

Kumpulan Perangsang Selangor

(RM1.94 KUPS MK)

Hold

Target Price: RM1.40

1QFY09: Back in the black

WATER

- Improved q-o-q numbers.**

KPS 1Q08 revenue came in at RM62.0m (-36.8% y-o-y, -6.4% q-o-q). The lower revenue was mainly due to lower revenue recorded for the current quarter by the property development sector (-79.1% y-o-y, -16.7% q-o-q). See Figure 1 for segmental revenue breakdown.

- Once again making profits.**

The group posted 1Q09 PBT of RM0.81m (-96.4% y-o-y, >+100% q-o-q) and net profit of RM0.87m (-94.8% y-o-y, >+100% q-o-q). The lower y-o-y results were mainly due to lower revenue and gross profits from the property developments activities.

These losses were slightly mitigated by the infrastructure and utilities sector, which recorded 1Q09 PBT of RM19.2m (+47.1% y-o-y, +150.4% y-o-y). See Figure 1 for segmental profit breakdown.

- Prospects for the year.**

Management has stated that they expect the infrastructure and utilities sector to continue to be major contributors towards the group's earnings moving forward. Property development sector will continue to be challenging due to the current financial condition.

However, we believe that the Selangor water rationalisation programme is what will determine the value of the group. Post consolidation, the group has stated that it will become a pure water player, hence removing all loss making businesses from its books.

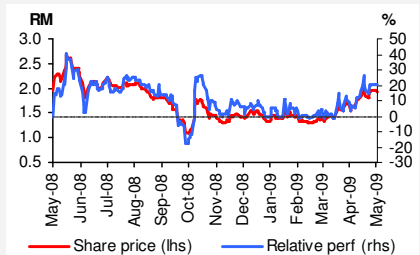
- Maintain TP and call.**

Despite the q-o-q improvement in results, the results itself remain unexciting. For now we maintain our call and TP at RM1.40, with a potential re-rating once some direction is obtained on the water rationalisation project.

However, it should be noted that the group's NTA/ share is still RM2.21, which should be the minimum offer made to the group for its assets. The only downside at this point is the timeline as there are no indications on when the consolidation exercise will take place.

FYE 31 Dec									
RM m	1Q09	1Q08	4Q08	% YoY chg	% QoQ chg	YTD FY09	YTD FY08	% YoY Chg	
Revenue	62.0	98.0	66.2	(36.8)	(6.4)	62.0	98.0	(36.8)	
EBIT	13.3	41.3	(57.9)	(67.9)	>100	13.3	41.3	(67.9)	
PBT/ (LBT)	0.8	22.4	(69.8)	(96.4)	>100	0.8	22.4	(96.4)	
Net profit/ (loss)	0.9	16.8	(73.8)	(94.8)	>100	0.9	16.8	(94.8)	
Adjusted	0.9	16.8	(8.4)	(94.8)	>100	0.9	16.8	(94.8)	
Margin (%)									
EBIT	21.4	42.2	(87.4)	(49.2)	>100	21.4	42.2	(49.2)	
Net Profit	1.4	17.2	(111.5)	(91.8)	>100	1.4	17.2	(91.8)	
EPS (sen)	1.40	3.00	(9.40)	(53.3)	>100	1.4	3.0	(53.3)	
DPS (sen)	0.00	0.00	0.00	n/a	n/a	0.0	0.0	n/a	
NTA (RM)	2.21	2.21	2.21	0.0	0.0	2.2	2.2	0.0	

Share Price Chart



Source: Bloomberg

Price Performance

Price (RM)	1.94
52-week Range (RM)	1.10 – 2.67
Avg Daily Volume ('000)	864.0

	1M	3M	6M
Absolute (%)	25.2	44.8	38.6
Relative (%)	16.1	21.9	15.3

Key Data

Market Cap (RM m)	922.8
Issued Shares (m)	475.7

Major Shareholders

Shareholder	%
KDEB	60.7
Skim Amanah Saham	7.7
Perbadanan Kemajuan	5.8

Balance Sheet Highlights (RM m)

