PUBLIC INVESTMENT BANK

PublicInvest Research *Company Initiation*

Wednesday, August 14, 2013

KDN PP17686/03/2013(032117)

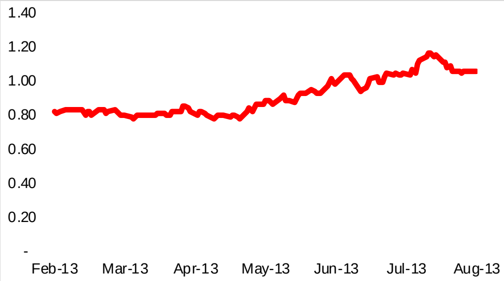
MALAYSIA STEEL WORKS (KL) BERHAD *Outperform*

DESCRIPTION

A Malaysian plantation company that operates in the palm oil, bio-integration, wood product manufacturing & forestation and other non-core businesses

12-Month Target Price	RM1.36
Current Price	RM1.10
Expected Return	23.6%
Market	Main
Sector	Steel
Bursa Code	5098
Bloomberg Ticket	MSW MK
Shariah-compliant	Yes

SHARE PRICE CHART



52 Week Range (RM)	RM0.77– RM1.19
3-Month Average Vol ('000)	1,234.3

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	0.0	22.7	26.3
Relative Returns	4.2	26.7	21.9

KEY STOCK DATA

Market Capitalisation (RMm)	239.3
No. of Shares (m)	217.5

MAJOR SHAREHOLDERS

	%
Dato' Sri Tai Hean Leng	33.2
Raya Rekajaya S/B	3.9
Kemajuan Rekacekap S/B	3.0

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Steel-y Growth

We recommend Malaysia Steel Works (Masteel) with a target price of RM1.36 based on a conservative 10x FY14 diluted EPS, which implies a potential upside of 23.6%. Though the company has the smallest market share amongst its peers, we think the company deserves better valuations given i) its strong double-digit earnings growth ii) stronger-than-average balance sheet and iii) successful bidding for the Iskandar rail project, which would be the key catalyst for the company in the next couple of years.

- **Producing long steel products.** Established in 1971, Masteel is one of the top five integrated steel manufacturers in Malaysia. The group operates a meltshop with annual production capacity of 600,000mt of steel billets in Bukit Raja, Klang and a rolling mill in Petaling Jaya that manufactures 350,000mt of steel bar p.a. Its range of steel bar products, which include high tensile deformed bars and mild steel round bars, are mostly catered to the construction sector. Steel bars are the main revenue contributor to the group, making up 61% of total revenue in FY12.

- **Steadily but carefully expanding capacity.** As the steel industry is highly tied to the performance of the construction sector and is cyclical in nature, management has cautiously expanded its capacity to improve its operating margins through better economies of scale. The company has earmarked RM180m to increase its billet plant capacity with an additional 50,000mt by 2014, while also increasing its rolling mill capacity by 50,000mt p.a. by 2015.

- **Key risks.** i) **Foreign currency exposure**, a weakened USD currency by 5%, could affect the group's earnings by nearly 2% ii) **commodity risks,** Soft steel product prices and rising raw material cost in scrap metal, could drastically affect the company's earnings, iii) **high dependency on local construction projects,** any slowdown or delay in the execution could affect the demand for steel products and iv) **dumping activities from regional counterparts**.

KEY FORECAST TABLE (RM m)

FYE Dec (RM m)	2011A	2012A	2013F	2014F	2015F	CAGR
Revenue	1,253.3	1,312.1	1,372.0	1,569.9	1,736.3	6.7%
Operating Profit	40.8	40.2	49.1	59.1	68.6	10.9%
Pre-tax Profit	24.8	24.9	32.8	42.7	52.2	16.1%
Net Profit	24.3	24.3	31.1	40.6	49.6	15.3%
EPS (sen)	7.5	7.5	9.6	12.6	15.4	15.3%
Core EPS (sen)	8.2	8.2	10.3	13.2	16.0	
Core P/E (x)	14.6	14.6	11.4	8.8	7.2	
DPS (Sen)	0.7	1.0	1.4	1.9	2.3	
Div Yield (%)	0.6	0.9	1.3	1.7	2.1	

Source: Company, PublicInvest Research estimates

Highlights

- **Strategic location has the edge.** Masteel and Lion Industries are the only steel companies located in the Klang Valley. Its central location has given the company a cost advantage over its counterparts as it only incurs about RM20-22/mt for its transportation cost or 50% lower than its rivals' RM40-50/mt. Being located in the Klang Valley has made the group a potential beneficiary of Kuala Lumpur's key development projects under the Economic Transformation Programme, as well as making it easier for overseas exports as its existing plants are located close to Port Klang, the world's 12th busiest container port.

