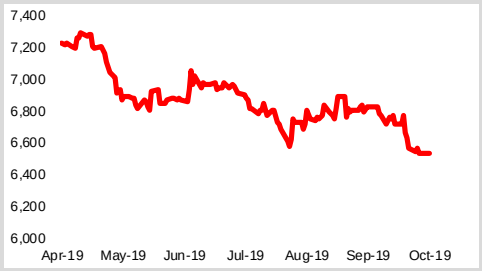
PLANTATIONS — *Overweight*

KL PLANTATION INDEX



SECTOR PERFORMANCE

	1M	3M	6M
Absolute Returns	-4.4	-5.5	-9.0

RECOMMENDATION TABLE

	Current (RM)	Target (RM)	Upside (%)	Call
GENP	10.02	11.72	17.0	O
IOI	4.21	4.64	10.2	N
KLK	21.40	24.87	16.2	O
SIMEPLT	4.62	4.97	7.6	N
Ta Ann	2.30	3.27	42.2	O
TSH	0.92	1.16	26.1	O

Chong Hoe Leong
T 603 2268 3015
F 603 2268 3014
E chonghoeleong@publicinvestbank.com.my

Potential Import Ban From India

According to Reuters news report, the government is considering restricting imports of some products from Malaysia, including palm oil in reaction to the recent remarks made on the Indian government's action in Kashmir during the United Nations meeting. If this materialises, our palm oil exports will be adversely affected as Indian market made up 28% of our total palm oil export volume. We hope this issue could be resolved before it deteriorates further and escalates into a "trade war" as palm oil is an important commodity to both countries. At this juncture, we remain upbeat on the plantation sector outlook in anticipation of falling global palm oil inventories as we see few key catalysts from the supply and demand factors that could contribute to a lower stock level in Malaysia and Indonesia. We expect to see a pick-up in CPO prices after the peak production season is over.

- **What triggered the potential ban?** It is believed that India's government was angered by Malaysia's allegation that India had "invaded and occupied" Jammu and Kashmir and asked the Indian government to work with Pakistan to resolve the issue during the United Nations meeting last month. To send a strong signal of its displeasure, the Indian government is looking for ways to limit palm oil imports and may place restrictions on other goods from our country. It is planning to substitute Malaysian palm oil with supplies of edible oils from countries like Indonesia, Argentina and Ukraine.
- **Facts about Indian vegetable oil consumption pattern.** Given the widening discount of palm oil to soybean oil prices (USD140/mt vs 5-year average of USD102/mt), it is no doubt that palm oil has been the most favourite vegetable oil for the Indian consumers. The import duty plays a vital role in determining the appetite for CPO or refined CPO, which will have a big impact on its local refineries. Palm oil accounts for nearly 62% of India's total edible oil imports. Soybean oil is the second most consuming vegetable oil, making up 28%. India, the world largest palm oil consuming country, has been buying more than 9m mt annually, mainly from Indonesia and Malaysia.
- **India has been our biggest palm oil buyer since 2014.** For the first 9 months, India made up 28% of our total palm oil exports. India has been our biggest palm oil buyer since 2014, replacing China. This year, Malaysian palm oil saw a significant rise in Indian market share, up from 28.7% to 57.8% thanks to the preferential import duty on Malaysian refined palm oil for the first nine months.

