

Financial Year End	31/12/2010
Report Period Ending	31/12/2010

**MALAYSIA EQUITY  
BINA PURI HOLDINGS BHD**

<b>Recommendation</b>	<b>BUY</b>
Target Price (MYR)	1.60
Current Price (MYR)	1.27

<b>Industry Group</b>	Engineering&Construction
<b>Industry Sub Group</b>	Building-Heavy Construct

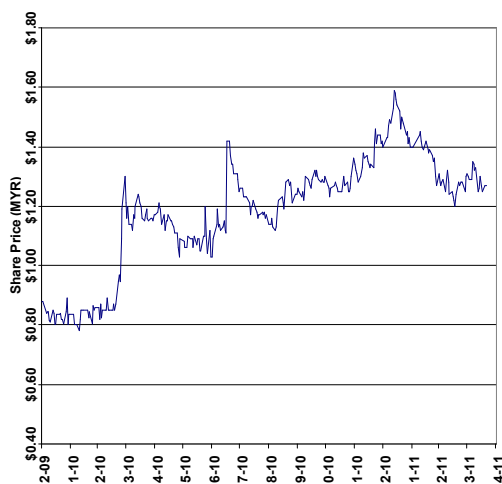
<b>Key Company Statistics</b>	
Bloomberg Ticker	BIN MK
Bursa Stock Code	5932
Issued Share Capital (mn)	107.9
Market Capitalisation (MYR mn)	137.0
52 week High (MYR)	1.65
52 week Low (MYR)	1.00
Average Volume (3 month) '000	403.5
1 Yr Return (%)	10.4

<b>Major Shareholders (%)</b>	
Jentera Jati Sdn Bhd	19.0
Bumimaju Maw ar Sdn Bhd	14.0
Tee Hock Seng	13.7

**REPORT INDEX**

<b>Contents</b>	<b>Page</b>
Investment Summary	1
Company Profile, Management	2
Corporate Structure	3
Sales By Segment, Region	4
Production Capacity	5
Financial Statements, 2Yr Actual, Forward	6
Sales, Profits, Margins, D/E Last 8 yrs	7
Competition, Peer Group Analysis	8
Share Price Last 8 yrs, Valuation Metrics	9
Investment Risks	10
Industry Sales, Cost Drivers	11
Analyst's Disclosure, Prior Recommendations	12

**SHARE PRICE LAST 12 MONTHS (MYR)**



**INITIATION REPORT**

Bina Puri Holdings Bhd ("BPHB") is mainly engaged in civil engineering/construction, quarry/ready mix concrete and property development. The group was founded in 1975 and was listed in 1995. BPHB derives a substantial portion of its order book overseas, and has completed major highway projects in India, housing projects in Thailand, luxury hotels in Nepal, and various types of buildings in China, Indonesia, and several countries throughout the Middle East.

**INVESTMENT RISKS**

Risks to our recommendation and target price include: i) increases in construction materials cost, ii) rising interest rates as the company is highly geared, and iii) a sharp slowdown in the general level of economic activity in Malaysia or among the many economies where BPHB is active. This company has a global order book, which tends to diminish investment risk. However, a rising exchange rate could have adverse effects on overall profitability.

**RECOMMENDATION**

We maintain our BUY recommendation on BPHB with a fair value estimate of MYR 1.60. Value investors will be attracted by the combination of very strong earnings growth at earnings multiples well below the company's peers. Looking ahead, average ROE is heading to levels of 11-12%, well above the 7-8% average seen over the previous eight quarters. Meanwhile, at current prices, the shares trade on 1.4x trailing book value and 1.1x current book value.

Compared to many of its peers in sales and market cap, BPHB offers a higher ROE at lower multiples. Though net margins have historically been quite thin, BPHB has a proven record of building its order book. The other aspect that may put off investors is the very high debt/equity ratio that the company has historically maintained. It should be noted that the operating profits/interest expense ratio is 4.7x trailing operating profits and is heading above 5.0x current year operating profits.

