



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 19 to 25 Apr

NEUTRAL

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Rationale for report: Sector update

Quick Take

- *The Economic Times* of India reported that lockdowns, local restrictions and rising fear of Covid-19 have impacted basmati rice and palm oil demand in the past one and a half months. Company executives said business at hotels, restaurants and cafes has fallen, hurting demand for these commodities. Basmati rice sales have dropped by 20% since the beginning of March and demand for palm oil has fallen by 10%. Local curbs on activities, night curfews and other restrictions have reduced palm oil consumption by the hospitality sector by 10% to 15%.
- *Bloomberg* reported that Eni Group, an Italian oil and gas company, plans to eliminate the use of palm oil in the production of biofuels by year 2023F. Eni is making plans to eliminate the use of palm oil in biofuel production at the Porto Marghera site in Venice. We believe that this is pursuant to the EU's guidelines that the use of palm biodiesel be phased out by year 2030F.
- According to *Bloomberg* also, Mars Inc, which is looking to curb its climate change impact, is trying to get its suppliers on board. Mars is partnering with consulting firm, Guidehouse, to bring companies together under a programme that pushes suppliers to reduce their environmental impact. PepsiCo and McCormick & Co are joining the efforts. Mars has already signed on 30 of its largest suppliers to set climate targets or enrol in the programme. Pepsi has also asked 40 of its suppliers to enrol in the programme. To keep companies accountable, each company will get a "climate maturity" score that will show the progress they have made with their suppliers.
- *S&P Global Platts* reported that Malaysia continued to edge Indonesia as the largest palm oil exporter to India in the November 2020 to March 2021 period, amid a widening tax difference between Malaysia and Indonesia. According to the Solvent Extractors Association of India, India bought 1.68mil tonnes of crude palm oil (CPO) from Malaysia and 1.29mil tonnes from Indonesia between November 2020 and March 2021. A year ago, Indonesia supplied 2.06mil tonnes of CPO to India in the same period while Malaysia supplied 414,815 tonnes.
- *Reuters* reported that the US Environmental Protection Agency has asked industry groups for their input on the future of the nation's biofuel policy after it ends its current phase in 2022F. The consultations will provide a new opportunity for the oil, corn and biofuel lobbies to reshape the regulation called the Renewable Fuel Standard. Under the regulation, the EPA will have discretion over annual mandated volumes from 2023F onwards, taking over the responsibility from Congress. Some of the groups such as the American Petroleum Institute are advocating for the EPA to encourage increased use of advanced and cellulosic biofuels instead of conventional biofuels such as ethanol.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
Indonesia									
PT Astra Agro	14.3	14.3	13.3	1.8	2.7	2.4	6.9	6.3	8.0
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	12.6	12.8	12.4	2.6	3.1	3.6	7.4	7.0	7.0
BW Plantation	39.3	-	-	0.4	-	-	2.1	2.2	-
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	-	-	-	-	-	-	-	-	-
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	11.1	10.6	9.0	1.9	2.2	3.1	9.6	10.5	10.5
Sampoerna Agro	11.0	9.7	-	0.7	0.9	-	4.1	7.0	-
Sawit Sumbermas	12.3	10.1	-	1.9	2.1	-	14.3	15.3	-
Simple average	16.8	11.5	11.6	1.6	2.2	3.0	7.4	8.1	8.5
Singapore									
Wilmar International	15.8	15.1	14.3	2.7	2.9	2.9	8.4	8.5	8.6
Olam International	-	-	-	-	-	-	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	6.2	7.0	9.0	5.6	4.9	4.9	6.0	4.8	4.9
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	9.9	9.8	9.9	3.5	3.7	4.5	13.8	12.6	12.5
Bumitama Agri	8.6	7.5	6.9	4.3	5.2	5.3	11.0	11.7	11.8
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	10.1	9.9	10.0	4.0	4.2	4.4	9.8	9.4	9.4
Malaysia									
Genting Plantations	24.4	24.2	30.6	2.1	2.1	2.2	6.0	6.0	5.6
IJM Plantations	14.3	14.1	13.1	1.9	2.3	2.7	7.9	8.3	8.2
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	25.4	24.0	23.1	2.5	2.6	2.7	10.9	10.6	10.9
Kuala Lumpur Kepong	21.3	21.2	21.2	2.7	2.8	2.6	9.9	9.7	9.6
Felda Global Ventures	17.7	17.9	17.0	2.2	2.1	4.1	7.2	3.8	7.3
Kulim	1.0	2.0	3.0	5.0	6.0	7.0	5.0	6.0	7.0
Sarawak Oil Palms	8.8	11.3	10.8	3.0	2.8	3.0	10.4	8.7	8.3
TH Plantations	10.9	11.4	14.4	-	-	-	6.5	6.3	4.6
TSH Resources	16.6	15.4	15.4	1.7	1.9	1.9	5.9	5.9	5.6
SD Plantation	24.5	26.5	27.0	2.3	2.3	2.4	8.5	7.8	8.3
Sarawak Plantations	10.7	11.4	13.3	3.1	3.1	2.1	10.0	8.9	7.5
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	10.8	11.6	9.7	4.5	4.2	4.5	8.6	8.2	8.1
Jaya Tiasa	7.7	10.0	11.8	3.9	3.0	11.0	6.6	-	-
Hap Seng Plantations	14.3	14.1	12.8	4.6	4.8	5.5	5.7	5.8	6.8
Simple average	14.9	15.4	16.0	3.0	3.1	4.0	7.8	7.4	7.5

Source: Bloomberg

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