16 April 2024

Agriculture | Plantation

MKH Oil Palm (MKHOP MK)

A New Player To The Game

Fair Value (Return):	MYR0.66 (+7%)
IPO Price:	MYR0.62
Closing Application Date:	16 April 2024
Indicative Listing Date	30 April 2024

- **MYR0.66 FV based on 12x FY25F (Sep) P/E.** MKH Oil Palm intends to raise MYR136.4m from its IPO, mainly to fund its expansion of landbank for oil palm plantation, upgrading works and the setup of PK crushing facility. MKHOP's young topographical profile should boost its FFB output, propelling its 3-year earning CAGR of 25% from FY24F-26F. As such, we believe its valuation is attractive, with an implied P/E based on the IPO price of 12x 2025F, ie a 3x discount to its 4-year historical peer market cap weighted average of 15x.
- **Young age profile.** As at last practicable date (LPD), the group's average age is at 11.5 years, with roughly 95% in prime mature stage (10-16 years), while the remaining will soon enter peak production. As such, we expect no replanting activities to be done in the next few years, and should not pose any hindrance towards production. Moving forward, we see that the prospects of FFB production will be driven by this age distribution, as well as normalisation of weather, with FFB growth range of 4-6% for FY24-26F.
- **Utilisation of enhanced mechanisation.** MKHOP has developed a custom mobile application, RondaApp, to record the growth conditions of its oil palm and update the progress of FFB collection and evacuation. This technology allows workers to effectively address any issues faced regarding road conditions, unhealthy oil palm or pest attacks. Additionally, the implementation of hydraulic lifting arms into powered wheelbarrows and the usage of all-terrain vehicles (ATVs) for FFB collection minimises transportation time of FFB collection to palm oil mills, as opposed to crawler dumpers, which have lower manoeuvrability. The increased productiveness helped the group to maintain higher CPO yield vs the national average, almost by 2x.
- **Decent dividend payout.** MKHOP has a dividend policy to payout at least 50% of its PAT to shareholders. This translates to above average dividend yield of 4-5% based on our FY24F–26F. Note: As at LPD, the group is sitting on a net cash of MYR73m and has a negligible amount of debt at MYR2m. We believe that it will continue remain in a net cash post-IPO as it has adequate IPO proceeds for capex and working capital expenses, along with sufficient retained earnings. This also leaves MKHOP with no restrictions to continue maximising shareholders' return.
- **Attractive valuation.** We project a 3-year earnings CAGR of 25% from FY24F-26F and ascribe a P/E of 12x to its FY25F earnings to arrive at our FV of MYR0.66. Our target P/E is at a 3x discount to its 4-year historical peer market cap weighted average of 15x.
- **Key risks** include CPO price downtrends, weather risks and worsening labour situation.

Forecasts and Key Data	Sep-22	Sep-23	Sep-24F	Sep-25F	Sep-26F
Total turnover (MYRm)	315.8	338.0	366.9	398.1	414.6
Recurring net profit (MYRm)	61.4	32.3	48.6	56.7	59.3
Recurring net profit growth (%)	-15.37	-47.42	51	17	4
Recurring EPS (MYR)	0.06	0.03	0.05	0.06	0.06
Recurring P/E (x)	11.43	20.87	13.1	11.2	10.7
P/BV (x)	2.37	2.12	1.29	0.97	0.92
Dividend Yield (%)	n.a	n.a	3.8	4.5	4.7
EV/EBITDA (x)	5.69	7.89	5.81	5.07	4.85
ROE (%)	23.6	10.7	12.3	9.9	8.8
Net debt to equity (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

*Source: Company data, **RHB***

Analyst

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Company Description

MKH Oil Palm is primarily focused on upstream activities, namely the cultivation of oil palm and production and sale of CPO and PK

IPO Details

Public Issue of new shares (m)	220
Offer for sale of existing shares (m)	30.1
Shares outstanding (m)	1,023.6
Implied market cap	MYR634m

Major Shareholders (%)

Tan Sri Alex Chen	32.9
Tan Sri Eddy Chen	31.9
Datuk Chen Fook Wah	31.9

Utilisation of IPO Proceeds	MYRm
Expansion of land banks for plantations	42.0
Capital expenditures for existing plantation lands	10.0
Setup of PK crushing facility	9.0
Purchase of PPE for existing palm oil mills	12.0
Capital expenditure for upkeep of workers and expansion of electricity supply	20.0
Repayment of loans due to a related party	30.0
Listing expenses and working capital	13.4
TOTAL	**136.4**

Additional Data

Listing Market	Main
Bursa Code	5319

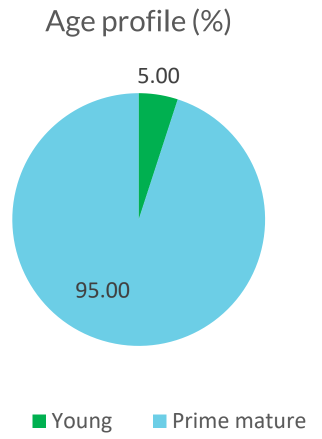
Note:
Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

