



Bina Puri Holdings Berhad

Proposed Par Value Reduction, Private Placement

TP: RM0.715 (+0.7%)

Last traded: RM0.71

SELL

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Bina Puri has proposed to undertake: i) a par value reduction; ii) a private placement of up to 20% of the enlarged issued and paid-up share capital; and iii) amendments to Memorandum and Articles of Association to effect the proposed par value reduction.

About the Proposed Par Value Reduction

The proposed par value reduction involves a cancellation of RM0.50 par value per share of every share of RM1.00 each to RM0.50 each in Bina Puri share. It will give rise to a credit of between RM86.7mn (minimum case) and RM94.8mn (maximum case), and will be credited to the retained profits. As at 31 December 2013, the company has retained profit of about RM28.3mn.

About the Proposed Private Placement

The size of the proposed private placement is between 34.6mn (minimum case) and 37.9mn (maximum case) placement shares, representing approximately 20% of the issued and paid up share capital of Bina Puri under the minimum and maximum scenarios. The issue price of the placement shares will be determined in accordance with market-based principle, with the issue price not priced at a discount of more than 10% to the 5-day volume weighted average market price up to the date immediately preceding the price fixing date.

For illustrative purpose, based on assumed issue price of RM0.65 per placement share, Bina Puri is expected to raise gross proceeds of between RM22.5mn and RM24.7mn. The proceeds are expected to be utilized in the following manner:

Purpose	Minimum scenario (RMmn)	Maximum scenario (RMmn)	Expected time frame
Working capital	16.8	19.0	Within 12 months
Repayment of bank borrowings	5.0	5.0	Within 6 months
Estimated expenses in relation to the proposals	0.7	0.7	Within 1 months
	22.5	24.7	

Source: Company

The above proposals are expected to be completed by 4Q14.

Our View

We believe the proposed par value reduction was mainly intended to facilitate the proposed private placement to allow the group to beef up its working capital, which may partly be allocated for the proposed development of the RM1.2bn Rivo City in Brickfield. This is in view that Bina Puri's shares have been trading below its existing par value of RM1.00 for the past 2 years and the company is unable to issue new shares below its par value.

Share Information

Bloomberg Code	BIN MK
Bursa	BPURI
Stock Code	5932
Listing	Main Market
Share Cap (mn)	173.3
Market Cap (RMmn)	123.1
Par Value	1.00
52-wk Hi/Lo (RM)	0.875/0.58
12-mth Avg Daily Vol ('000 shrs)	405.3
Estimated Free Float (%)	54.9
Beta	1.13

Major Shareholders (%)

Jentera Jati Sdn Bhd	11.76
Tee Hock Seng	8.87
Ng Keong Wee	8.13
Tan Cheng Kiat	5.41
Bumimaju Mawar Sdn Bhd	5.41

Forecast Revision

	FY14	FY15
Forecast Revision (%)	-	-
Net profit (RMmn)	14.6	24.2
Consensus	-	-
TA's / Consensus (%)	na	na
Previous Rating	Sell (Maintained)	

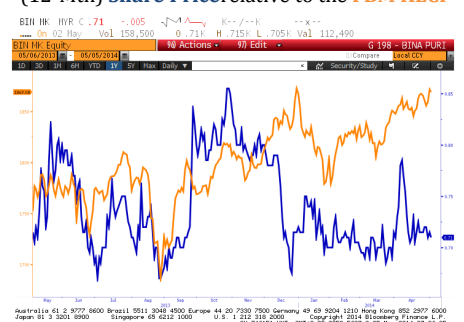
Financial Indicators

	FY14	FY15
Net Debt / Equity (%)	133.7	141.4
CFPS (sen)	68.6	-39.8
Price / CFPS (x)	1.0	-1.8
ROA (%)	1.4	2.1
NTA/Share (RM)	1.27	1.40
Price/NTA (x)	0.6	0.5

Share Performance (%)

Price Change	BPURI	FBM KLCI
1 mth	(9.0)	0.7
3 mth	1.4	4.7
6 mth	(12.9)	3.4
12 mth	5.2	10.3

(12-Mth) Share Pricerelative to the FBM KLCI



Source: Bloomberg

On its debt position, the group has total bank borrowings of about RM610.7mn as at 15 April 2014, with prevailing interest rate of the group at approximately 7.5% per annum. In FY13, the finance cost of RM8.0mn made up 46.6% of operating profit, and was significantly higher than its net profit of RM4.1mn recorded last year.

Given the relatively high level gearing of 3.64x and high interest rate borne by the group, it is probably more sensible for Bina Puri to raise capital via a private placement vs. bank borrowings, to avoid possible increase in the group's overall interest rate, arising from higher risk profile.

We are slightly negative on the proposed corporate exercise as the existing shareholders will experience further dilution in earnings in the near term. This will arise from the proposed private placement of up to 20% of existing share capital, which will take place soon after 26.6% out of the 30% private placement approved in 2013 has been issued to date.

Forecast

No change to our earnings numbers for the time being pending further development on the corporate exercise.

Valuation

No change to our target price of **RM0.715/share**, based on 8x FY14 EPS. Given the expected earnings dilution in near future as well as more cautious sentiment in the property market, which may affect its property sales after cooling measures being imposed by the government, we maintain our **SELL** call on BPURI.

Earnings Summary

FYE December (RMmn)	2012	2013	2014F	2015F	2016F
Revenue	1280.1	1058.4	1183.5	1560.4	1755.6
Gross Profit	68.3	65.1	75.4	99.9	114.1
EBITDA	31.5	34.2	49.0	65.3	85.2
EBITDA margin (%)	2.5	3.2	4.1	4.2	4.9
EBIT	20.7	21.8	35.7	51.8	71.1
PBT	16.4	13.9	26.9	43.4	62.3
PAT	5.1	5.5	14.6	24.2	35.9
EPS (sen)	4.1	4.0	8.9	14.8	22.0
PER (x)	17.2	17.7	7.9	4.8	3.2
Gross dividend (sen)	2.0	1.5	2.0	4.0	4.0
Dividend yield (%)	2.8	2.1	2.8	5.6	5.6
ROE (%)	3.9	3.6	7.9	11.5	14.8

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