Expanding production capacity amid construction booming

- **In the midst of expanding capacity.** Masteel is currently expanding its capacity for upstream and downstream products as it foresees better demand for steel products in the coming years. The group has allocated RM100m capex over the next two years to construct a new steel rolling mill, which is adjacent to its existing billet plant in Bukit Raja, Klang. Management is targeting to complete the new mill by early 2015 and the 200,000mt mill will boost the company's annual steel bar production from 350,000mt to 550,000mt. Also, the group has already invested about RM80m to grow its meltshop capacity to 700,000mt of steel billets p.a. from 600,000mt previously. It is slated for completion by end 2014. When the upgrade and expansion works have been fully completed, Masteel's ratio of steel bar to billet annual production will be equally the same. The expansion plan will augur well for the company's future growth given that its utilization rate for the last 3 years has hit above 80%. All the expansion is expected to cater to on-going local demand.

Construction projects under the ETP are set to drive the Malaysian steel production

- **Malaysia's construction remains vibrant.** We are generally positive on Malaysia's construction sector driven by mega projects such as the RM23bn Mass Rapid Transit (MRT), RM26bn Tun Razak Exchange, RM5bn 118-storey Warisan Merdeka Tower, RM7bn Light Rail Transit extension, RM5bn Janamanjung Power Plant, property development in the 2,330 acre-Rubber Research Institute Land in Sungai Buloh, 10 major express highways to be set up in Peninsular Malaysia as well as other major developments. All in, more than RM300bn projects in Malaysia would be created in the future. Assuming 10% of the construction cost is steel bars, this would translate into healthy demand for steel products worth about RM30bn based on our rough estimates. At present, the MRT Line 1 project has taken up 10%-15% of Masteel's steel bar supplies and the whole project is expected to consume 2m mt of steel bars over the next 4 years.

- **Raw material prices falling at a faster pace than steel bar prices.** Despite steel product prices not performing this year, scrap metal, which accounts for 70% of total production costs, is trending downwards at a faster pace. YTD, scrap metal prices have fallen for more than 10% while steel bar prices only dropped by 4.5%. Though seeing a hit on revenues, we expect to see significant improvement in profit margins due to lower costs of production. Similarly, players such as Ann Joo and Lion Industries that use iron ore as feedstock would also enjoy good profitability in the upcoming results attributed to the big reduction in operating costs as iron ore prices have fallen more than 24%.

- **Better cost advantage.** Masteel uses an electric arc furnace (EAF) to refine scrap steel into steel billets, which are, in turn, rolled into steel bars for use in the construction and property sectors. Masteel guided that at current prices, production cost for the EAF steelmaking process is relatively lower compared to the reduction method and blast furnace process respectively. The lower cost arises from EAF's use of scrap metal as feedstock instead of iron ore. Scrap metal prices are moving in tandem with the steel product prices while iron ore remains firm despite steel product prices coming down. The reasons are i) iron ore is imported from overseas while scrap is sourced locally and ii) iron ore prices are controlled by three major players (Rio Tinto, Vale and BHP Billiton). This explains why in the last two years, Masteel's peers are suffering as a result of lower sales volume and steel prices while operating costs remained relatively high. Though Masteel has the smallest capacity amongst all the steel players, it has better defensive qualities when there is a drastic change in cycles as its smaller capacity is more adaptable and mobile compared to the bigger players.

Looking for new contribution while expanding its organic business

- **Positive prospects on inter-city rail transit system in Iskandar Malaysia.** Partnering KUB, the joint venture company has recently been awarded a RM1bn rail transit network project in Iskandar Malaysia. Under the 60:40 JV Metropolitan Commuter Network S/B (MCN), it will build and operate a 100km intra-city commuter CRN system in Iskandar Malaysia to Woodlands, Singapore. It will use Keretapi Tanah Melayu's (KTM) existing railway track and land reserves. There will be up to 21 commuter stations in the Iskandar Malaysia region. The concession to operate the train service will be for 37 years and the group aims to breakeven after 12 or 13 years of operations. The JV company will fork out RM300m to buy 15 trains and it will also receive a 20-year RM700m soft loan from government to construct the facilities, which will take about 3 years. A Special Purpose Acquisition Company (SPAC) listing will also be planned to undertake the project. This mega project is expected to bring recurring contribution to the group once the rail transit system commences.

Forecasting earnings to grow by 35%, 27% and 19% for FY13, FY14 and FY15 respectively

- **Strong earnings growth.** Masteel's net profit is expected to accelerate at a strong double-digit growth in the next 3 years on the back of company's expansion plans, which help enhance its operating margin despite steel product prices remain subdued. Its FY14 forward diluted P/E is trading at 23% below FY14 average of 11.5x and 34% below FBM Small Cap Index's P/E of 13x, which we deem undemanding. In addition, Masteel's net gearing of 0.4x is one of the lowest amongst the industry peers, which are mostly above 1x.

