

GENP's total production improves by 12% in 1H10

▶ GENTING PLANTATIONS BHD				
	2009	2010F	2011F	2012F
REVENUE (RM mil)	755.6	995.6	1,058.9	1,190.0
NET PROFIT (RM mil)	235.7	335.8	398.0	443.0
EPS (sen)	31.1	44.3	52.5	58.4
PER (x)	27.3	19.2	16.2	14.5

▶ **Recommendation:**
Buy
Target Price: RM10
 By ECMLibra Investment
 Research (Oct 15)

Recent Run Up Tagging CPO Prices

GENTING Plantations (GENP) has had a good run year-to-date (YTD) rising 34.8% versus the FBM KLCI's gain of 17.6% amid rising CPO prices.

To note, CPO futures closed at RM2,916 per mt last Friday.

We see the stock to be re-rated to match its larger peers like KLK and IOI as Indonesian hectareage starts maturing starting FY11.

FFB Growth Prospects are Good

Total group production improved by 12% in 1HFY10 translating into some 564,000 mt of FFB production and they are on track to record 7%-8% growth for FY10.

For 2011, the group is looking to achieve another 5%-6% FFB growth, this will be helped along with some 6,000ha coming into maturity in Kalimantan by end 2011.

Genting Plantation has so far planted 30,000ha in Kalimantan since 2007 and are adding on some 10,000-15,000ha pa.

Sector Fundamentals Price Positive

Key fundamental drivers for CPO prices at the moment are stronger exports driven by new demand from Pakistan and Egypt, as well as demand from US and EU, production is a bit weak as October production surge may not be sufficient to take the industry through the upcoming festive season and 1QCY11 cyclical downturn in production, and potential for a supply crunch in the soybean market despite record crops in North America as supplies are being mopped up by China and also from biodiesel demand.

We believe that these three key factors will keep CPO prices buoyant.