

## Bina Puri Holdings

Recommendation: **SELL**

Stock Code: 5932

Bloomberg: BIN MK

Price: MYR0.85

12-Month Target Price: MYR0.78

Date: March 5, 2009

**Board:** Main**Sector:** Construction**GICS:** Industrials/Construction & Engineering**Market Value - Total:** MYR71.1 mln

**Summary:** Bina Puri Holdings (Bina Puri) is engaged in civil engineering, road and building construction, property development, quarrying and the manufacturing of natural oil polyol (base material for polyurethane foam).

**Analyst:** Seu Yee Lau**Recent Developments**

- Bina Puri recently announced that it has secured a housing contract in Brunei worth BND288.7 mln (MYR693 mln) to construct 2,000 houses for the government's housing scheme. The project, awarded by the Brunei Economic Development Board (BEDB), is expected to be constructed over 24 months. The housing project will span a 150ha site in a location known as Kampung Pandan in Belait district, where the 1,200 terrace and 800 semi-detached houses will be built. In addition, we understand that Bina Puri has also recently secured a MYR224 mln contract to develop an affordable housing scheme in Kota Kinabalu.
- These new contracts secured have boosted Bina Puri's construction orderbook to about MYR2.4 bln, of which more than MYR1.1 bln is unbilled. More than 30% of its projects are from overseas in countries such as Thailand, Brunei, UAE and Pakistan. In addition, the group is hopeful of converting various letters of intent (LOIs) into additional projects worth more than MYR600 mln shortly. Despite the slowdown in the construction sector, Bina Puri has been able to actively secure new projects, although the group's thin construction margins are vulnerable to sudden changes in industry and competitive conditions.
- Meanwhile, for its property division, the Jesselton condominium and Taman Malawa Jaya apartments are nearing completion. In view of the cautious property outlook, the group is expected to postpone its upcoming launches of condominium developments in Puchong (GDV: MYR39 mln) and Johor Bahru ("Gugusan Murni" with GDV MYR70 mln).

**Key Stock Statistics**

FY Dec.	2008	2009E
Reported EPS (sen)	5.2	8.3
PER (x)	16.3	10.2
Dividend/Share (sen)	4.0	4.0
NTA/Share (MYR)	0.90	0.93
Book Value/Share (MYR)	0.90	0.93
No. of Outstanding Shares (mln)	83.6	
52-week Share Price Range (MYR)	0.66 - 1.09	
Major Shareholders:	%	
Jentera Jati Sdn. Bhd.	24.3	
Tan Sri Datuk Tee Hock Seng	17.4	
Tony Tan Cheng Kiat	10.8	

\*Stock deemed Shariah compliant by the Securities Commission

**Recommendation & Investment Risks**

- We maintain our Sell recommendation with a higher 12-month target price of MYR0.78 (MYR0.70 previously). We remain concerned over Bina Puri's widening associated/JV losses as reflected in the group's 4Q08 results and delay in the launch of its property projects due to the weak market sentiment. These are expected to weaken the group's 2009 earnings base. In addition, Bina Puri is trading at a premium, with a prospective 2009 PER of 10.2x as compared with the peer group average of 8x.
- We continue to value Bina Puri based on blended target multiples of PER of 9x and P/B of 0.8x on our 2009 estimates. Our target price includes a projected net DPS of 3 sen.
- Bina Puri recently announced that it is proposing a debt capitalization plan via a restricted issue of up to 20 mln new shares, representing about 19.3% of the enlarged share capital. If the exercise goes through, this will allow the group to pare down its borrowing to a gearing of 125% (from 151% now). We expect the exercise to dilute FY09 and FY10 EPS by 19.3%.

**Earnings Outlook**

- We have fine-tuned our projections and are revising our FY09 and FY10 net profit forecasts higher by 28% and 29% respectively to incorporate contribution from the recently awarded projects. In addition, we have included MYR500 mln worth of potential construction contracts (excluding associates) in 2009.

**Per Share Data**

FY Dec.	2006	2007	2008	2009E
Book Value (MYR)	0.84	0.89	0.90	0.93
Cash Flow (sen)	17.0	17.8	14.4	17.6
Reported Earnings (sen)	6.3	8.5	5.2	8.3
Dividend (sen)	5.0	6.0	4.0	4.0
Payout Ratio (%)	56.9	50.9	55.4	34.5
PER (x)	13.4	10.0	16.3	10.2
P/Cash Flow (x)	5.0	4.8	5.9	4.8
P/Book Value (x)	1.0	1.0	0.9	0.9
Dividend Yield (%)	5.9	7.1	4.7	4.7
ROE (%)	7.7	9.9	5.8	9.1
Net Gearing (%)	467.4	204.0	151.2	143.0

**All required disclosures and analyst certification appear on the last two pages of this report. Additional information is available upon request.**

Redistribution or reproduction is prohibited without written permission. Copyright © 2009 The McGraw-Hill Companies, Inc.