Company Overview

MKHOP is a plantation group with a total landbank of 18,205ha, made up of two oil palm plantations – Maju Kalimantan Hadapan (MKH) and Sawit Prima Sakti (SPS) – in East Kalimantan, Indonesia. The group is primarily focused on upstream activities, namely the cultivation of oil palm and production and sale of CPO and PK. These products are sold to its customers, ie downstream refineries and PK crushing mills, based on the scope of the Indonesia Sustainable Palm Oil (ISPO) assessment criteria.

MKHOP has one CPO mill with a processing capacity of 90 tonnes per hour, one jetty and an upcoming 90 tonnes per hour PK crushing facility. The estates have a 100% tree maturity profile, 94.9% of which are in prime mature stage, with average age of 11.5 years. Additionally, the group also achieved 100% ISPO in 2022 for its estates, while its palm oil products are 100% traceable to plantations.

Figure 1: Age profile



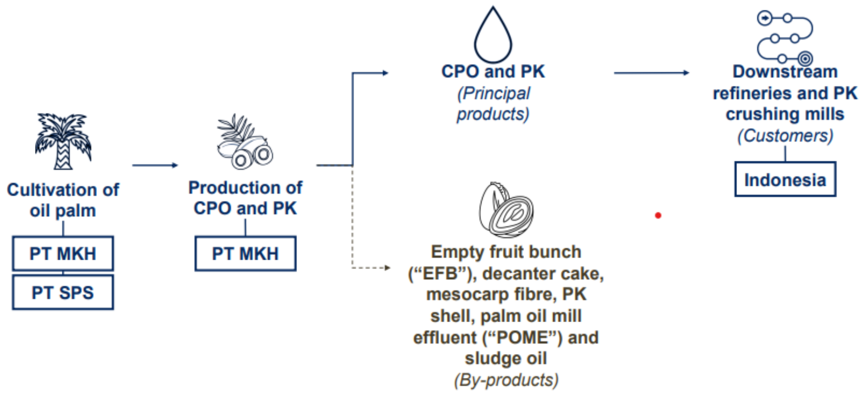
Source: Company data

MKHOP only has one business segment currently – its plantation segment. Plantation is the main revenue driver, starting from FY22. The group used to have a trading segment, where it was involved in the trading of building materials and household related products. However, these operations ceased in 2021. In the plantation segment, the harvested FFB from its plantation estates will be collected and delivered to the palm oil mill for the production of CPO and extraction of PK, to be sold to customers. Following this, the breakdown of CPO and PK revenue is as follows:

i. **CPO production (91.7% of FY23 revenue).** This segment has always been the group's main driver, accounting for more than 80% of topline over the past four years. In FY23, MKHOP processed over 430,000 tonnes of FFB, of which 89,017 tonnes of CPO were produced and sold at MYR3,348 per tonne. This translates to an FFB yield of 24.1 tonnes per ha, OER of 20.6%, and an average mill utilisation rate of 80%. The group does not have plans to expand its mill capacity in the short term;

ii. **PK production (8.3% of FY23 revenue).** In FY23, over 27,000 tonnes of PK were produced and sold at MYR1,589 per tonne at a KER of 3.9%.