Company Background

An integrated steelmaker. Masteel, a long steel product manufacturer, has been operating since 1971 in the Klang Valley. The company started producing commercial grade mild steel round bar, steel billets at its rolling mill facility in Section 52, Petaling Jaya. The plant's production capacity and its rolling technologies have since been upgraded and expanded, from a mere 30,000mt to 350,000mt currently.

The company has been running for 42 years

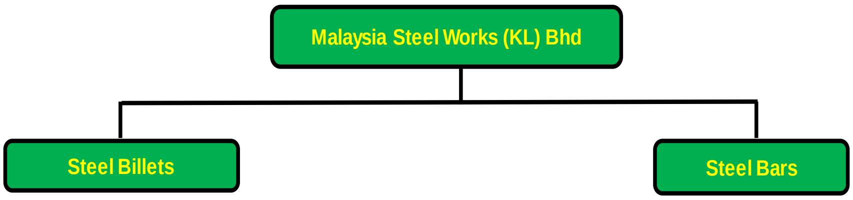
In a move to better control its production margins, Masteel constructed its steel billet plant in Bukit Raja in May 1998. The billet plant was fully commissioned in April 1999 with a capacity of 600,000mt p.a. The billets produced at its Bukit Raja plant are used as feed stocks for the bar steel production in Petaling Jaya.

In the same steel product segment, Masteel competes directly with Ann Joo Resources, Lion Industries, Southern Steel, Perwaja Steel and Kinsteel. Masteel is the country's smallest integrated steelmaker, commanding 8% and 5% market shares in billet and steel bars respectively. However, its small size has enabled it to cater to a niche market, mainly for small-medium orders.

Dato' Sri Tai Hean Leng, the Group's Managing Director since 1994, has more than 20 years of business experience in the iron and steel industry. He is also the Vice President of the Malaysia Steel Association. Dato' Sri Tai is also the biggest shareholder in the group with a total equity interest of 33.2%.

Steel bars and steel billets make up 62% and 38% of total revenue respectively

Table 1: Masteel's Corporate Structure



Source: Company, PublicInvest Research

Business Review

Between steel bars and steel billets, the former is the bigger income contributor, making up 62% of Masteel's revenue. More than 83% of sales contribution is derived from local consumers while others will be exported overseas. The major customers are mostly local rolling millers through more than 68 dealers and it also exports its products through trading partners in Australia, Indonesia, Sri Lanka, Singapore, New Zealand, Fiji, Vietnam, Philippines, Thailand, Bangladesh and Myanmar.

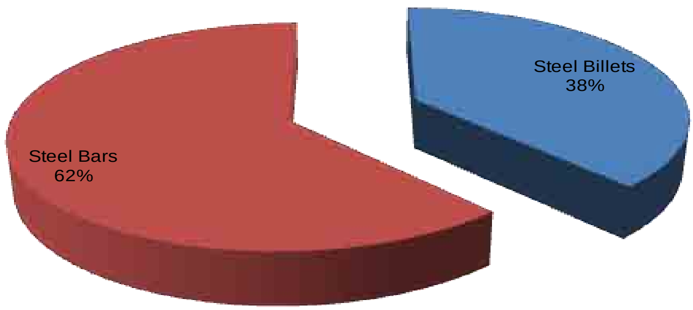
Its range of steel bar products include high tensile deformed bars and mild steel round bars (with diameters of between 10mm and 32mm), which are mostly catered to the construction sector, notably in heavy infrastructure application such as buildings, reservoirs and skyscrapers and also in light structural construction such as home renovation works. The balance of its earnings are derived from steel billets, which come in two grades, namely, mild steel and vanadium alloy, which are mainly used as raw material for steel bar manufacturers.

Table 2: Masteel's Manufacturing Plants

Factory	Product	Category	Location	Capacity (mt p.a.)	Utilisation Rate
Rolling Mill	Steel Bars	Construction Steel	Petaling Jaya	350,000	80%
Billet Plant	Steel Billets	Semi-finish product for rolling mill	Bukit Raja	600,000	80%