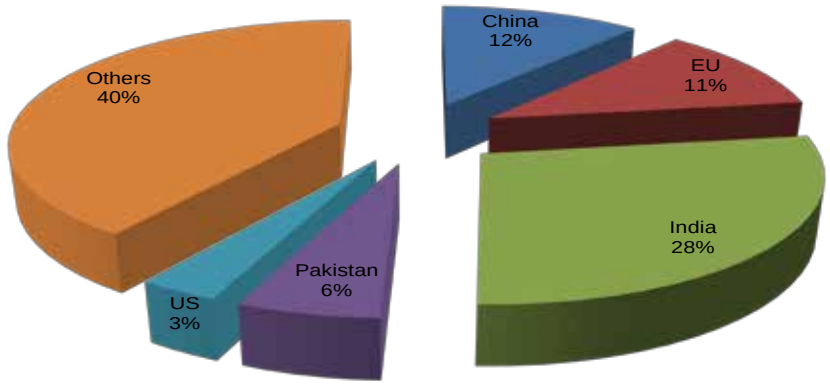
FINANCIAL SUMMMARY

	Price (RM) @11 Oct	Mkt Cap	EPS (sen)		EPS Growth (%)		P/E (x)		P/B (x)		ROE (%)		Dividend Yield (%)	
Company		(RMm)	2019F	2020F	2019F	2020F	2019F	2020F	2019F	2020F	2019F	2020F	2019F	2020F
Genting Plantations	10.02	7,948.9	21.2	31.9	13.3	50.4	47.3	31.4	1.9	1.9	4.1	6.0	1.3	2.0
IOI Corp	4.21	26,473.3	11.8	12.2	7.3	3.4	35.7	34.5	3.8	3.5	7.7	7.6	1.4	1.5
KL Kepong	21.40	22,791.0	60.4	74.6	-17.8	23.5	35.4	28.7	2.0	1.9	5.4	6.4	2.1	2.1
Sime Darby Plantations	4.62	30,692.5	8.6	15.0	-	74.4	53.7	30.8	1.9	1.9	3.7	6.4	1.0	1.7
Ta Ann	2.30	1,022.6	13.2	26.9	6.4	>100	17.4	8.6	0.7	0.7	4.3	7.9	4.3	4.3
TSH Resources	0.92	1,247.2	3.7	5.3	5.7	43.2	24.9	17.4	0.9	0.8	3.7	5.0	1.1	1.1

Source: Public Invest Research estimates *FGV is currently under temporary coverage suspension

YTD, Malaysia's palm oil export volume to India account for 28%

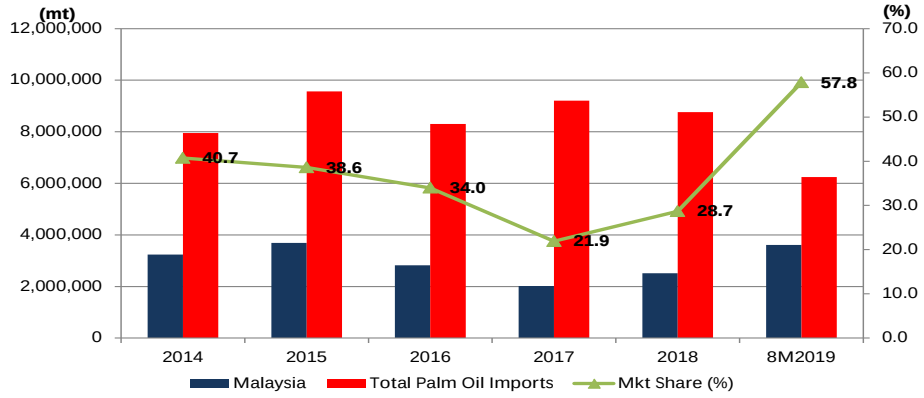
Figure 1: Exports By Destinations



Source: MPOB, PublicInvest Research

Malaysia's palm oil commanded 57.8% market share in India

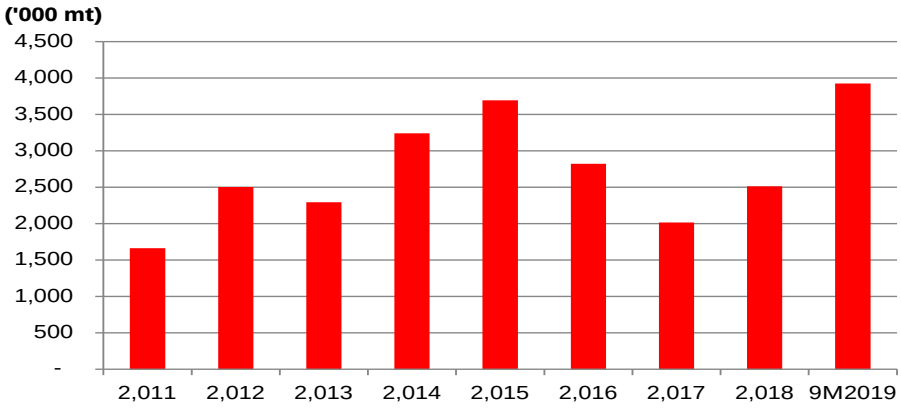
Figure 2: Malaysia's Palm Oil Market Share in India



Source: Bloomberg, MPOB, PublicInvest Research

YTD, Malaysia's palm oil exports to India doubled to 3.9m mt, which has exceeded the total export volume for 2018

