

▶ PETRA PERDANA BHD				
	2009	2010F	2011F	2012F
NET PROFIT (RM:mil)	16.9	(16.2)	37.6	63.5
EPS (sen)	5.7	(4.9)	11.5	19.4
PER (x)	20.4	(23.5)	10.1	6.0
DIV YIELD (%)	1.3	-	1.3	1.3

Petra to get much needed cash from rights issue

▶ **Recommendation:**
Hold

Fair Value: RM1.26

By ECM Libra Research
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Rights Issue

PETRA Perdana Bhd announced that the entitlement basis for its proposed rights issue has been fixed at three rights shares for every existing eight shares and the issue price for the rights shares has been fixed at 59 sen each.

The issue price represents a 41% discount to theoretical ex-rights price based on 5-day VWAP of RM1.15. About 61.49% of the rights shares will be underwritten.

In addition to the right shares, a free detachable war-

rant will be issued for every two rights shares subscribed.

The exercise price for the warrant is fixed at RM1.00.

There will be significant earnings dilution from the rights issue and warrants.

On the assumption of full subscription for the rights issue, earnings will be diluted by 27.3% but the exercise will raise RM72.4 million cash. Exercise of the warrants will raise RM61.4 million cash but dilute earnings by another 8.7%.

To note, adjusting for earnings dilution from the rights will reduce our TP from RM1.26 to RM0.92.

Short-term Pain

If there was ever a time that Petra was in need of cash,

now is that time.

We continue to stick to a projected loss of RM16.2 million for this year hence expecting that 2H10 will be slightly better than 1H10.

The RM72 million in proceeds, if used entirely to pare down debt, will bring their gearing down from 0.65x to 0.5x.

Interest cost savings will be approximately RM5 million per annum.

Maintain 'Hold'

We will only be adjusting our numbers when the rights issue is completed and for now we maintain status quo with our projections.

Our TP of RM1.26 is based on 11x PE pegging FY11 EPS.