Source: Company, PublicInvest Research

Table 3: Masteel's Revenue Breakdown



Source: Company, PublicInvest Research

Table 4: Masteel's Capacity Expansion Plan

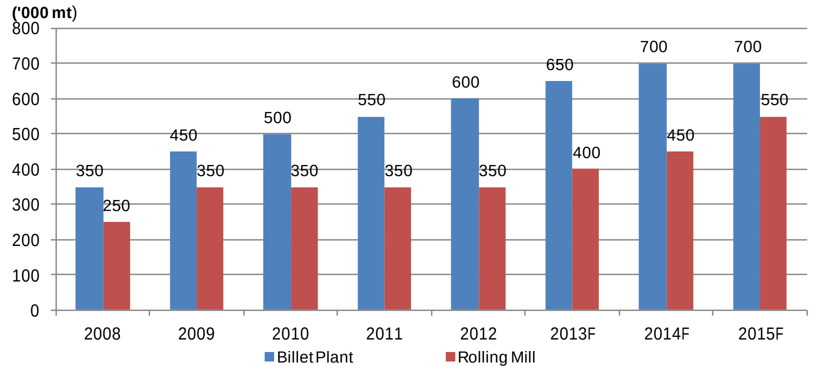


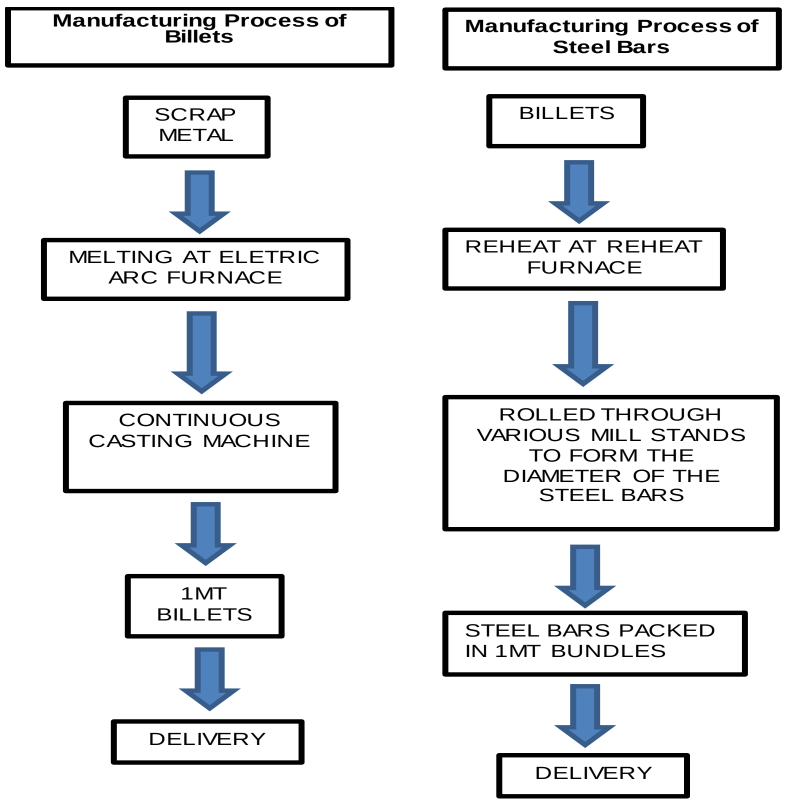
Table 5: Steel Billets & Steel Bars

Steel Billets

Steel Bars

Source: Google Engine Search, PublicInvest Research

Table 6: Manufacturing Process of Billets and Steel Bars



Source: Company, PublicInvest Research

Industry Outlook

The steel industry in Malaysia can be categorically subdivided into two main segments, namely long products and the flat products. Long products include billets, bars, wire rods, sections, nails, wire mesh, bolts and nuts, which are predominantly used in the construction industry. On the other hand, flat products are mostly used in the manufacturing, construction and oil & gas sectors like hot-rolled plates and sheets, cold-rolled coils, tubes, pipes, boiler and pressure vessels.

International outlook remains weak due to tepid demand low steel prices but local prospects remain favourable

During its formative years, the local steel industry was highly regulated by the government which imposed ceiling prices for steel bars and billets to prevent accelerated cost pressures in other industries that were highly dependent on steel products. However, this did not bode well for the steelmakers as it eroded their operating margins especially when there was a hike in cost of scrap metal while their selling prices were constrained. This scenario has changed since 2007 however, when the government decided to liberalise the local steel industry by removing all trade restrictions.

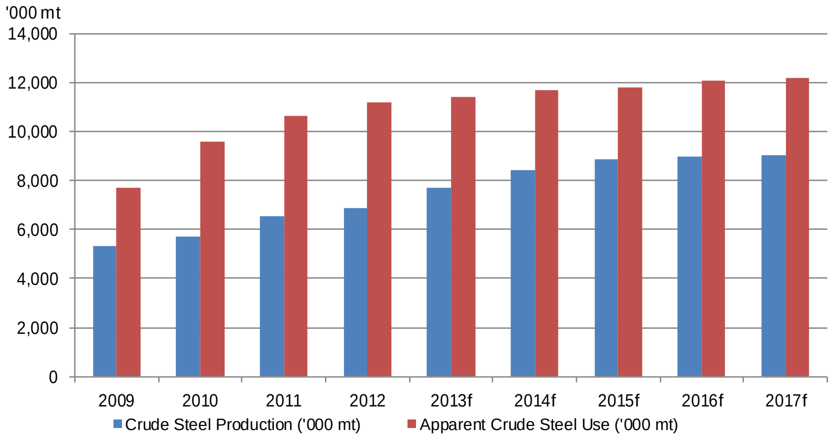
Nevertheless, according to Business Monitor International, the local steel industry is being dogged by overcapacity and low prices in the coming quarters, underpinned by a weak growth trajectory in major consumers such as the Eurozone and Japan as well as sharp fixed investment growth slowdown in China, which is the world's largest metal consumer, accounting for 40% of the world's consumption. Since early 2012, the global steel market has been severely affected by the deceleration in China's domestic steel demand, which was estimated to grow by 2.5% in 2012. This was in contrast to China's production growth of 3.1%. As a result, China steel manufacturers have initiated a series of dumping activities which expanded to other Asian countries. It was reported that some steel product imports from China are even sold at below the local production cost, which naturally hit local steel manufacturers negatively.

