

18 January 2013

Bina Puri Holdings

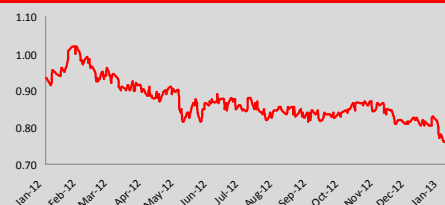
Proposes private placement

- News**
- Bina Puri ("BPURI") announced that it is undertaking a private placement of up to 10% of its new shares. The proceeds would be used mainly for its working capital and repayment of borrowings.
- Comments**
- Based on the last closing price of RM0.76, the proposed placement will raise up to RM10m. A sum of RM5m has been earmarked for its working capital and the remainder would be utilised to pare down its borrowings.
 - We understand that some of its projects are experiencing delays due to the late issuance of Development Order (D.O.) and variations in the orders. At present, the significant projects in its order book are the construction of KLIA2 and the LRT Extension project. After the proposed placement, the share capital will rise to RM136.9m from RM124.4m and there will be a net dilution impact on its FY13E EPS from 9.7 sen to 8.1 sen.
 - We believe that the placement exercise is inevitable due to the worsening negative operating cash flow of the company from RM32m (9M11) to RM153m (9M12). To recap, the construction of its LRT extension project had been delayed for almost 12 months and it just resumed back recently after the D.O. was finally obtained from the authority. The delay has negatively impacted the company's cash position due to the mismatch between the project's revenue recognition and its recurring fixed cost. On top of that, the changes in design for the KLIA2 project may further eat into its cash position lower going forward.
 - BPURI has also recently aborted its M9-Superhighway project in Pakistan. This was due to the breach of Condition Precedents ("CPs") by the National Highway Authority of Pakistan. We believe that the project's feasibility is limited due to its expensive cost of operation and the high financing cost environment (c.11%) in Pakistan.
- Outlook**
- Moving forward, with the completion of KLIA2 in June 2013, this should free up its cash flow and allow the group to bid for other projects.
- Forecast**
- No changes to our FY12E and FY13E earnings.
- Rating** **Maintain UNDERPERFORM**
- Valuation**
- However, we have reduced our Target Price from RM0.48 to RM0.40 based on 5x PER of its FY13 earnings after imputing in the potential dilution above from its share placement exercise.
- Risks**
- Delays in construction projects.
 - Escalation in its raw materials and labour costs.

UNDERPERFORM ↔

Price: RM0.76
Target Price: RM0.40 ↓

Share Price Performance



KLCI	1681.09
YTD KLCI chg	-0.5%
YTD stock price chg	-6.2%

Stock Information

Bloomberg Ticker	BIN MK Equity
Market Cap (RM m)	93.9
Issued shares	124.4
52-week range (H)	1.05
52-week range (L)	0.75
3-mth avg daily vol:	407,076
Free Float	63%
Beta	1.3

Major Shareholders

JENTERA JATI SDN	16.4%
HOCK SENG TEE	12.6%
CHENG KIAT TAN	7.5%

Summary Earnings Table

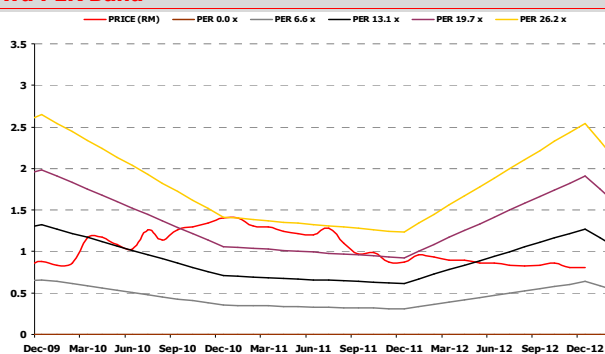
FYE Dec (RM m)	2011A	2012E	2013E
Revenue	1,177	1,227	1,426
Pretax profit	25.7	13.2	19.0
Net profit	6.2	5.4	11.1
EPS (sen)	4.5	3.9	8.1
EPS growth (%)	-45%	-13%	105%
GDPS (sen)	3.0	2.0	2.0
NTA/ share (RM)	1.1	1.1	1.1
Net gearing (%)	1.6	1.9	1.7
PER (x)	16.8	19.3	9.4
P/NTA (x)	0.7	0.7	0.7
Div. yield (%)	4	3	3
EV/ EBITDA (x)	8.3	12.7	10.5
ROE (%)	4.8	3.5	6.6