**FTSE-BURSA INDEX MEMBERSHIP**

FBM KLCI	FBM 70	FBM EMAS	FBM HIJRAH
No	No	No	No

**ANNUAL RESULTS AND METRICS (MYR mn)**

FY Dec	2009	2010	2011F	2012F
Revenue	788.0	1,232.2	1,486.3	1,738.7
Revenue g (%)	16.3	56.4	20.6	17.0
Net Profit	6.4	11.1	14.3	16.8
Net Profit g (%)	47.6	73.0	28.6	17.6
Dividends	2.5	3.1	3.1	3.1
Owners' Equity	100.0	109.5	120.7	134.3
Total Liabilities	535.2	656.0	732.6	818.1
Debt/Equity (%)	535.0	598.9	607.1	609.1
EPS (sen)	5.9	10.3	13.2	15.6
P-S (x)	0.1	0.1	0.1	0.1
P-E (x)	14.8	13.6	9.6	8.2
P-BV (x)	0.9	1.4	1.1	1.0
ROE %	6.4	10.1	11.8	12.5

**MALAYSIA EQUITY  
BINA PURI HOLDINGS BHD**

**COMPANY PROFILE**

Bina Puri Holdings Bhd ("BPHB") is a public listed company on the Main Board of Bursa Malaysia since 1995. Core business of Bina Puri Group of Companies are construction related activities which includes: civil and building engineering management, property development, highway concessionaire, quarry operations, manufacturing of construction materials and polyurethane system house.

The Group has been in the Malaysian construction arena since 1975 and has since won many accolades worthy of mention including the MS ISO 9001:2000, OHSAS 18001, MS 1722 Certifications, Prominent Player Award 2005, Contractor Award 2007: Grade G7 during the Malaysian Construction Industry Excellence Award 2005 & 2007 (MCIEA) by Construction Industry Development Board (CIDB).

BPHB's achievements are reflected in many successfully completed projects locally and internationally, such as roads and highways, bridge works, airport works, waterworks, residential and commercial buildings, hotels, hospitals, government complexes, embassy complexes and others.

On the international front, BPHB is currently building 40,000 units of Low Cost Housing projects for National Housing Authority of Thailand (NHA) and 2,107 units of Condominiums for Areeya Property. The Group also has completed three major highways in India, including the Vijayawada-Eluru Expressway, Tada-Nellore Expressway in Andhra Pradesh and the Chittorgarh-Mangalwar Highway in Rajasthan.

Apart from that, the Group has completed a luxurious five star hotel in Kathmandu, Nepal, the Malaysian Embassy and Ambassador's Residence Building in Beijing, China and an access road for the Suvarnabhumi Airport, Bangkok, Thailand. The Group has operations offices in Vietnam, Thailand, United Arab Emirates, Indonesia, Pakistan and Brunei Darussalam.