Page 1 of 4

## Bina Puri Holdings

Recommendation: **SELL**Stock Code: **5932**Bloomberg: **BIN MK**Price: **MYR0.85**12-Month Target Price: **MYR0.78**Date: **March 5, 2009****Profit & Loss**

FY Dec. / MYR mln	2007	2008	2009E	2010E
Reported Revenue	607.9	677.3	1,179.0	1,066.0
Reported Operating Profit	9.9	14.2	16.5	16.3
Depreciation & Amortization	-7.7	-7.7	-7.7	-7.7
Net Interest Income / (Expense)	-4.4	-4.6	-4.6	-4.6
Reported Pre-tax Profit	8.5	8.1	11.9	12.2
Effective Tax Rate (%)	6.5	35.4	30.0	30.0
Reported Net Profit	7.0	4.3	7.0	7.1
Reported Operating Margin (%)	1.6	2.1	1.4	1.5
Reported Pre-tax Margin (%)	1.4	1.2	1.0	1.1
Reported Net Margin (%)	1.2	0.6	0.6	0.7

Source: Company data, S&amp;P Equity Research

## Required Disclosures

**Standard & Poor's Equity Research Services**

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC- London; Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong and Singapore, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

**Glossary**

**Strong Buy:** Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

**Buy:** Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

**Hold:** Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

**Sell:** Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

**Strong Sell:** Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

**S&P 12 Month Target Price** – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

**Shariah-compliant stock** - As defined by the Shariah Advisory Council of Malaysia's Securities Commission

**Required Disclosures**

**All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.**

**Additional information is available upon request.**

**Other Disclosures**

This report has been prepared and issued by Standard & Poor's and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"); in the United Kingdom by Standard & Poor's LLC ("S&P LLC"), which is authorized and regulated by the Financial Services Authority; in Hong Kong by Standard & Poor's LLC, which is regulated by the Hong Kong Securities Futures Commission; in Singapore by Standard & Poor's LLC, which is regulated by the Monetary Authority of Singapore; in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&PM"), which is regulated by the Securities Commission; in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS"), which is regulated by the Australian Securities & Investments Commission; and in Korea by SPIAS, which is also registered in Korea as a cross-border investment advisory company.

The research and analytical services performed by SPIAS, S&P LLC, S&PM, and SPIS are each conducted separately from any other analytical activity of Standard & Poor's.

A reference to a particular investment or security by Standard & Poor's and/or one of its affiliates is not a recommendation to buy, sell, or hold such investment or security, nor is it considered to be investment advice.

Standard & Poor's and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries,

and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

**CMDF-Bursa Research Scheme ("CBRS")**

This report has been prepared by S&PM for purposes of CBRS administered by Bursa Malaysia Berhad, independent from any influence from CBRS or the subject company. S&P will receive total compensation of RM15,000 each year for each company covered by it under CBRS. For more information about CBRS, please visit Bursa Malaysia's website at: <http://www.bursamalaysia.com/website/bm/>

**Disclaimers**

This material is based upon information that we consider to be reliable, but neither S&P nor its affiliates warrant its completeness, accuracy or adequacy and it should not be relied upon as such. With respect to reports issued to clients in Japan and in the case of inconsistencies between the English and Japanese version of a report, the English version prevails. Neither S&P nor its affiliates guarantee the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Neither S&P nor its affiliates are responsible for any errors or omissions or for results obtained from the use of this information. Past performance is not necessarily indicative of future results.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material is not intended for any specific investor and does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

For residents of the U.K. This report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, respectively.

For residents of Singapore - Anything herein that may be construed as a recommendation is intended for general circulation and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. Advice should be sought from a financial adviser regarding the suitability of an investment, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

For residents of Malaysia. All queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng or Ching Wah Tam.

**Recommendation and Target Price History**

Date	Recommendation	Target Price
New	Sell	0.78
20-Feb-09	Sell	0.70
15-Jan-09	Hold	0.80
26-Nov-08	Hold	0.81
20-Jun-08	Hold	1.05
4-Oct-07	Not Ranked	
31-Aug-07	Hold	1.12
15-Jun-07	Hold	0.89
1-Mar-07	Hold	0.86
27-Nov-06	Hold	0.72
16-Aug-06	Hold	0.70
30-May-06	Hold	0.67