(@ 31/12/09) (performance indicator's annualised)

Total Assets	3,238.3
Total Liabilities	2,109.0
Total Debt (Gross)	1,292.4
Shareholders' Equity	1,003.9
Return on Assets (%)	1.1
Return on Equity (%)	3.6
Debt/Equity (x)	1.29
Interest Cover (x)	1.02

Team Coverage

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Figure 1 : Segmental Information

	3 months ended			yoy change	qoq change
	31-Mar-09	31-Mar-08	31-Dec-08		
	RM'Mil	RM'Mil	RM'Mil	%	%
Segment Revenue					
Revenue from continuing operations:					
Property development and management	9.5	45.3	11.4	-79.1%	-16.7%
Infrastructure and utilities	34.3	36.2	31.4	-5.3%	9.2%
Trading	8.3	6.9	11.2	20.3%	-26.2%
Hospitality	6.4	6.2	8.5	2.6%	-24.4%
Golf club and recreational facilities	2.0	2.0	2.2	3.3%	-8.0%
Investment holding	1.5	1.4	1.6	9.0%	-5.5%
Total revenue	62.0	98.0	66.2	-36.8%	-6.4%
Segment Results					
Results from continuing operations:					
Property development and management	(15.1)	11.2	(69.6)	-234.7%	78.3%
Infrastructure and utilities	19.2	13.1	7.7	47.1%	150.4%
Trading	0.7	0.5	0.3	36.6%	132.5%
Hospitality	(0.1)	(0.1)	0.9	-19.1%	-112.1%
Golf club and recreational facilities	0.4	0.2	(0.6)	137.0%	>100%
Investment holding	(4.2)	(2.4)	(8.6)	-78.1%	50.6%
PBT	0.8	22.4	(69.8)	-96.4%	>100%