**BOARD OF DIRECTORS, MANAGEMENT**

**BOARD OF DIRECTORS**

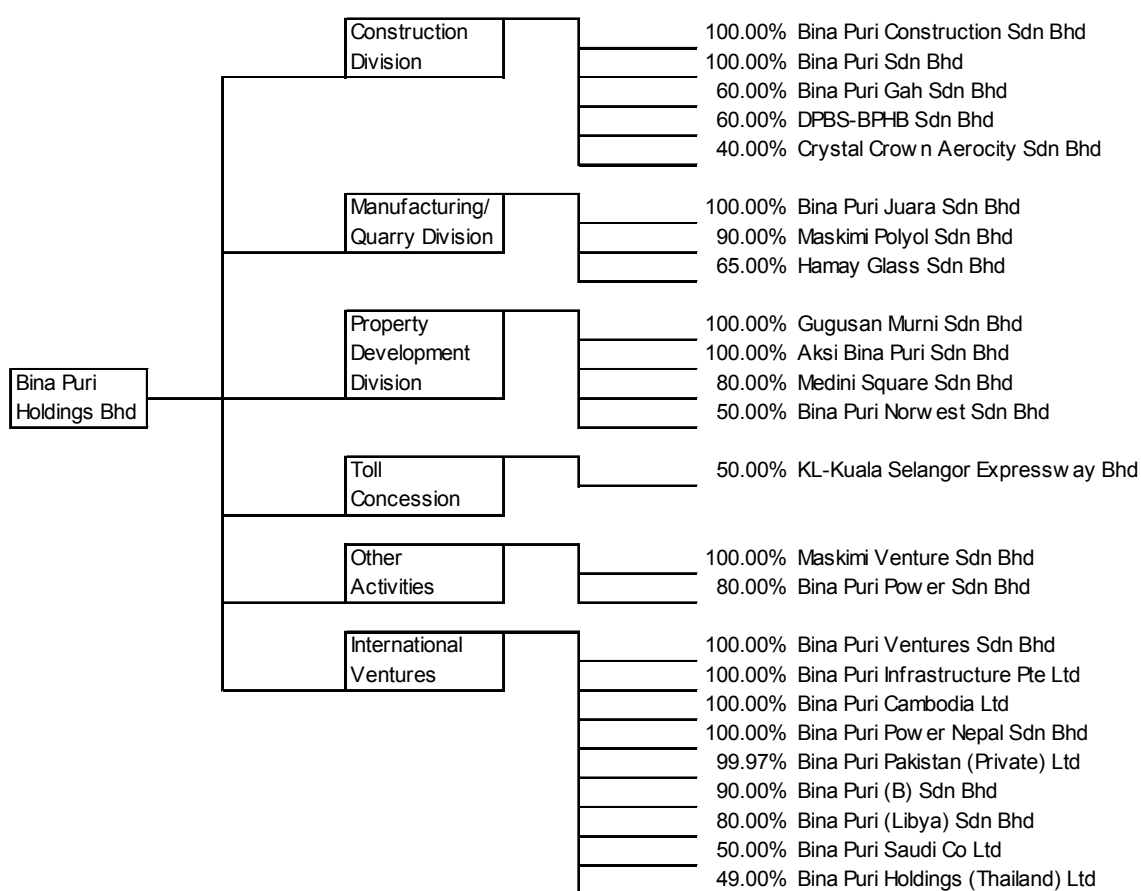
Dato' Ir Wong Foon Meng	Chairman
Senator Tan Sri Datuk Tee Hock Seng, JP	Group Managing Director
Dr. Tony Tan Cheng Kiat	Founder Director
Matthew Tee Kai Woon	Executive Director
Datuk Henry Tee Hock Hin	Non-Executive Director
Tay Hock Lee	Non-Executive Director
Yusuf Khan bin Ghows Khan	Independent Non-Executive Director
Khalid bin Sufat	Independent Non-Executive Director
Dato' Anad Krishnan a/l Muthusamy	Independent Non-Executive Director
Tan Seng Hu	Alternate Director to Dr. Tony Tan Cheng Kiat

**MANAGEMENT**

Dato' Ir Wong Foon Meng	Chairman
Senator Tan Sri Datuk Tee Hock Seng, JP	Group Managing Director
Matthew Tee Kai Woon	Executive Director
Toh Gaik Bee	Company Secretary

**MALAYSIA EQUITY**  
**BINA PURI HOLDINGS BHD**

**CORPORATE STRUCTURE**



**MALAYSIA EQUITY  
BINA PURI HOLDINGS BHD**
**SALES BY SEGMENT (MYR mn)**

Segment	2006	2007	2008	2009	2010	5 Yr CAGR
Construction	404.0	456.8	535.3	699.5	1,161.4	23.5%
Property Development	7.4	35.6	46.9	11.1	0.0	na
Polyol Manufacturing	17.1	23.3	18.7	15.4	15.1	-2.4%
Quarry & ready mix concrete	66.2	107.8	91.2	65.6	81.7	4.3%
Others	0.0	0.0	0.0	0.0	1.6	na
Elimination	-3.2	-15.7	-15.7	-3.6	-27.7	na
<b>Total</b>	<b>491.6</b>	<b>607.9</b>	<b>676.5</b>	<b>788.0</b>	<b>1,232.1</b>	<b>20.2%</b>
Construction	82.2%	75.1%	79.1%	88.8%	94.3%	
Property Development	1.5%	5.9%	6.9%	1.4%	0.0%	
Polyol Manufacturing	3.5%	3.8%	2.8%	2.0%	1.2%	
Quarry & ready mix concrete	13.5%	17.7%	13.5%	8.3%	6.6%	
Others	0.0%	0.0%	0.0%	0.0%	0.1%	
Elimination	-0.7%	-2.6%	-2.3%	-0.5%	-2.2%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

**SALES BY REGION (MYR mn)**

Region	2006	2007	2008	2009	2010	5 Yr CAGR*
Malaysia	491.6	607.9	588.8	555.9	863.1	11.9%
Other Asia	0.0	0.0	87.9	232.1	369.0	61.3%
<b>Total</b>	<b>491.6</b>	<b>607.9</b>	<b>676.5</b>	<b>788.0</b>	<b>1,232.1</b>	<b>20.2%</b>
Malaysia	100.0%	100.0%	87.0%	70.5%	70.1%	
Other Asia	0.0%	0.0%	13.0%	29.5%	29.9%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>*Other Asia CAGR - 3 yrs</b>						

**MALAYSIA EQUITY  
BINA PURI HOLDINGS BHD**

**PRODUCTION CAPACITY**

<b>Operating Income/Int Expense</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Interest Coverage Ratio (x)	2.1	2.0	2.9	3.8	4.7

Bina Puri Holdings is able to grow its order book faster than other companies are least partly due to its access to low cost financing. As long as operating income is comfortably above interest expense, the company can maintain a high rate of growth.