The Research Team
research@kenanga.com.my
 +603 2713 2292

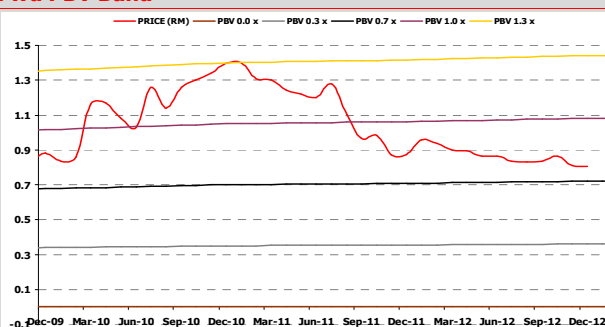
Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2009A	2010A	2011A	2012E	2013E	FY Dec (RM m)	2009A	2010A	2011A	2012E	2013E
Revenue	780.1	1232.2	1177.1	1227.5	1426.4	Growth					
EBITDA	24.9	27.2	45.7	36.6	43.7	Turnover (%)	15.3%	58.0%	-4.5%	4.3%	16.2%
Depreciation	(8.0)	(7.3)	(12.3)	(13.5)	(14.9)	EBITDA (%)	22.2%	9.5%	67.5%	-19.9%	19.6%
Operating Profit	16.9	19.9	33.4	23.0	28.9	Operating Profit (%)	28.0%	17.7%	67.5%	-30.9%	25.2%
Other Income	0.9	0.9	0.0	0.0	0.0	PBT (%)	58.3%	6.7%	89.1%	-48.7%	44.1%
Interest Exp	(3.1)	(7.2)	(7.7)	(9.9)	(9.9)	Core Net Profit (%)	72.5%	51.4%	-44.6%	-12.8%	104.9%
Associate	(2.4)	0.0	0.0	0.0	0.0						
Exceptional Items	0.0	0.0	0.0	0.0	0.0	Profitability (%)					
PBT	12.7	13.6	25.7	13.2	19.0	EBITDA Margin	3.2%	2.2%	3.9%	3.0%	3.1%
Taxation	(4.2)	(2.7)	(18.9)	(5.3)	(5.4)	Operating Margin	2.2%	1.6%	2.8%	1.9%	2.0%
Minority Interest	(1.1)	0.3	(0.6)	(2.5)	(2.5)	PBT Margin	1.6%	1.1%	2.2%	1.1%	1.3%
Net Profit	7.4	11.2	6.2	5.4	11.1	Core Net Margin	0.9%	0.9%	0.5%	0.4%	0.8%
Core Net Profit	7.4	11.2	6.2	5.4	11.1	Effective Tax Rate	33.3%	19.8%	73.7%	40.0%	28.5%
						ROA	1.1%	1.4%	0.7%	0.6%	1.2%
						ROE	7.4%	10.2%	4.8%	3.5%	6.6%
						DuPont Analysis					
						Net Margin (%)	0.9%	0.9%	0.5%	0.4%	0.8%
						Assets Turnover (x)	1.2	1.6	1.3	1.3	1.5
						Leverage Factor (x)	6.5	7.1	6.9	6.0	5.6
						ROE (%)	7.4%	10.2%	4.8%	3.5%	6.6%
						Leverage					
						Debt/Asset (x)	0.3	0.3	0.3	0.4	0.4
						Debt/Equity (x)	2.0	2.2	2.2	2.2	2.0
						Net Cash/(Debt)	0.8	0.7	0.7	0.9	0.9
						Net Debt/Equity (x)	1.5	1.5	1.6	1.9	1.7
						Valuations					
						EPS (sen)	7.1	10.8	4.5	3.9	8.1
						Core EPS (sen)	7.1	10.8	4.5	3.9	8.1
						GDPS (sen)	4.0	4.0	3.0	2.0	2.0
						NTA (RM)	1.0	1.0	1.1	1.1	1.1
						PER (x)	10.7	7.1	16.8	19.3	9.4
						Gross Div. Yield (%)	5.3%	5.3%	3.9%	2.6%	2.6%
						P/NTA (x)	0.8	0.7	0.7	0.7	0.7
						EV/EBITDA (x)	11.3	10.8	8.3	12.7	10.5

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

- OVERWEIGHT : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: www.kenangaresearch.com



Chan Ken Yew
Head of Research