As a temporary measure, Malaysia's International Trade and Industry Ministry (MITI) has imposed a series of provisional anti-dumping duties ranging from 0% to 25.2% on several import steel players from China, Taiwan, Indonesia and South Korea for a period of 5 years. The anti-dumping duty measure is only applied to wire rod imports and is not imposed on other long steel products such as steel bars and billets, suggesting that some local steel makers will still be exposed to dumping activities from the regional players.

Despite being unable to escape the challenges of weakening steel prices and tepid demand across the international market, the operating environment for the local steel industry remains healthy. The improved outlook can be attributed to a combination factors, including resilient domestic demand for steel products and lower raw material costs, resulting in better margins.

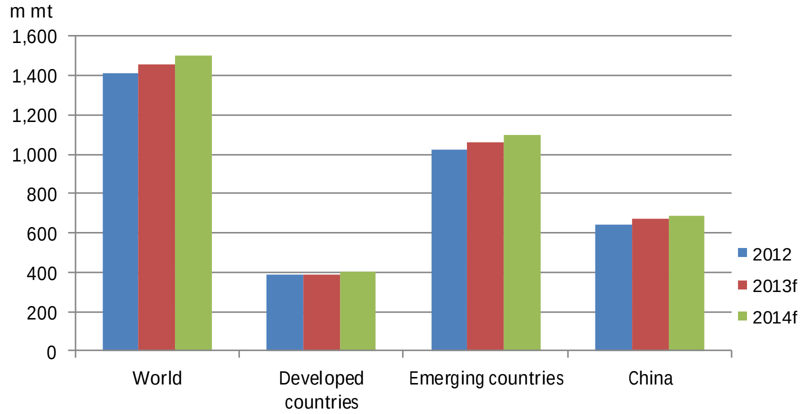
Going forward, we expect domestic steel usage to be driven by several keystone infrastructure projects under the Economic Transformation Programme, notably, Sugai Buloh-Kajang MRT project, Klang Valley LRT extension, 118-storey Warisan Merdeka Tower, Tun Razak Exchange development, O&G projects, highways, and robust demand for properties in key development areas. This will help keep the industry utilization rate for steel bars at around 70%-80%, thus, enhancing the economies of scale for the local steelmakers.

Table 7: Malaysia's Steel Production & Consumption



Source: BMI, World Steel Association, PublicInvest Research

Table 8: Apparent Steel Use



Source: BMI, WSA, PublicInvest Research

Table 9: Malaysian Steel Data in 2012

Item (mt)	Production	Import	Export	Consumption
Bars	2,444,049	163,545	114,749	2,492,845
Wire rods	1,140,618	673,829	123,912	1,690,535
Sections	114,802	577,458	25,779	666,481
HR Sheets & Strips	1,032,974	1,007,912	26,865	2,014,021
Plates	151,871	331,052	41,563	441,360
Pipe & Tubes	787,983	876,712	872,608	792,087

*Selected steel products only
Source: MISIF, PublicInvest Research

*Expecting stronger growth for FY13-15 based our assumption of **RM1,850/mt and RM2,000/mt** for billet and rebar respectively in addition of 85% utilization rate of the production capacity*

Financial Highlights

The group's earnings had registered a sharp fall from 2008 to 2009 due to the collapse of steel bar prices attributed to the subprime mortgage crisis in US. The local steel bar prices fell to RM1,550/mt in early 2009 from the peak of RM3,550/mt in May 2008. Since then, the company's earnings had remained steady despite sales revenue growing strongly driven by the capacity expansion in the downstream segment (steel bar). This is largely due to the scrap metal cost, which accounts for about 68% of total cost of production for steel billets, growing at a faster pace than billet and rebar prices.

Nevertheless, going forward, we see stronger earnings growth for the company on the back of capacity expansion in the upstream and downstream segments despite steel prices nowhere near peak levels in 2008. To help stabilize its earnings, the group had signed a RM500m offtake last year with the world's second largest commodities trader, Trafigura Pte Ltd over a three-year period. The deal will also help increase its export contribution, which accounted for 17% only last year.