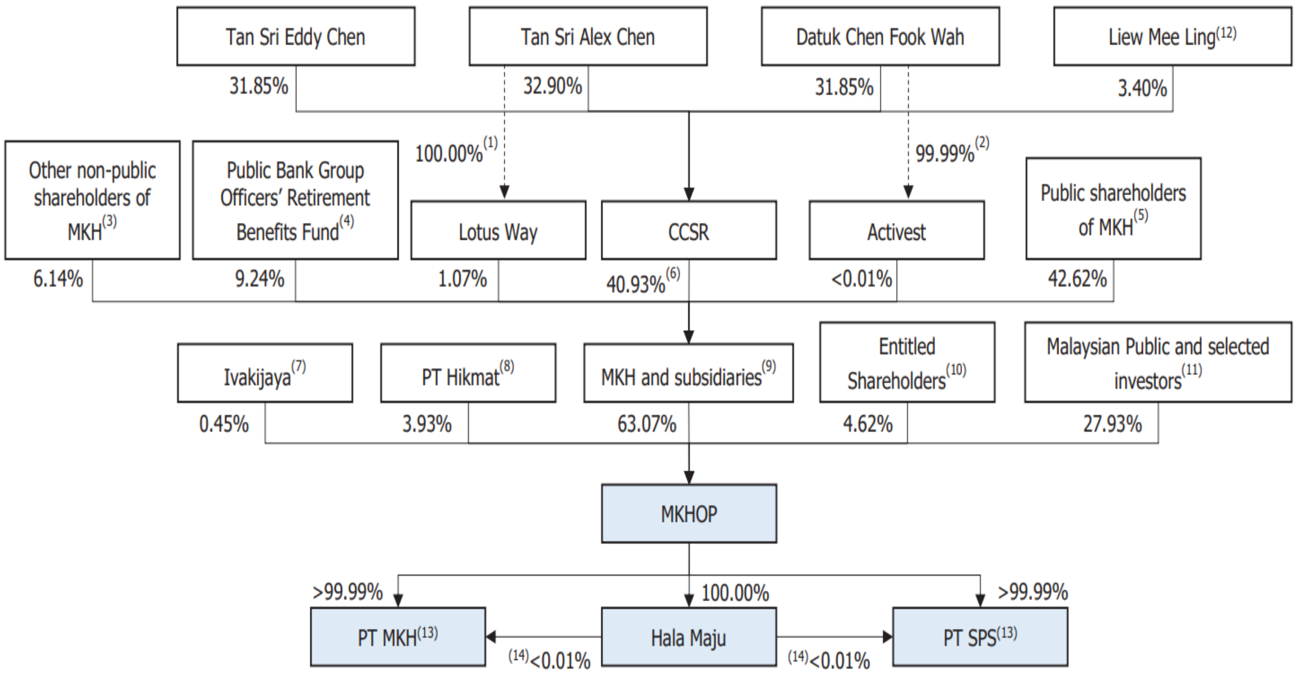
Figure 2: MKHOP business model



Source: Company data

MKHOP is led by a skilled management team, with Executive Director Dato' Lee Khee Meng responsible for plotting the overall business direction, corporate strategies, strategic planning initiatives, and future growth plans. He is supported by several key senior management, starting with Tang Hee Teik, serving as the group's General Manager of Industrial and Agricultural Development. He is mainly involved in monitoring operation works in the plantation and palm oil mill, as well as ensuring inter-department collaboration for marketing purposes. With over 20 years of experience, the group's financial situation is in the hands of Financial Controller Tan Soo Hoon. She has been a member of Malaysian Institute of Certified Public Accountants since 2006, and is responsible for preparing financial management reports, yearly budgets and forecasts.

Figure 3: Group post-IPO shareholding structure



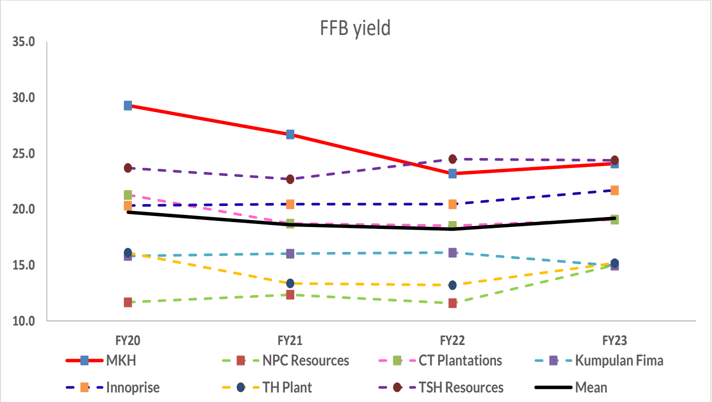
Source: Company data

Investment Highlights

Young age profile. Generally speaking, oil palm reaches prime maturity, ie peak production stage from 10 to 16 years old, with yields of over 25 tonnes of FFB per ha per year. As at LPD, roughly 93% of MKHOP's planted area comprises of prime trees and the remaining 7% will soon be entering peak production stage from 2024. Thanks to this age distribution, the group foresees no replanting activities (aged above 25 years) required in the medium term.

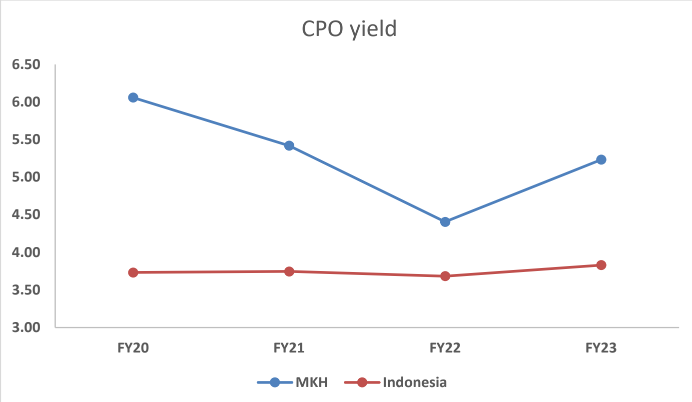
Robust operational performance. The young age distribution gives an operational advantage to the group, seen by the substantial FFB yields of 29.3 tonnes, 26.7 tonnes, 23.2 tonnes, and 24.1 tonnes per ha in FY20-23. This translates to a higher than national average CPO yield of 6.06 tonnes, 5.42 tonnes, 4.41 tonnes, and 5.23 tonnes for the period. The high FFB yield achieved is also substantially higher compared to its peers, which averaged at 19.6 tonnes in FY23 (Figure 4).

