

# Bina Puri eyes IPO of Indonesian unit to recoup investment

BY LIEW JIA TENG

**B**ina Puri Holdings Bhd plans to raise US\$4 million via an initial public offering (IPO) of its Indonesian energy arm, PT Megapower Makmur Tbk as it seeks to recoup some of its US\$28 million investment in the power supply business.

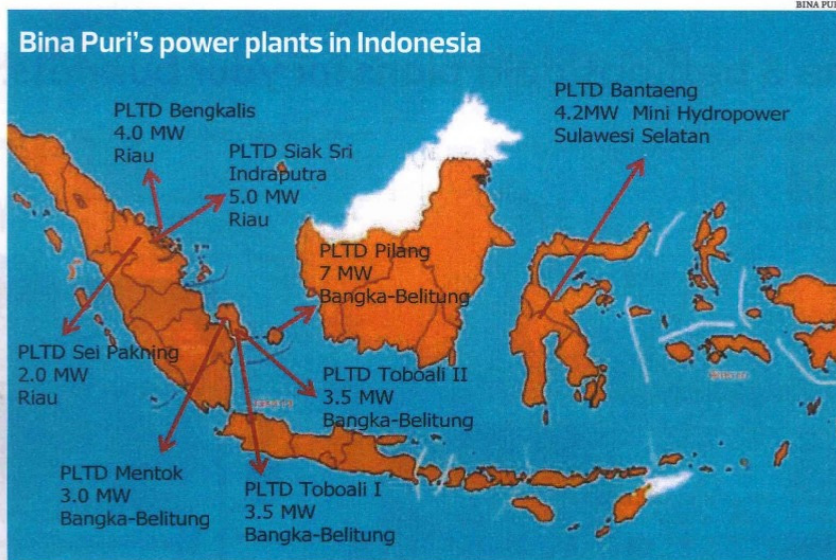
Bina Puri executive director Matthew Tee Kai Woon says a listing application was submitted to the Indonesian Stock Exchange (IDX) last month, with the IPO slated as early as August.

Floating the shares of PT Megapower on IDX will allow the group to gain direct access to Indonesia's capital market, Tee says.

Almost half of the proceeds from the IPO will be used to repay debts, with the rest going towards working capital.

"Including bank borrowings, we have invested a total of US\$28 million on power plants in Indonesia. In fact, we have made an advance payment of more than RM10 million. Through the IPO, we hope to recoup part of the advance payment," Tee tells *The Edge* in an interview.

PT Megapower supplies power to PT Perusahaan Listrik Negara, a



state-run utility firm.

"It is a small IPO, but it would still be good for us to realise the true value of our investment. Without the listing exercise, when are we going to get back our seed capital? At least

now, we can get our advance payment back even though our equity interest [in PT Megapower] will be diluted," says Tee.

The group intends to maintain a controlling stake of about 50% to

55% in PT Megapower after the IPO, he adds.

Tee, 41, is the son of Bina Puri managing director Tan Sri Tee Hock Seng, and the nephew of executive director Datuk Henry Tee Hock Hin and non-executive director Tay Hock Lee. He is also the president of the Master Builders Association Malaysia.

Bina Puri, which was founded 40 years ago, is involved in construction, property development, toll concessions, manufacturing and quarrying, as well as micro power generation.

The group, through its 80%-owned subsidiary Bina Puri Power Sdn Bhd — which has an 80% stake in PT Megapower — operates micro diesel-generated power plants at eight locations in Indonesia, with a total capacity of 28MW (see map).

Bina Puri, via PT Megapower, also owns and has a 15-year concession to operate a 4.2MW mini hydropower plant in Bantaeng, Sulawesi Selatan, which commenced commercial operation last month.

For the financial year ended Dec 31, 2015 (FY2015), PT Megapower contributed 1% to Bina Puri's revenue and 12% to group net profit, and accounted for 9% of the group's total assets. That was excluding the contribution of the Bantaeng hydropower plant.

Going forward, Tee says with the hydropower plant in operation, the power supply division will become a significant earnings contributor.

"Being a listed company, we have to chase profitability and cash flow. That's why we are always on the lookout for recurring income. The beauty of the power business is that we can get immediate contribution once a power plant is commissioned," he explains.

Apart from PT Megapower's plan to build a second hydropower plant in Sulawesi this year, Tee says there is no other major expansion plan lined up as "we cannot keep pumping in money".

"We are comfortable with where we are now. Of course, we want to



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grow big [in the power supply business] eventually. There are many offers on the table for us to build more hydropower plants, but I think it's better to stop for now and get the company listed first."

Bina Puri saw its net profit halved to RM3.29 million in FY2015, down from RM6.47 million the previous year. Revenue, however, rose 21% to RM1.27 billion, from RM1.05 billion in FY2014. No dividend was declared in FY2015, compared with two sen per share previously.

The power supply division generated revenue of RM15.4 million and profit before tax of RM4.8 million, compared with RM10.4 million and RM1.8 million, respectively, the previous year. The improved revenue was mainly attributed to supply contracts for the new diesel power plants secured in 2014, which took effect in 2015.

Tee says Bina Puri hopes to achieve higher profit in FY2016, and anticipates a bigger contribution from the power supply division.

In a March 1 report, TA Securities senior analyst Ooi Beng Hooi notes that Bina Puri's FY2015 core profit of RM9.1 million came in above expectation, or 109.5% of his full-year forecast.

The core profit excludes the revaluation gain from investment property and share of loss from the reclassification of KL-Kuala Selangor Expressway Sdn Bhd from investment to associate.

Ooi says Bina Puri's core net profit in FY2015 rose 17.9% on the back of a 19.8% growth in revenue. The improved results were mainly due to higher earnings contribution from the construction (60.9%), property (172.9%) and power generation (180.8%) divisions.

"[There is] no change to our earnings forecast but we have cut our FY2016 and FY2017 dividend payout assumptions to zero, given the group's low cash level and high net gearing position," he says.

TA Securities, the only research house that tracks Bina Puri, has a "hold" recommendation, with a target price of 47 sen.

Year-to-date, the counter has fallen 13.95% to close at 37 sen on Thursday, giving it a market capitalisation of RM86.2 million. ■