



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 14 – 18 Nov

NEUTRAL

Gan Huey Ling, CFA

gan-huey-ling@ambankgroup.com

03-2036 2305

Rationale for report: Sector update

Quick Take

- **Bloomberg** cited a senior minister as saying that Indonesia plans to double its palm oil output over the next 2 decades, which would help the country reach high-income status faster. The country will replant trees to reach 100mil tonnes of output in 2045F from 51mil tonnes this year. Half of the output will be used for food while the rest will go towards clean energy.
- **Reuters** reported that 9 Indonesian companies have signed contracts to sell 2.5mil tonnes of palm products worth US\$2.6bil to 13 Chinese buyers. It was unclear over what period of time the deals would be executed. Indonesia exported 6.6mil tonnes of palm products to China in 2021. The deal was a follow-up from President Joko Widodo's state visit to China in July.
- **S&P Global Platts** reported that Brazil's 2023F biodiesel mandate remains unclear. Although the National Agency of Petroleum, Gas and Biofuels released a target of 14% each for the first 2 months of 2023F and 15% in March, the last detail was missing on the website since 7 November. More than 400 decision makers attended a biodiesel marketing event on 7-8 November and there was no consensus on whether a mandate of 14% in January would be favourable or not for the industry. The main concerns were regarding the seasonality of the soybean oil supply in the country as January is historically considered the month with the less domestic supply and this could translate into higher biodiesel prices.
- **Asia News Network** reported that nearing the end of the year, employers and workers in Indonesia have yet to reach an agreement on the 2023F minimum wage as both sides differ on the factors used to reach the final figure. Labour unions have called relentlessly for a minimum wage increase of 13% as the fuel hike in September raised the costs in other sectors of the economy such as food and rent. However, a government official said that it is unlikely that the labour unions' demand would be met as businesses would not be able to withstand the 13% hike in minimum wage. Data from Statistics Indonesia showed that Indonesia's economy has increased by 5.4% YoY while CPI has risen by 5.7% YoY in October.
- **Economic Times** cited a government official as saying that India is aiming to strike a deal for the supply of 1mil tonnes of potash with Uralkali, a Russian potash producer. The imports will be contracted between Uralkali and 4 to 5 Indian companies. The source added that the focus is to secure supplies at reasonable rates. The 2 countries have formed a committee to chalk out details of the deal.

TABLE 1: REGIONAL VALUATION COMPARISONS

Company	Price (lcl cry)	Mkt Cap (lcl cry mil)	P/E (x)		ROE (%)		Net Dividend Yield (%)	
			CY22F	CY23F	CY22F	CY23F	CY22F	CY23F
Malaysia								
IOI Corp	4.02	24,956.1	14.8	15.8	14.8	12.2	3.3	3.0
Kuala Lumpur Kepong	21.62	23,309.7	10.0	11.6	16.5	12.0	4.6	3.7
Sime Darby Plantation	4.38	30,290.8	11.5	15.7	16.2	11.2	4.9	3.8
TSH Resources	1.05	1,449.2	7.0	9.9	12.5	7.2	3.3	2.6
Genting Plantations	6.45	5,786.9	9.5	13.4	10.8	6.9	5.5	4.0
Hap Seng Plantations Holdings	2.07	1,655.3	6.5	10.5	13.0	7.7	9.1	6.2
FGV Holdings	1.33	4,852.0	3.9	7.7	21.3	9.3	6.5	4.4
Boustead Plantations	0.70	1,568.0	3.8	10.8	18.0	4.4	19.0	7.3
Sarawak Oil Palms	2.63	2,341.1	4.6	7.6	16.3	9.0	4.1	3.2
Ta Ann Holdings	3.78	1,664.9	5.1	7.4	18.7	10.8	10.3	6.5
Singapore								
Wilmar International	4.08	25,465.4	8.7	9.7	11.0	9.1	4.4	4.3
First Resources	1.68	2,636.9	6.8	8.4	23.2	15.5	7.7	5.9
Bumitama Agri	0.63	1,092.5	3.6	5.8	30.3	16.3	10.8	7.0
Golden Agri-Resources	0.285	3,614.3	3.4	5.9	17.8	7.9	10.1	5.8
Indonesia								
Astra Agro Lestari	8250	15,878,678.7	7.8	8.2	8.4	7.2	5.8	4.7
Perusahaan Perkebunan London S	1090	7,436,921.7	7.0	7.5	9.0	8.1	4.0	4.0
Dharma Satya Nusantara	600	6,359,905.4	5.8	5.9	13.7	10.8	3.2	4.9
Sawit Sumbermas Sarana	1520	14,478,000.0	5.4	7.4	28.9	21.8	5.2	9.3

Source: Bloomberg

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