



AmInvestment Bank

## Company report

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# FGV HOLDINGS

(FGV MK, FGV.KL)

PLANTATION

12 May 2020

## Sets up JV in India

**SELL**

Price: RM0.925

Fair Value: RM0.70

### Rationale for report: Company update

YE to Dec	FY19	FY20F	FY21F	FY22F
EPS (sen)	-6.7	1.4	2.0	2.4
PE (x)	-13.7	67.0	46.0	38.9

Source : AmInvestment Bank Bhd

- FGV Holdings has entered into a joint venture agreement with Pre Unique Pvt Ltd to establish operations in India.
- FGV will hold a 70% stake in the joint venture while Pre Unique will hold the balance 30%.
- The principal activity of Pre Unique is to provide engineering solutions for palm oil mills, biomass and gasification power plants in India and Malaysia.
- The major shareholder of Pre Unique is Chigurupati Anil Kumar.
- The joint venture will conduct intelligence work including market study, business development and potential customer base in India. The joint venture will also carry out plantation and food processing activities in India.
- FGV plans to establish a presence in the food processing industry in India in the long term.
- We are neutral on this development. We do not expect any earnings contribution in the short term as it will take time for due diligence studies to conclude. It will also take time to set up a plant or factory in India.
- In FY19, about RM1.3bil of FGV's revenue came from India. This was roughly 9.7% of FGV's group revenue of RM13.3bil.
- India was a major buyer of Malaysia's palm products in 2019, accounting for 23.9% of the country's exports.
- However in 1Q2020, India's exports fell by 92.9% YoY to a mere 78,812 tonnes due to an unofficial trade spat with Malaysia.
- We maintain SELL on FGV with a fair value of RM0.70/share.

Quick Take

TABLE 1 : VALUATION MATRIX

(RM mil) YE Dec	FY18	FY19	FY20F	FY21F	FY22F
Revenue (RMmil)	13,464.5	13,259.0	14,465.2	15,018.5	15,419.6
Net Profit (RMmil)	(1,080.9)	(246.2)	50.3	73.4	86.9
EPS (sen)	-29.6	-6.7	1.4	2.0	2.4
EPS growth (%)	-925.6	-77.2	-120.4	45.8	18.4
Consensus net (RMmil)	(193.7)	(100.2)	202.6	268.9	260.3
DPS (sen)	-	2.0	2.5	3.0	3.5
PE (x)	-3.1	-13.7	67.0	46.0	38.9
EV/EBITDA (x)	80.5	8.2	6.8	6.0	5.8
Div yield (%)	0.0	2.2	2.7	3.2	3.8
ROE (%)	-24.2	-5.9	1.2	1.8	2.1

Source : AmInvestment Bank Bhd

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