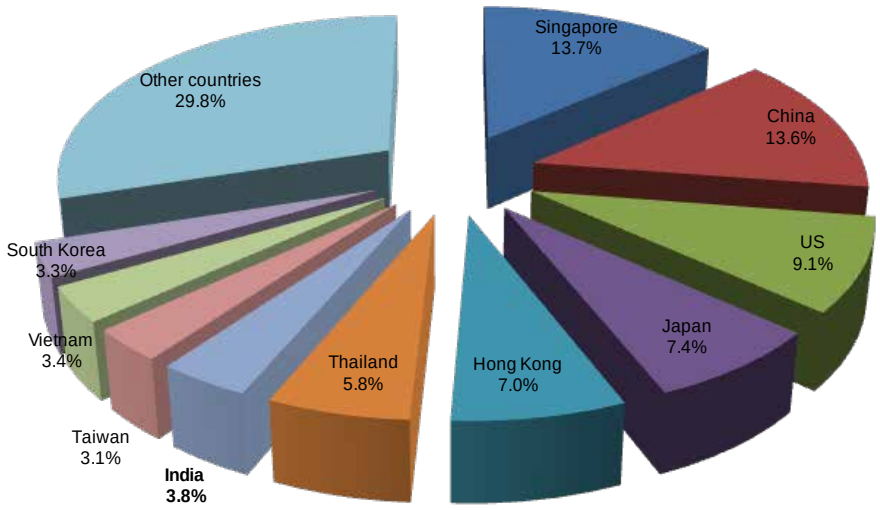
Figure 3: Malaysian Palm Oil Export Volume to India



Source: MPOB, PublicInvest Research

YTD, India is our no.7 largest export destination, accounting for 3.8%. Malaysia is a net exporter in Malaysia-India trading

Figure 4: Malaysian's top 10 Export Destination (Jan-Aug 2019)



Source: Matrade, PublicInvest Research

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

DISCLAIMER

This document has been prepared solely for information and private circulation only. It is for distribution under such circumstances as may be permitted by applicable law. The information contained herein is prepared from data and sources believed to be reliable at the time of issue of this document. The views/opinions expressed herein are subject to change without notice and solely reflects the personal views of the analyst(s) acting in his/her capacity as employee of Public Investment Bank Berhad ("PIVB"). PIVB does not make any guarantee, representations or warranty neither expressed or implied nor accepts any responsibility or liability as to its fairness liability adequacy, completeness or correctness of any such information and opinion contained herein. No reliance upon such statement or usage by the addressee/anyone shall give rise to any claim/liability for loss of damage against PIVB, Public Bank Berhad, its affiliates and related companies, directors, officers, connected persons/employees, associates or agents.

This document is not and should not be construed or considered as an offer, recommendation, invitation or a solicitation of an offer to purchase or subscribe or sell any securities, related investments or financial instruments. Any recommendation in this document does not have regards to the specific investment objectives, financial situation, risk profile and particular needs of any specific persons who receive it. We encourage the addressee of this document to independently evaluate the merits of the information contained herein, consider their own investment objectives, financial situation, particular needs, risks and legal profiles, seek the advice of their, amongst others, tax, accounting, legal, business professionals and financial advisers before participating in any transaction in respect of any of the securities of the company(ies) covered in this document.

PIVB, Public Bank Berhad, our affiliates and related companies, directors, officers, connected persons/employees, associates or agents may own or have positions in the securities of the company(ies) covered in this document or any securities related thereto and may from time to time add or dispose of, or may be materially interested in, any such securities. Further PIVB, Public Bank Berhad, our affiliates and related companies, associates or agents do and/or seek to do business with the company(ies) covered in this document and may from time to time act as market maker or have assumed an underwriting commitment in the securities of such company(ies), may sell them or buy them from customers on a principal basis, may have or intend to accommodate credit facilities or other banking services and may also perform or seek to perform investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment advisory or other services from any entity mentioned in this document. The analyst(s) and associate analyst(s) principally responsible for the preparation of this document may participate in the solicitation of businesses described aforesaid and would receive compensation based upon various factors, including the quality of research, investor client feedback, stock pickings and performance of his/her recommendation and competitive factors. The analyst(s) and associate analyst(s) may also receive compensation or benefit (including gift and company/issuer-sponsored and paid trips in line with the Bank's policies) in executing his/her duties. Hence, the addressee or any persons reviewing this document should be aware of the foregoing, amongst others, may give rise to real or potential conflicts of interest.

Published and printed by:
PUBLIC INVESTMENT BANK BERHAD (20027-W)
9th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
T 603 2268 3000
F 603 2268 3014
Dealing Line 603 2268 3129