Figure 4: FFB yield against peers



Source: Company data, RHB

Figure 5: CPO yield against national average



Source: Company data, RHB

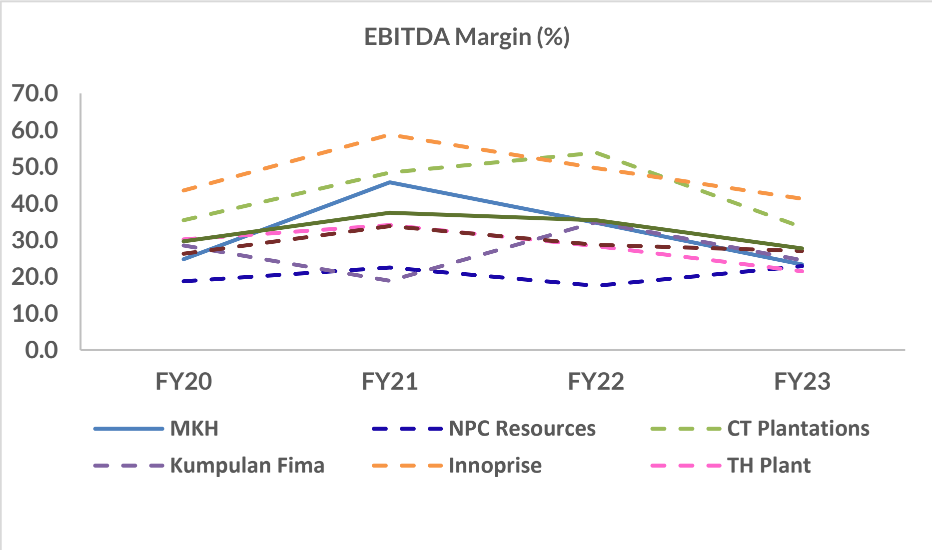
The group's OER however, fell slightly from 20.7% in FY20 to 18.5% in FY22 but stepped up to the former's level in FY23. The gradual decrease in FFB yield by 5% and 13% in FY21 and FY22 was due to heavy rainfall from *La Nina* phenomenon. Moving forward in FY24F-26F, we see FFB growth of 4-6% coming from the consistent production of prime maturity trees, underpinned by the remaining 7% which will turn into prime trees from 2024. This, in return, would translate into FFB yield of 25.5 tonnes, 26.5 tonnes, and 27.5 tonnes per ha for the aforementioned years.

Subsequently, we also expect the CPO yield to be in the range of 5.7-6.1 tonnes, further widening the gap against national average. As for OER and KER, we expect them to remain consistent in FY24F-26F at 21% and 4%.

Utilisation of technology. The group has been adopting enhanced mechanisation to achieve efficient plantation operations, which include the application of drones and the custom-made application, RondaApp, to monitor the condition of estates including roads and machinery. This allows the group to avoid any delays in harvesting during the monsoon season, where the roads would typically be flooded.

Additionally, on top of having the conventional crawler dumpers for FFB collection, MKHOP also employs self-propelled wheelbarrows and ATVs for better manoeuvrability around mineral soil. Despite having lower capacity, the usage of such diverse machinery has helped the group with a higher FFB yield, minimise collection time and improved labour productivity of labour-to-land ratio of 1:11. This is higher than Indonesia's average of 1:4 but in line with Malaysia's average of 1: 10.9. As a result of these initiatives, MKHOP has managed to achieve higher EBITDA margin vs some of its peers, despite having lower ASPs.

Figure 6: EBITDA margin against peers

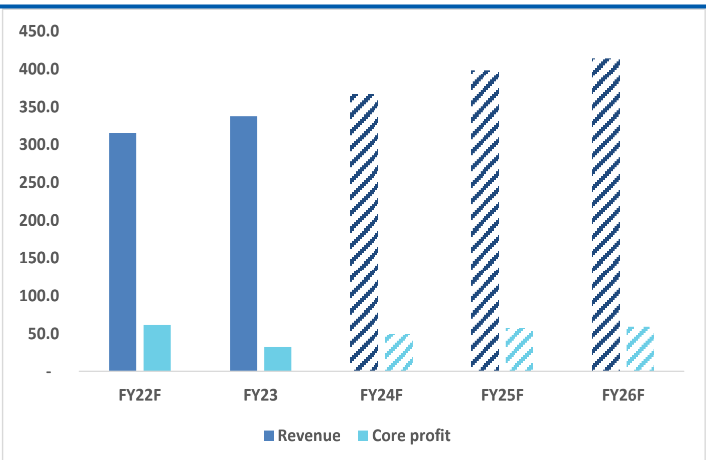


Source: Company data, RHB

Costs to start contracting in FY24. As production volume improves and fertiliser costs decline by an estimated 20% YoY, in line with global prices, this will bring unit costs down, which in return should boost EBITDA margin. As for the labour costs, any hikes in minimum wages ought to not substantially spike up MKHOP's costs as it has been paying harvesters at a premium. However, the group would still be subject to the annual incremental wage hike imposed by the different provinces of Indonesia – which generally rises by 5-8% pa.