Source: ECM Libra, company announcements

Kumpulan Perangsang Selangor Bhd

Financial Summary

Price Date: 28 May 2009

Balance Sheet						Income Statement					
FY 31 Dec (RM'mil)	2007	2008	2009F	2010F	2011F	FY 31 Dec (RM'mil)	2007	2008	2009F	2010F	2011F
Fixed Assets	1,657.0	1,335.1	1,441.9	1,557.2	1,619.5	Revenue	519.2	401.4	409.4	417.6	425.9
Long Term Receivable	111.3	66.8	64.0	75.0	75.0	Operating Cost	(259.0)	(250.8)	(192.4)	(187.9)	(191.7)
Other Assets	467.4	867.3	991.3	1,090.1	1,132.7	EBITDA	260.1	150.6	217.0	229.7	234.3
Inventories	60.5	61.0	55.0	55.0	55.0	Depreciation	(124.5)	(101.9)	(107.0)	(109.2)	(111.4)
Receivables	514.5	635.4	571.9	514.7	463.2	Finance Cost	(109.9)	(106.3)	(108.7)	(108.7)	(110.9)
Tax recoverable	8.9	3.8	-	50.0	50.0	Share of profits	35.6	56.8	60.2	38.9	41.2
Cash and ST Funds	302.5	116.7	114.2	120.5	135.6	Pretax Profit	61.3	(0.9)	61.4	50.7	53.2
Total Assets	3,122.1	3,086.1	3,238.3	3,462.5	3,530.9	Taxation	(25.2)	(10.7)	(16.0)	(13.2)	(13.8)
Payables	488.0	442.1	620.1	682.1	716.2	Minorities	(4.1)	13.0	(9.1)	(9.1)	(9.1)
ST Borrowings	195.7	222.1	228.8	235.6	242.7	Net Profit	32.0	1.4	36.3	28.4	30.3
Other ST Liability	12.6	20.5	12.9	12.9	13.9	Attributable to equity hold	36.1	(11.6)	45.4	37.5	39.4
LT Borrowings	1,190.9	1,156.1	1,063.6	978.5	900.2	FY 31 Dec	2007	2008	2009F	2010F	2011F
Other LT Liability	161.9	193.3	183.7	174.5	165.8	Growth					
Liabilities	2,049.1	2,034.1	2,109.0	2,083.6	2,038.8	Turnover	17.7%	-22.7%	2.0%	2.0%	2.0%
Share Capital	470.8	475.7	478.1	478.1	478.1	EBITDA	44.0%	-42.1%	44.1%	5.8%	2.0%
Reserves	448.6	438.1	525.7	775.3	888.6	Pretax Profit	116.6%	-101.4%	>100%	-17.5%	5.1%
Shareholders' Fund	919.4	913.8	1,003.9	1,253.4	1,366.7	Net Profit	70.2%	-95.7%	>100%	-21.9%	6.7%
Minority Interest	153.5	138.2	125.4	125.4	125.4	Profitability					
	1,073.0	1,052.0	1,129.3	1,378.8	1,492.1	EBITDA Margin	50.1%	37.5%	53.0%	55.0%	55.0%
	3,122.1	3,086.1	3,238.3	3,462.5	3,530.9	Pretax Profit Margin	11.8%	-0.2%	15.0%	12.1%	12.5%
						Net Profit Margin	6.2%	0.3%	8.9%	6.8%	7.1%
Cashflow Statement						Effective tax rate	41.2%	>100%	26.0%	26.0%	26.0%
FY 31 Dec (RM'mil)	2007	2008	2009F	2010F	2011F	Return on Assets	1.0%	0.0%	1.1%	0.8%	0.9%
Net profit for the year	36.1	(11.6)	45.4	37.5	39.4	Return on Equity	3.5%	0.1%	3.6%	2.3%	2.2%
Non cash items	117.6	101.9	149.2	157.6	158.6	Leverage					
Change in working capital	(47.9)	(40.7)	(83.8)	(61.4)	(32.5)	Total debt/Total Asset(x)	0.44	0.45	0.40	0.35	0.32
Tax paid	(17.0)	(33.8)	(16.0)	(13.2)	(13.8)	Total debt/Equity (x)	1.51	1.51	1.29	0.97	0.84
Others	(0.7)	(1.1)	(1.3)	(0.8)	0.2	Net debt/Equity (x)	1.18	1.38	1.17	0.87	0.74
Operating Cashflow	88.0	14.7	93.5	119.7	151.9	Valuations					
Capex	(21.9)	(30.0)	(30.0)	(30.0)	(30.0)	EPS (sen)	6.8	0.3	7.6	5.9	6.3
Others	51.6	50.0	55.0	58.3	58.3	DPS (sen)	15.0	16.0	16.0	16.0	16.0
Investing Cashflow	29.7	20.0	25.0	28.3	28.3	NTA/share (RM)	1.95	2.21	2.10	2.62	2.86
Chg in Debts	(47.7)	(8.5)	(85.8)	(78.2)	(81.3)	P/E(x) @ RM1.94	28.6	673.6	25.5	32.7	30.6
Dividends	(12.6)	(12.6)	(12.6)	(12.6)	(11.6)	Dividend Yield (%)	7.7%	8.2%	8.2%	8.2%	8.2%
Others	(28.0)	(199.4)	(22.6)	(50.9)	(72.2)	P/NTA (x)	1.0	0.9	0.9	0.7	0.7
Financing Cashflow	(88.4)	(220.5)	(121.0)	(141.7)	(165.1)						
Net Cashflow	29.3	(185.8)	(2.5)	6.3	15.0						
Beginning Cash	273.2	302.5	116.7	114.2	120.5						
Ending Cash	302.5	116.7	114.2	120.5	135.5						
Free cashflow	66.1	(15.3)	63.5	89.7	121.9						
FCF/share (RM)	0.14	(0.03)	0.13	0.19	0.25						

Key to stock recommendations:

Buy = Share price is expected to appreciate by >10% over the next 12 months

Hold = Share price is expected to move by less than +/-10% over the next 12 months

Sell = Share price is expected to decline by >10% over the next 12 months

Key to sector recommendations:

Overweight = Industry expected to outperform the market over the next 12 months

Neutral = Industry expected to perform in-line with the market over the next 12 months

Underweight = Industry expected to underperform the market over the next 12 months

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