<b>Human Resources</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Number of Engineers on Staff	35	38	36	29	29
Number of Total Staff	780	776	781	729	738

**MALAYSIA EQUITY  
BINA PURI HOLDINGS BHD**

**PROFIT & LOSS (All figures in MYR mn unless otherwise indicated)**

<b>FY Dec</b>	<b>2009</b>	<b>2010</b>	<b>2011F</b>	<b>2012F</b>
Revenue	788.0	1,232.2	1,486.3	1,738.7
Operating Profit	17.0	17.2	22.3	26.1
Other Income	8.4	6.2	3.5	3.5
Share of Associates	-1.2	0.6	0.0	0.0
Depreciation/Amortization	-6.9	-4.1	-3.9	-4.0
Finance Costs	-4.5	-3.7	-4.2	-4.7
Pre Tax Profit	11.5	14.6	18.8	22.1
Tax	-4.1	-2.7	-4.3	-5.1
Minority Interest	1.0	0.8	0.2	0.2
Net Profit to Shareholders	6.4	11.1	14.3	16.8
Operating Margin (%)	2.2	1.4	1.5	1.5
PBT Margin (%)	1.5	1.2	1.3	1.3
Net Margin (%)	0.8	0.9	1.0	1.0
Effective Tax Rate (%)	35.5	18.4	23.0	23.0

**BALANCE SHEET (All figures in MYR mn unless otherwise indicated)**

<b>FY Dec</b>	<b>2009</b>	<b>2010</b>	<b>2011F</b>	<b>2012F</b>
Total Assets	646.4	777.5	865.3	964.5
Fixed Assets	61.3	56.5	58.8	61.2
Current Assets	532.3	666.4	741.6	826.4
Other LT Assets	52.7	54.3	64.9	77.0
Current Liabilities	524.9	649.0	724.8	809.4
LT Liabilities	10.3	7.0	7.8	8.7
Total Liabilities	535.2	656.0	732.6	818.1
Share Capital	104.2	107.9	107.9	107.9
Minority Interest	11.2	12.1	12.1	12.1
Owners' Equity	100.0	109.5	120.7	134.3
Total Equity	111.2	121.6	132.7	146.4
Total Liabilities & Equity	646.4	777.5	865.3	964.5

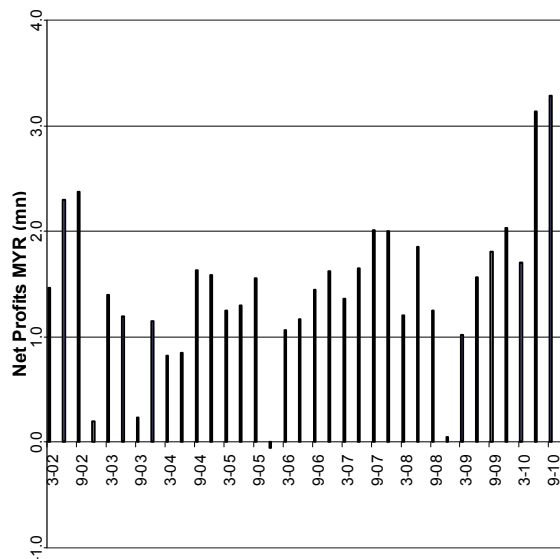
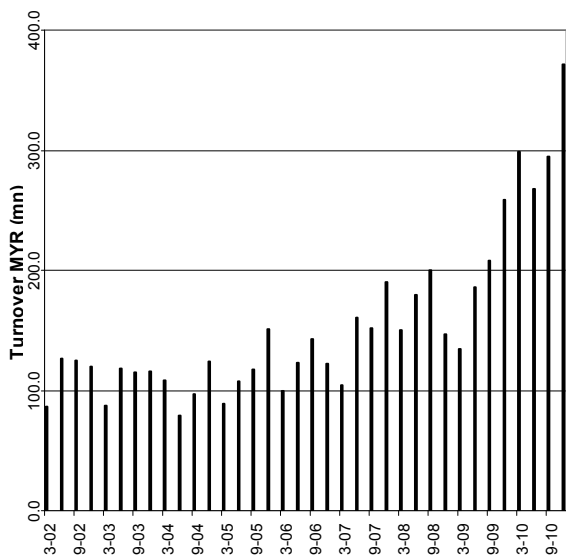
**PER SHARE DATA (All figures in sen unless otherwise indicated)**