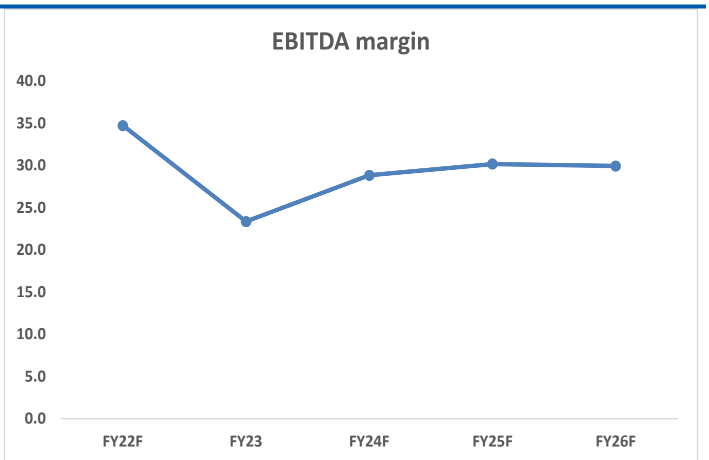
All in, we expect CPO unit costs to decline by 5-10% in FY24 from FY23's levels of c.MYR2,700-2,800 per tonne, but expect unit costs to rise 2-3% pa in FY25-26 on the back of inflationary increases. This would subsequently result in EBITDA margin to normalise at around 30% for FY24F-26F from 35-46% in FY21–22.

Figure 7: Revenue and core earnings forecasts



Source: Company data, RHB

Figure 8: EBITDA margins

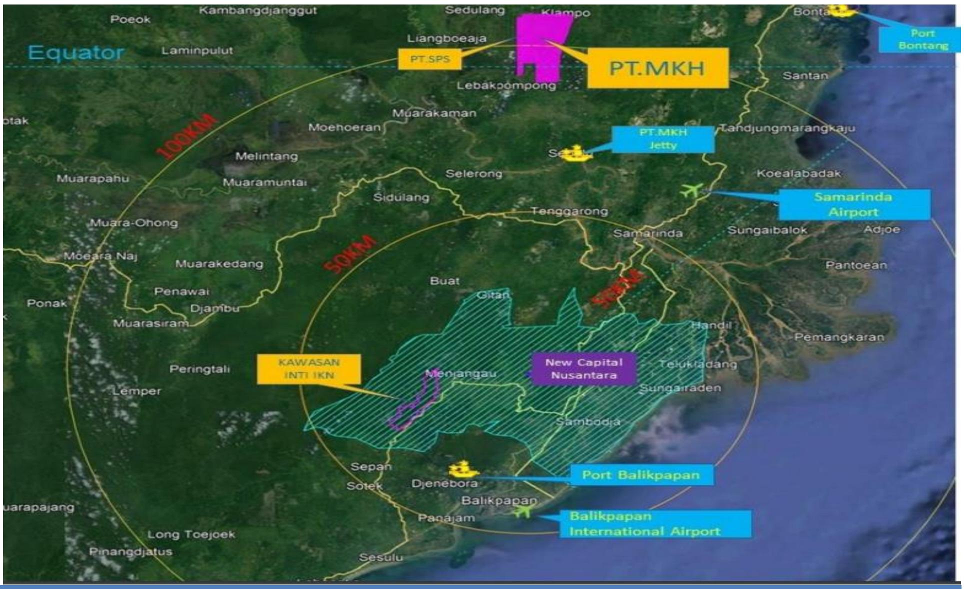


Source: Company data, RHB

Strategic location. MKHOP's plantation estates are located in East Kalimantan, namely North Penajam Paser and Kulai Kartanegara. Both of these districts are close to the Equator, which spells adequate rainfall throughout the year, ensuring optimal growth for oil palm trees. This allows the group to maintain a relatively moderate yield of FFB even during the *El Nino* season.

Although there may be excessive rainfall in certain months, which can impede the harvesting process, the estates are equipped with an integrated drainage system, which helps to offset excessive water levels. Furthermore, following the announcement made in 2023 to relocate the national capital of Indonesia from Jakarta to East Kalimantan by 2045 (with Phase 1 expected to be completed in 2024), the region is poised to benefit from this initiative in terms of economic activity and infrastructural development. This, in turn, ought to have a positive spillover effect to the group.

