

Sime's plantation segment might shine through

► SIME DARBY BHD				
	2010	2011F	2012F	2013F
REVENUE (RM mil)	32,951.6	33,217.8	33,875.5	34,845.5
NET PROFIT (RM mil)	2,667.8	2,956.2	2,735.9	2,694.8
EPS (sen)	44.4	49.2	45.5	44.8
PER (x)	19.9	18.0	19.4	19.7

► **Recommendation:**

Buy

Target Price: RM11.80

By ECMLibra Investment Research (Oct 15)

Sime is A Serious Laggard

YEAR-TO-DATE (YTD), the stock lags significantly behind the KLCT's 17.6% gain at a -1.45% decline. With improving CPO fundamentals, we believe Sime's plantation segment could just shine through the cloud that Sime Engineering has caused.

Foreign Investors' Interest May Increase

We expect the Malaysian equity market to be driven by

foreign net equity inflows in 4QCY10 and in this respect, Sime is also a laggard.

Sime's foreign shareholding hit a high of about 22.3% back in early 2008 before the commodity price crash. Management says foreign shareholding is at 14% (as of 3QCY10) currently which indicates there may be upside should foreigners take further interest in the stock.

To note, QoQ, foreign shareholding has already gained 0.9 percentage points.

Sector Fundamentals Turned Price Positive

To keep CPO prices buoyant at the moment are stronger exports driven by new de-

mand 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

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 are raising our FY11 CPO ASP to RM2,700 from RM2,400 previously and raising FY12 CPO ASP from RM2,400 to RM2,600.