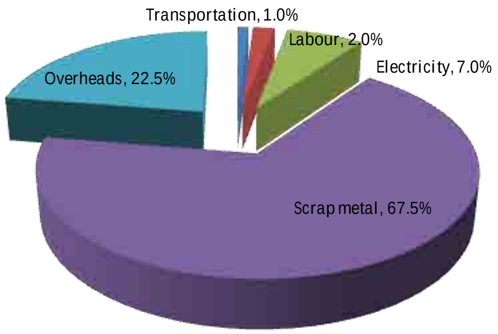
Based on our in-house assumption of **RM1,850/mt and RM2,000/mt** for billet and rebar respectively coupled with management's guidance of 85% utilisation rate of its production plants, we expect the group to register strong double-digit growth for FY13-FY15. Barring any unforeseen circumstances, earnings will likely grow in the range of 22%-30% for the next three years.

For the 1QFY13, the group has recorded RM3.6m for its net profit. Despite only accounting for 10% of our earnings forecast due to seasonal factors, we expect the earnings growth will be much stronger in the following quarters. The 2QFY13 results are expected to be announced on 30 Aug.

Expectation of dividend payout: 15% of net profit this year. Masteel has not maintained a dividend policy but it has progressively improved its dividend payout every year. We opine that the dividend payout practice is rational as the company needs to conserve cash for the down cycle period and also prepare sufficient capex for its capacity expansion in both the upstream and downstream segments, in Bukit Raja, Klang. In addition, it also needs to prepare to fork out about RM150m for its involvement in the intercity railway project in Iskandar Malaysia, Johor, which is scheduled to kick off next year. Meanwhile, we have projected a 15% payout ratio for our forecast period. It translates into 1.5% net dividend yield for FY13.

5% tax rate. The company has unutilized reinvestment allowances of RM258m as of FY12. It will be used to set off future chargeable income. Management guided that there is no timeline in utilizing the allowances and indicated that they will maintain a total rate of 5% going forward.

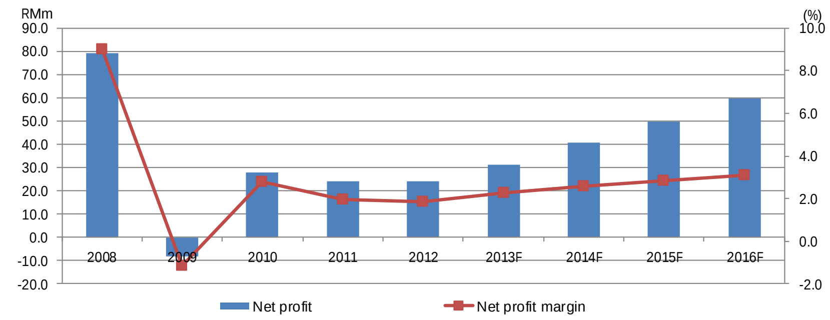
Table 10**: Masteel's Breakdown of Cost**



Source: Company, PublicInvest Research

Projecting earnings growth of 22-30% in the next 3 years

Table 11**: Masteel's Net Profit and Net Margin**



Source: Company, PublicInvest Research

Risks

Foreign currency exposure. About 17% of the group's sales are derived from overseas contributions. According to the 2012 annual report, every 5% change in USD currency, the group's earnings will be affected by nearly 2.0%.

Commodity risk. The group's revenue and cost are largely dependent on the commodity steel performance. In the event scrap metal prices rise at a faster pace than billet and rebar prices, Masteel's earnings will be pulled back despite a significant growth in capacity expansion as earnings margin are compressed. According to the management, an increase of 10% from the base case assumption in the scrap metal cost will drag its net profit lower by more than 50% from the initial projection.

High dependency on local construction projects. Apart from international steel price performances, local demand also plays a vital role for the local steel makers. Should there be a recession or contraction in the construction sector, steel demand will be adversely affected.

Dumping activities from regional counterparts. Other long steel product makers are still exposed to dumping activities from regional countries like China, Indonesia, Taiwan and South Korea despite a hefty anti-dumping duty being imposed on several importers in Feb. The stiff competition could further squeeze the group's earnings margin.