Figure 9: MKHOP's operations in Indonesia



Source: Company data, RHB

Future Plans And Strategies

Expansion of plantation estates. MKHOP intends to expand its plantation landbank by acquiring additional land located nearby to the current oil palm estates. As such, potential landbank areas in Kutai Kartanegara, East Kalimantan, have been identified with a total landbank area of around 5,000 ha, of which 4,000-4,500 ha are plantable. The group intends to utilise 31% of IPO proceeds, or MYR42m to partly fund the acquisition, where any remaining amount shall be procured from retained earnings or bank borrowings. This planned acquisition will allow it to increase total landbank by c.22-25% to over 22,000ha, targeting to complete the acquisition by 2QCY24.

As at LPD, MKHOP has received a license from the Indonesian Government to officially develop the land for 25 years, with an option to extend for 35 years twice. Once the acquisition is completed, the planting of oil palm is to commence immediately and subsequently, FFB will be ready to be harvested in 30 months. Also, a new palm oil mill will be setup within the estates to expedite FFB processing, although the details are still unknown as it is subject to the location of plantation land. Once these efforts have been finalised, it ought to see an improvement in production of CPO and PK, as well as FFB processed, further widening competitive advantage and financial performance.

Enhancement of operational efficiency. Other than focusing on land acquisition, MKHOP is also planning to revamp its operational efficiency by purchasing new machinery and equipment to be used in FFB harvesting and palm oil milling. The group is focusing on two aspects, ie FFB harvesting and palm oil milling. In regards to the former, it is looking for replacement parts for eight excavators, along with procurement of crawler dumpers, farm ATVs, and trailers for transportation activities. These machineries are able to reduce manual transportation of FFB from the field to collection points and, at the same time, increase the transportation frequency whilst utilising less human resources. In other words, the group will be able to experience technical economies of scale by leveraging on the application of technology. Moving on to second aspect – palm oil milling, MKHOP intends to replace and upgrade some existing equipment including FFB cages and conveyor systems, totalling MYR22m.

Widening of product offerings. MKHOP sells its PK to PK crushing mills and downstream refineries, where these customers further process them into CPKO, which is used in the manufacturing of food and non-food products – this includes cooking oil for high-temperature cooking, cosmetics, and personal care products.

Moving forward, the group intends to diversify its product offerings by selling CPKO to these customers instead of the usual PK. The rationale for this movement, other than diversifying revenue streams, is for MKHOP to generate better margin from processing CPKO, as this refined product is priced at a higher ASP when compared to PK. This plan is facilitated by setting up a PK crushing facility next to the existing palm oil mill, with a crushing capacity of 90 tonnes per day, to crush and extract PK into CPKO at a cost of MYR14m. This facility will be financed through a mix of IPO utilisation proceeds and bank borrowings/retained earnings and expected to be fully operating by 2QCY24.

At the moment, MKHOP is in the process of establishing relationships with potential customers for CPKO and upon completion, the sale of PK to external customers will also be gradually decreased. We have included contributions from the sale of CPKO into our forecasts from FY25.

Marching towards ESG. At its palm oil mill, MKHOP uses some of its by-products like PK shells and mesocarp fibre as fuel to produce steam for electricity generation by turbines. This electricity is then used to power up the palm oil mill itself, and some part of the plantation estates including staff quarters, offices, schools, and street clinics. Note: These turbines still have the ample capacity to generate more electricity. As such, the group is planning to utilise the turbines to supply electricity to not only the mill, but also other regions of the estates, which are currently powered through diesel generators. These generators incur high diesel costs as well as produce harmful emissions into the environment.

MKHOP is also planning to accommodate the construction of eight mini electrical substations, step-up and step-down transformers, etc, to allow electricity to be transmitted to other regions of the estates. This initiative costs MYR10m, which will be fully paid using IPO proceeds. It is expected to be completed within 24 months post the IPO listing. Moving on to the "S" pillar of ESG, the group is also looking to construct an additional 289 units of new brick houses for workers, bringing the cost to be MYR10m.

Financial Overview

Financial overview. MKHOP saw explosive earnings growth in FY20-22, at a 2-year CAGR of 79%, mainly attributable to higher ASPs for CPO and PK, in FY21 and FY22, but offset by the increase in fertiliser costs and labour costs, post the COVID-19 pandemic. The ASPs for CPO in said years increased by 32.2% to MYR2,945 per tonne and 30.6% to MYR3,847 per tonne, in tandem with the increase in global prices.

The upward spike mainly resulted from a series of macroeconomic events, leading to a severe shortage of CPO. In FY20, there was a heavy disruption on CPO supply chain globally. The following year saw another shortage of CPO, exacerbated by heavy rainfall from the *La Nina* phenomenon in early FY21. This interrupted palm oil harvesting activities as well as logistics on palm oil plantations, seen by MKHOP's decreasing FFB yield per ha from 29.3 tonnes per ha in FY20 to 26.7 tonnes per ha in FY21 and 23.2 tonnes per ha in FY22.