<b>FY Dec</b>	<b>2009</b>	<b>2010</b>	<b>2011F</b>	<b>2012F</b>
Revenue	730.3	1142.0	1377.4	1611.4
Cash Flow	12.4	14.1	16.8	19.3
Earnings	5.9	10.3	13.2	15.6
Dividends	2.3	2.9	2.9	2.9
Book Value	92.7	101.5	111.8	124.5
Payout (%)	39.1	28.2	21.9	18.7
P-S (x)	0.1	0.1	0.1	0.1
P-CF (x)	7.1	10.0	7.6	6.6
P-E (x)	14.8	13.6	9.6	8.2
P-BV (x)	0.9	1.4	1.1	1.0
Dividend Yield (%)	2.6	2.1	2.3	2.3
ROE (%)	6.4	10.1	11.8	12.5
Total Debt/Equity (%)	535.0	598.9	607.1	609.1

**MALAYSIA EQUITY  
BINA PURI HOLDINGS BHD**

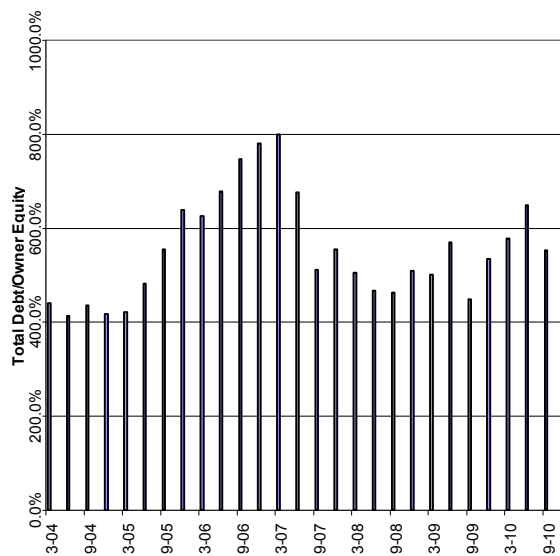
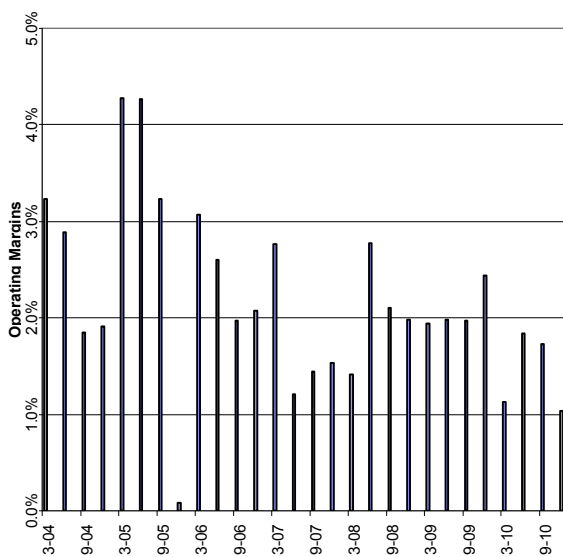
**REVENUE (QUARTERLY, LAST 8 YEARS, MYR mn)**