Valuation

Table 12: Peer Comparison

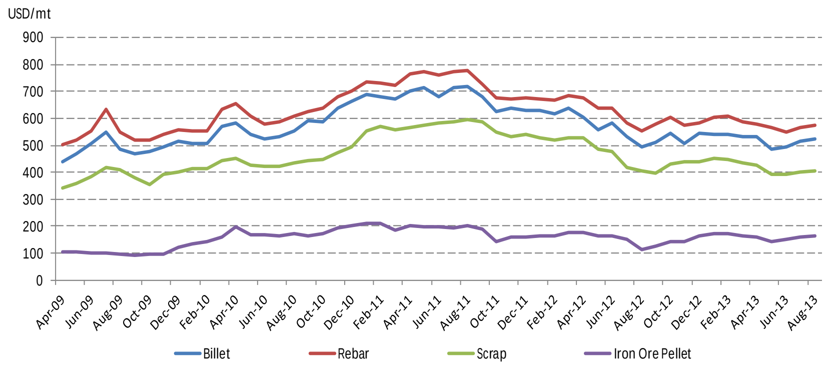
Company	Price (RM) @ 13-Aug	Mkt Cap (RMm)	PER (x) CY13F	PER (x) CY14F	P/BV CY13F	P/BV CY14F	ROE (%) CY13F	ROE (%) CY14F	Dividend Yield (%) CY13F	Dividend Yield (%) CY14F
Ann Joo Resources	1.31	655.9	16.2	9.9	0.6	0.6	4.1	6.9	1.8	2.2
CSC Steel	1.32	490.9	11.0	8.8	0.6	0.6	5.6	6.8	5.3	5.3
Hiap Teck Venture	0.58	407.3	28.8	18.0	0.5	0.5	1.5	2.1	0.5	0.5
Kinsteel	0.30	312.5	20.0	8.3	0.5	0.5	4.0	6.3	2.7	2.7
Lion Industries	0.99	710.3	13.8	7.3	0.2	0.2	1.3	2.5	1.7	2.0
Perwaja	0.43	238.0	-	14.2	0.6	0.6	-12.6	4.6	-	-
Southern Steel	1.78	746.5	26.2	14.4	0.9	0.9	3.3	5.7	2.5	4.2
Average			***19.3***	***11.5***	***0.6***	***0.6***	***1.0***	***5.0***	***2.4***	***2.8***
Masteel	**1.10**	**239.3**	**11.4**	**8.8**	**0.6**	**0.6**	**5.6**	**6.9**	**1.3**	**1.7**

Source: Bloomberg, PublicInvest Research

Upside of 23.6% based on 10x FY14 EPS

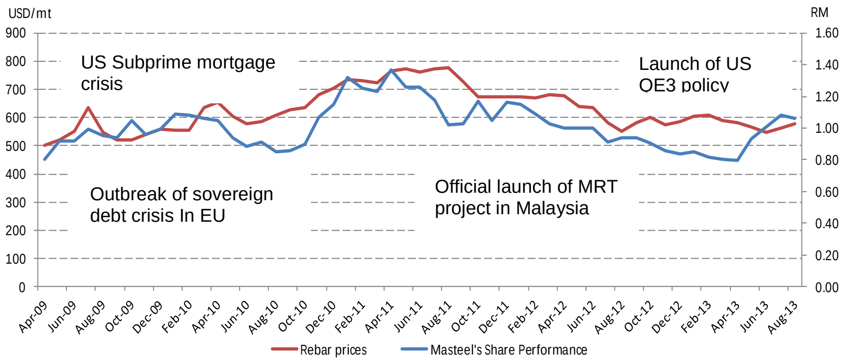
OUTPERFORM with a fair value of RM1.36. We are initiating coverage on Masteel with an outperform call and target price of RM1.36 based on a conservative 10x FY14 diluted EPS, which implies a 23.6% potential. Though the company has the smallest market share amongst the peers, we think the company at least deserves better valuations given i) its strong double-digit earnings growth ii) stronger-than-average balance sheet and iii) successful bidding for the Iskandar rail project, which would be the key catalyst for the company in the next couple of years.

Table 13: International Steel Prices Movement



Source: Bloomberg, PublicInvest Research

Table 14: Masteel vs Steel Price Movement



Source: Bloomberg, PublicInvest Research

Table 15: Local Steel Bar Manufacturers

Company	Location	Annual Capacity (mt)	Other Products
Ann Joo Resources	Shah Alam	650,000	Billets, wire rods
Lion Industries	Klang, Banting, Pasir Gudang, Penang	2,680,000	Billets, wire rods
Southern Steel	Prai	1,500,000	Billets, wire rods, pipe, mesh
Kinsteel	Gurun, Kuantan	2,000,000	Direct reduced iron, billets, blooms, draw wire, beam blanks
Malaysia Steel Works	**Petaling Jaya, Bukit Raja (Klang)**	**350,000**	**Billets**

Source: Companies, PublicInvest Research

Table 16: List of Major Projects In Malaysia

Infrastructure Projects Highway	Status	Project Value (RMbn)
Central Spine	To be awarded	-
Damansara - Shah Alam (DASH)	Awarded	2.5
East Coast Jabor - Kuala Terengganu	To be awarded	3.7
Guthrie - Damansara Expressway	To be awarded	-
Kinrara-Damsara Expressway (KIDEX)	Awarded	2.0
Kuala Lumpur Outer Ring Road	Awarded	1.6
Paroi - Senawang KLIA Expressway	To be awarded	-
Segamat - Tangkak Expresswy	To be awarded	-
Serdang - Kinrara-Putrajaya Expressway (SKIP)	To be awarded	2.0
Sungai Besi - Ulu Kelang Elevated Expressway (SUKE)	Awarded	3.5
Sungai Dua - Juru Highway	To be awarded	-
West Coast Expressway	Awarded	6.0
Total		**21.3**
Utilities		
Janamanjung Plant	Awarded	5.0
Langat 2 Water Treatment Plant	Tender Issue	1.2
Prai Power Plant	Awarded	4.5
Tanjung Bin Expansion	Awarded	5.0
Total		**15.7**
Railway		
East Coast Region Railway	To be awarded	29.0
Gemas - JB Electrified Double Tracking Railway	To be awarded	8.0
KL Monorail Extension	To be awarded	3.0
KL- Singapore High Speed Railway	To be awarded	30.0
Klang Valley Double Track	To be awarded	2.0
Light Rail Transit Extension	To be awarded	7.0
MRT Line1 (SBK Line)	Awarded	23.0
MRT Line 2 (Circle Line)	To be awarded	25.0
MRT Line 3 (Radial Line)	To be awarded	-
Total		**127.0**
Oil & Gas		
RAPID Pengerang	Awarded	60.0
Sabah Oil & Gas Terminal	Awarded	10.0
Sipitang Oil & Gas Industrial Park	Awarded	10.0
Total		**80.0**