Driven by the same factors outlined above, core profit margin expanded from 13.7% in FY20 to 25.4% in FY21. Nonetheless, MKHOP saw a slight decline in the margin to c.21% in FY22, despite the higher CPO ASP. The pullback in the margin was due to the aftermath of the *La Nina* phenomenon, causing higher moisture content in FFB harvested, leading to a lower OER of 18.5% in FY22 vs 19.5% in the previous year. Consequently, it led to lower CPO sales volume by 20%. Additionally, the group's cost of sales also increased by 12% in FY22, attributable to the increase in cultivation and harvesting costs which were higher than the incremental improvement in revenue of 3%. This resulted in lower GPM and, subsequently, poorer PBT and PAT margins.

Key results highlights. MKHOP recorded a slight topline growth in FY23 of 7% to MYR338m, driven by the increased FFB production but offset by the normalisation of CPO prices (-13% YoY), to MYR3,348 per tonne. On costs, the group also saw a MYR200 increase in CPO unit costs per tonne to around MYR2,800 per tonne, on the back of higher cultivation and manuring costs. This brought FY23 core PATAMI to MYR32.3m (-47% YoY) and a contraction of PAT margin to 10% from 20%, which is somewhat expected, given the downward trend in CPO price movements.

Forecasts. We expect a 3-year earnings CAGR of 25% from FY24F-26F, underpinned by the group's young age profile and the expansion strategy in the next two years, with FFB production returning to FY20 levels, hovering above 460k. We have yet to incorporate any income from its new landbank to be purchased as the planted areas will only start coming into maturity from FY27F. We believe MKHOP's clear expansion strategies and its established presence in East Kalimantan have the potential to capture a new segment of customers, and be able to translate to additional revenue streams.

Balance sheet. The group has been improving its balance sheet consistently over the past four years, reflected by the improvement in net gearing from net debt of MYR95m in FY20 (76% gearing) to net cash of MYR71m in FY23. As at FY23, it has a negligible amount of debt at just MYR2.3m. MKHOP intends to pay at least 50% of PAT to reward shareholders, which translates to dividend payments of MYR25-30m. We believe it will continue to be in a net cash position and should have no restrictions in maximising its shareholder returns over the next few years.

Valuation

We derive a FV of MYR0.66 by ascribing 12x P/E based on its FY25F earnings, which is at a 3x discount to its 4-year historical peer market cap weighted average of 15x. Note that we use historical P/E as an alternative as several of MKHOP's peers do not have forward P/E – as such, it would result in distortion in our analysis.

Although we note that our target P/E is at a premium to some of its peers, we believe this is justifiable when taking into account the group's substantially higher-than-average FFB yield thanks to its prime age profile and solid earnings growth. These factors, along with its attractive dividend yield of 4-5% for FY24F-26F would act as a tailwind to our recommendation.

Figure 10: Peer comparison table

Company	FYE	Country	Price 12-Apr-24 (local currency)	Mkt Cap (USDm)	P/E (x) 4-year average	P/E (x) Actual	P/E (x) 1-yr fwd	P/E (x) 2-yr fwd	Div. yld (%) 1-yr fwd	Div. yld (%) 2-yr fwd	ROE (%) 1-yr fwd	EV/ EBITDA 1-yr fwd	NP growth (%) 1-yr fwd	NP growth (%) 2-yr fwd
<u>**Local**</u>														
MKH Oil Palm	**Sep**	**MA**	0.62	**133.6**	-	**20.9**	**13.1**	**11.19**	**3.8**	**4.5**	**12.3**	**5.8**	**50.6**	**16.7**
NPC Resources	Dec	MA	1.74	41.5	21.7	19.7	N/A	N/A	2.08	-	-	-	-	-
TSH Resources	Dec	MA	1.17	338	13.0	16	15.1	13.8	2.7	2.2	5.2	7.1	7.9	9.4
Innoprise Plantations	Dec	MA	1.49	149.6	10.8	12.7	N/A	N/A	3.0	-	-	-	-	-
Chin Teck Plantations	Aug	MA	7.69	147.3	11.4	12.5	9.9	9.9	4.4	3.2	7.9	2.7	25.9	0.0
TH Plantations	Dec	MA	0.74	136.2	16.0	13.3	18.5	15.6	-	1.5	3.8	9.7	(27.9)	18.2
Kumpulan Fima	Mar	MA	2.03	117.2	8.9	8.2	N/A	N/A	-	-	-	-	-	-
Market cap weighted average				**207.1**	**15.0**	**14.7**	**15.3**	**13.5**	**3.3**	**2.5**	**6.2**	**7.8**	**n.m**	**15.2**

Source: Bloomberg, RHB

Key Risks

Fluctuations of CPO prices. Generally speaking, the performance of the plantation sector is dependent on the price of CPO and being an upstream player, MKHOP is particularly sensitive to the movement or rather, fluctuations of CPO price, where earnings change by 8% for every MYR100 per tonne change. If the price of CPO declines, it would have an adverse effect towards the group's financial performance.