**NET PROFIT (Q'TERLY, LAST 8 YRS, MYR mn)**



**OPERATING PROFIT MARGINS**

**TOTAL DEBT/OWNER EQUITY**



**MALAYSIA EQUITY**  
**BINA PURI HOLDINGS BHD**

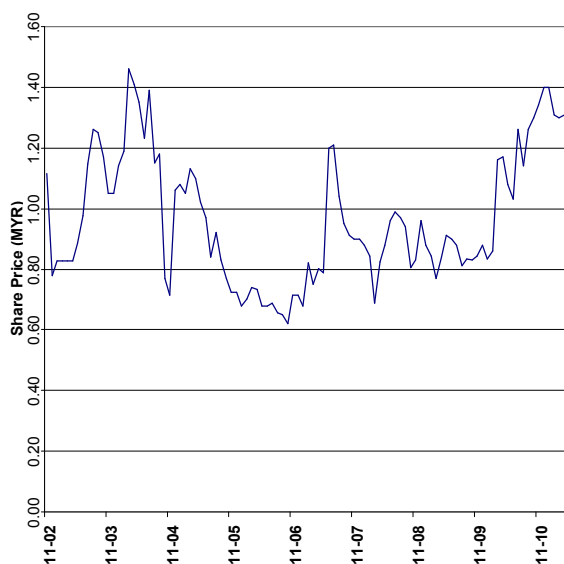
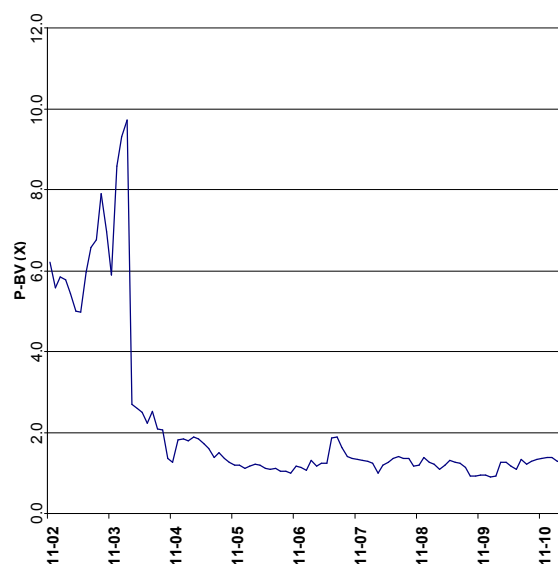
**COMPETITOR'S METRICS (All figures in MYR mn unless otherwise indicated)**

Current FY* Ending	Bina Puri	TRC	Ahmad Zaki	Kim lun
	Bhd	Synergy Bhd	Bhd	Corp Bhd
	Dec-11	Dec-11	Dec-11	Dec-11
Revenue	1,486.3	387.9	460.0	550.0
Net Profit	14.3	17.2	20.0	39.0
Owners' Equity	120.7	309.5	191.9	208.9
Dividends	3.1	6.0	7.0	14.1
Market Cap	137.0	296.9	251.9	421.4
P-S (x)	0.1	0.8	0.5	0.8
P-E (x)	9.6	17.3	12.6	10.8
P-BV (x)	1.1	1.0	1.3	2.0
Div Yield (%)	2.3	2.0	2.8	3.3
Net Margins (%)	1.0	4.4	4.3	7.1
ROE (%)	11.8	5.6	10.4	18.7
Payout Ratio (%)	21.9	34.9	35.0	36.2

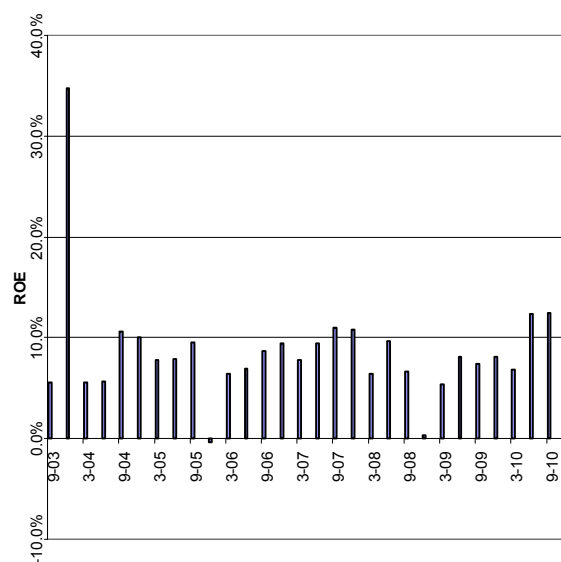
\*Consensus data used for peers where available



**MALAYSIA EQUITY**  
**BINA PURI HOLDINGS BHD**

**SHARE PRICE (MONTHLY, LAST 8 YEARS, MYR)****P-BV (X) (MONTHLY, LAST 8 YEARS)****VALUATION METRICS**

Current Year Dec 2011	Current Year Metrics	Apply Historic P-BV to Current BV	Apply Historic ROE to Current BV	Fair Value*
Sales (MYR mn)	1,486.3			
Book Value (MYR mn)	120.7			
Earnings (MYR mn)	14.3		10.9	
ROE	11.8%		9.0%	
P-BV (x)	1.1	1.2		
P-E (x)	9.6		13.0	
Market Cap (MYR mn)	137.0	144.8	141.2	
Price (MYR)	1.27	1.34	1.31	1.60
<b>Average Fair Value Estimate (MYR)**</b>	<b>1.42</b>			