Mixed Development	Location	Land size (acres)	Project Value (RMbn)
118-storey Warisan Merdeka Tower	Dataran Merdeka	35.8	5.0
Bangsar South Phase 2	Bangsar South	NA	5.0
Batu Cantonment Army Base	Jalan Ipoh	245.0	-
I-City	Shah Alam	72.0	3.0
Jalan Cochrane	Pudu - Cheras	60.0	10.0
Kampung Baru Redevelopment	Kampung Baru	378.0	20.0
KL Eco City	Abdullah Hukum	4.4	6.0
Naza KL Metropolis	Jalan Duta	75.0	15.0
One City @ USJ	USJ25	777.0	3.6
Penang World City	Bayan Mutiara	102.5	10.0
PJ Sentral	Sec 13 , PJ	90.0	12.0
Platinum Park KL	Jln Ampang, KLCC	9.1	4.0
Pudu Jail Redevelopment	Bkt Bintang, KL	21.2	5.0
Royal Malaysian Air Force Base	Sg. Besi	495.0	15.0
Rubber Research Institute Land	Sg Buloh	3,000.0	10.0
Setia Federal Hill	Bangsar	51.0	8.0
Southville City	Batu Maung, Penang	412.0	3.6
Tamansari Riverside Garden City Urban Regeneration Project	Jln Pekeliling	58.0	9.0
Tradewind Centre	Jln Sultan Ismail	6.9	6.0
Tun Razak Exchange	Dataran Perdana, Jln Davis	70.0	26.0
Unilever Land	Jln Bangsar	19.0	5.0
Total			**181.2**

Source: Various sources, PublicInvest Research

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2011A	2012A	2013F	2014F	2015F
Revenue	1,253.3	1,312.1	1,372.0	1,569.9	1,736.3
Gross Profit	**82.7**	**75.1**	**87.8**	**103.6**	**118.1**
EBIT	40.8	40.2	49.1	59.1	68.6
Finance cost	-16.0	-15.3	-16.4	-16.4	-16.4
Pre-tax Profit	**24.8**	**24.9**	**32.8**	**42.7**	**52.2**
Income Tax	-0.5	-0.6	-1.6	-2.1	-2.6
Effective Tax Rate (%)	2.0	2.4	5.0	5.0	5.0
Net Profit	**24.3**	**24.3**	**31.1**	**40.6**	**49.6**
Growth					
Revenue (%)	24.7	4.7	4.6	14.4	10.6
Gross Operating Profit (%)	-9.3	-1.5	22.2	20.2	16.1
Net Profit	-13.5	0.0	28.0	30.3	22.3

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2011A	2012A	2013F	2014F	2015F
Fixed assets	470.3	460.1	511.3	497.1	482.6
Other long-term assets	8.0	8.0	8.0	8.0	8.0
Cash at bank	43.7	54.7	37.5	43.7	64.7
Other current assets	366.6	407.0	424.0	484.2	534.6
Total Assets	**888.6**	**929.8**	**980.8**	**1,033.0**	**1,089.9**
Short-term borrowings	236.4	248.3	268.3	268.3	268.3
Long-term borrowings	54.3	35.4	35.4	35.4	35.4
Payables	98.0	120.2	124.8	142.5	157.2
Total Liabilities	**388.7**	**403.9**	**428.5**	**446.2**	**460.9**
Shareholders' Equity	499.9	525.9	552.3	586.8	629.0
Total Equity and Liabilities	**888.6**	**929.8**	**980.8**	**1,033.0**	**1,089.9**

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2011A	2012A	2013F	2014F	2015F
Book Value Per Share	1.5	1.6	1.7	1.8	1.9
NTA Per Share	1.5	1.6	1.7	1.8	1.9
EPS (Sen)	7.5	7.5	9.6	12.6	15.4
DPS (Sen)	0.7	1.0	1.4	1.9	2.3
Payout Ratio (%)	8.6	13.2	15.0	15.0	15.0
ROA (%)	2.7	2.6	3.2	3.9	4.6
ROE (%)	4.9	4.6	5.6	6.9	7.9

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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