Fluctuations of fertiliser prices. Fertiliser makes up on average of 15-20% of total operating costs. In FY22, when the Russia-Ukraine conflict erupted, this led to a shortage of fertiliser as well as crude oil due to fears on disruptions in the supply market, leading to skyrocketing prices of the two components. The sanctions implemented by the US against Russia subsequently led to a reduction in subsidies on diesel, as announced by the Indonesian Government in Sep 2022. As a result, the group's cost of sales increased by 12%, leading to a reduction in gross profit by 7.5%, offset by the slight increase in topline by 3%, attributable to higher ASPs of CPO and PK.

Adverse weather conditions. As the group is involved in the cultivation of oil palm, it is subject to inherent risks related to the palm oil industry, starting with adverse weather conditions. In FY18-20, the group experienced overly dry weather conditions where the average monthly was less than 180mm and this insufficient rainfall led to palm oil trees producing less flowers and delayed the fertilising schedules, which as a result, reduced FFB output. With regards to the recent *El Nino* event however, MKHOP does not expect any major effect in operating activities as it has equipped a drainage system with stoppers to retain adequate rainwater level. On the other hand, extremely heavy rainfall during the monsoon season or the *La Nina* phenomenon may cause the terrain of the estates to be slippery and soft, making it harder for the workers to harvest FFB and fully apply the fertiliser. As a result, the level of FFB yield may be lower, as seen in FY22, where the group recorded yield of 23.2 tonnes per ha vs 29.3 tonnes per ha in FY20.

Exposure to external shocks. In FY20, when the COVID-19 pandemic hit, most of MKHOP's workers were subjected to quarantine and this caused a severe disruption in the plantation and milling operations due to a shortage of workers and compulsory suspension of business operations for safety reasons. Additionally, the quality of FFB was also negatively affected as fertilisers were not fully applied to the estates and, at the same time, logistics and transportation systems were disrupted, which caused heavy delays in products delivered to customers. All these issues led to the extremely high operating costs, which were reflected in the low EBIT margin of just above 10%, vs c.36% in FY21 and c.25% in FY22.

Risk of contract cancellation. In FY20-22, the group's top five major customers contributed 88.2%, 95.9%, 99.9%, and 100% of MKHOP's revenue, highlighting the dense concentration of group sales. While this may signal an established relationship between the group and its customers, it is also a fact that a high degree of dependency is placed on the latter. In the event that there are major reductions in purchases from them or the group is unable to renew the purchase agreement with these customers, MKHOP's financial performance will be drastically affected. Although the group can sell CPO and PK to other customers through the e-bidding tendering process, it may experience prolonged disruptions (known as time lag), where it takes time to fill in the gap. Furthermore, if the sales are exercised at auction prices, there is a possibility of the CPO being sold at higher discounts as customers would request to be compensated for freight costs.

IPO Details

Figure 10: Indicative IPO timeline

Opening of Application	**29 Mar 2024**
Closing of Application	**16 Apr 2024**
Balloting of applications	**19 Apr 2024**
Allotment of the IPO Shares to successful applicants	**26 Apr 2024**
Listing	**30 Apr 2024**

Source: Company data, RHB

Figure 11: Utilisation of IPO proceeds

	Estimated timeframe	MYRm	% of proceeds
Expansion of land banks for plantations	Within 24 months	42.0	30.8
Capital expenditures for existing plantation lands	Within 18 months	10.0	7.3
Setup of PK crushing facility	Within 12 months	9.0	6.6
Upkeep of existing palm oil mills	Within 24 months	12.0	8.9
Capital expenditure for upkeep of workers and expansion of electricity supply	Within 24 month	20.0	14.6
Repayment of loan due to a related party	Within 6 months	30.0	22.0
Estimated listing expenses and working capital	Immediate	13.4	9.8
Total		**136.4**	**100.0**

Source: Company data, RHB

Figure 12: Offering structure

	No. of IPO shares	% of enlarged share base (1)
Public Issue of new shares:		
Bumiputera	25,604,900	2.5
Non-Bumiputera	25,604,900	2.5
Private placement to selected investors	168,790,200	16.5
Offer for sale:		
Private placement to selected investors	30,707,700	3.0
Total	**250,707,700**	**24.5**

Note: Based on our enlarged share capital of 1,023,590,845 shares after IPO
Source: Company data

RHB Guide to Investment Ratings

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
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Not Rated:	Stock is not within regular research coverage

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