**RETURN ON EQUITY**

\*Proprietary Fair Value Model

\*\* A check on our Proprietary Fair Value Model Price

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**INVESTMENT RISKS**

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Risks to our recommendation and target price include:

i) increases in the general level of interest rates would dampen the outlook for Bina Puri Holdings Bhd ("BPHB"). The company has very high gearing and higher interest costs would eat into margins. Moreover, construction demand is fairly sensitive to increases in the cost of financing. Bank Negara Malaysia so far seems intent on mitigating inflationary pressures with a strong ringgit, rather than relying on higher interest rates. In addition, interest rates are currently at historically low levels, and would require substantial increases before they impinged on project hurdle rates.

ii) reduction in the pace or level of government spending. For now, the risk of reductions in government spending on infrastructure seems low. Although the government budget deficit is at historically high levels, there seems to be little sign of reduced government spending on construction related programs. Indeed, using history as a guide, construction related spending is not likely to be reduced until after the upcoming general elections have been held.

iii) increases in the cost of building materials is another risk. Our index of major building materials rose at 4.8% compounded annually over CY 2006-2010, with cement, steel and timber prices all rising more than 5% per year over the same period. Higher energy prices have tended to feed through to the cost of building materials. Construction company margins have been falling over the past few years as a result of higher materials prices, however higher growth rates in contract value has kept profits on a rising trend at the larger construction companies.

iv) a sharp slowdown in the general level of economic activity in Malaysia or among the many economies where BPHB is active. This company has a global order book, which tends to diminish investment risk. However, a rising exchange rate could have adverse effects on overall profitability.

v) If oil prices climb to USD 150 per barrel or higher and remain at those levels, we may well see another round of economic shocks to the major economies. Sentiment and business activity would very likely fall in Malaysia in tandem with other major economies.

**MALAYSIA EQUITY**  
**BINA PURI HOLDINGS BHD**

**INDUSTRY SALES AND COST DRIVERS**

<b>Construction Spending - Total Malaysia</b>						
<b>MYR Bn</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>5 Yr CAGR</b>
Construction	14,559	15,707	16,366	17,321	18,173	4.5%
GDP	474,391	506,342	530,180	521,094	557,449	3.3%
<b>% Construction/GDP</b>	<b>3.1%</b>	<b>3.1%</b>	<b>3.1%</b>	<b>3.3%</b>	<b>3.3%</b>	

<b>Gross Development Expenditure - Government of Malaysia</b>						
<b>MYR Bn</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>5 Yr CAGR</b>
Gross Development Expenditure	35,807	40,564	42,847	49,515	54,042	8.6%
GDP	474,391	506,342	530,180	521,094	557,449	3.3%
<b>% Govt Development Expenditure</b>	<b>7.5%</b>	<b>8.0%</b>	<b>8.1%</b>	<b>9.5%</b>	<b>9.7%</b>	


**MALAYSIA EQUITY  
BINA PURI HOLDINGS BHD**
**ANALYST'S DISCLOSURE**

**BUY:** Share price may exceed 10% over the next 12 months

**TRADING BUY:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**NEUTRAL:** Share price may fall within the range of +/- 10% over the next 12 months

**TAKE PROFIT:** Target price has been attained. Look to accumulate at lower levels

**SELL:** Share price may fall by more than 10% over the next 12 months

**NOT RATED (NR):** Stock is not within regular research coverage

All research is based on materials compiled from data considered to be reliable at the time of writing. However, information and opinions expressed are subject to change at short notice, and no part of this report is to be construed as an offer or solicitation of an offer to transact any securities or financial instruments whether referred to herein or otherwise.

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J Charles Wilson  
Head of Research

**ANALYST'S RECOMMENDATION RECORD**

Ticker	Date	Recommendation	Fair Value	Price At Date of Recommendation	% Price Change Since Prior Recommendation
BIN MK Equity	28-Feb-11	BUY	1.70	1.31	
BIN MK Equity	20-Apr-11	BUY	1.60	1.27	-3.1%

**QUESTIONS?**
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