upwards by 4% and raised advance payment from 10% to 15% for all government projects in June 2008. Group's other foreign key projects include the RM185.1m housing developments in Pakistan and the RM141.2m UAE AlReem project. Group has also ventured into Brunei by winning a small RM33.6m earthworks contract for the Sg. Liang Industrial Park. With a strong presence and networks in the foreign markets, we believe group is well positioned to clinch more overseas contracts going forward.
- **KL-Kuala Selangor Expressway revived** after being shelved for more than 10 years due to the economic crisis in 1997. Bina Puri and its partner Arena Irama, each with a 50% stake, were granted a 40-year concession for the design, construction, operation and maintenance of the expressway concession. The 33km dual carriageway linking Assamjawa to Taman Rimba Templer would provide an alternative road to the present Federal Road 54 from KL to Kuala Selangor and shorten travel time from 2 hours to 45 minutes. The expressway construction is estimated at RM958m and contract was awarded to **Mudajaya Corporation (Not Rated)**. Construction is expected to commence by 3Q08 and will be completed within 30 months. We understand that Bina Puri is close to finalising the financing arrangement for the project. The expressway when completed should provide stable recurring income to the group.
- **Construction division remains the bread and butter for group and contributed majority (75%) of group's turnover in FY07.** Division's contribution to group's EBIT however plunged from 82% in FY06 to 20% in FY07, mainly due to escalating material costs. The sharp decline of construction profit in FY07 was more than offset by profit growth in the property, quarry & premix and the polyol division. Higher property profit contribution was recognised from the Jesselton condominium while quarry and premix division has enjoyed rising selling prices on the back of active construction activities in the region. Even the tiny polyol division recorded a RM0.3m EBIT in 1Q08 as a result of growing market acceptance of its products.

Outlook and Recommendation

- Group is still **bidding for another RM1b projects** and is hopeful of converting some Letter of Intents into contracts. We reckon that group should not have problem expanding its order book, but margin contraction could be a greater concern with spiralling material prices. Nonetheless, this should be cushioned by higher profit contribution from the property, quarry & premix and polyol division as showcased in FY07.
- Introducing our FY08 and FY09 new net profit projection of RM7.3m and RM7.7m respectively. We derive a **fair value of RM 0.97** by valuing group at **FY08 PER of 11x**, which is at the higher end of valuation range for small to mid-cap construction companies. The higher valuation is due to strong earnings visibility back a RM1.8b order book, increased contribution from the property, quarry & premix division and potential recurring income from the KL-Kuala Selangor Expressway concession. We also note that group has increased dividend from 5sen to 6sen in FY07. The **yield of 6.3%** should limit further downside risk.
- **Risks** to our earnings forecasts are higher than expected material prices and lower take up rate for group's properties.

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