

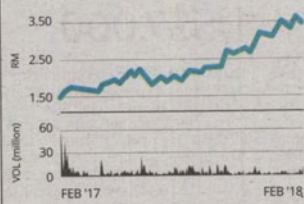
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Analyst reports

Serba Dinamik

FEB 6
RM 3.40



SERBA DINAMIK HOLDINGS BHD

By RHB Research

Buy

Target Price: RM3.96

SERBA Dinamik has entered into a memorandum of agreement (MoA) to acquire a 40% stake in several subsidiaries held by Maju Holdings Sdn Bhd that have been granted approval to develop hydropower plants with generating capacity totalling 60MW.

The terms are to be finalised within 30 days from the date of the MoA.

The power plants will be located within the

Temenggor and Belum Forest Reserves in Perak.

The purchase consideration is RM24.9mil and the cost to develop the power plants is not factored into it.

RHB Research views the deal as a positive development for Serba Dinamik, as it would bring in a recurring revenue stream for the company.

Additionally, having a 40% stake, Serba Dinamik would benefit from engineering, procurement, construction and commissioning (EPCC) revenue from the construction of the power plants and the operations and maintenance (O&M) revenue upon commencement of operations of the facilities.

RHB Research said the project's execution risk is low as Serba Dinamik has a track record from its current Kota Marudu power plant project in Sabah.

The EPCC work for the said project is targeted to be completed in the first quarter of this year.

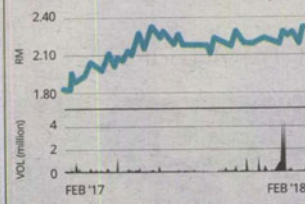
The research house said the purchase consideration of RM24.9mil implied RM1mil per MW, which is "significantly" lower than Tenaga Nasional Bhd's solar power project in Kuala Langat, Selangor, which is worth RM339mil (RM6.9mil per MW).

It said the difference was due to the fact that the project development cost had not been factored into the project for Serba Dinamik's proposed deal, adding that it would be a larger value after the company has finalised the power plants' development plan.

RHB has upgraded Serba Dinamik's forecast earnings for financial year 2017-2018 by

Daibochi

FEB 6
RM 2.32



12.2% and 20%, respectively, to account for higher EPCC and O&M revenue.

RHB has maintained a "buy" call on Serba Dinamik with higher target price of RM3.96 from RM3.10 previously.

DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD

By MIDF Research

Buy

Target Price: RM2.59

MIDF Research said Daibochi's earnings for financial year 2017 (FY17) came in within expectation, making up 96% of the research house's and consensus' full-year estimates.

The company has announced an interim dividend of 1.3 sen. Its net profit improved by

6% to RM27.1mil from RM24.5mil in FY16. This was attributed to sales that grew 5% year-on-year, MIDF said.

The research house said that improvement in Daibochi's profits are due to better profit after tax margin, contribution from its Myanmar operations that started in third-quarter 2017 and wastage control at its Malaysia plant.

Additionally, the company was granted a five-year income tax waiver by the Myanmar Investment Committee that started on Nov 22, 2017.

Daibochi Myanmar has also exported seven containers of flexible packaging to eight Malaysia-based customers in December 2017. MIDF foresees growth from plants in both countries. In Malaysia, MIDF said Daibochi is expected to deliver orders worth RM27mil to new customers.

As for Myanmar, revenue may grow by another RM25mil from sales with existing customers, beverage labelling, new local sales, exports and new multinational company customers that already have operations in Myanmar.

Daibochi also plans to invest about RM10mil in printing machine and high-speed slitter for its Malaysia plant. It has earmarked about RM7mil for the Myanmar plant, which will see the addition of an extrusion machine as well as slitting, printing and rewinding machine.

MIDF said due to the brighter prospects ahead, it has incorporated higher sales and margins on anticipation of better product mix in Malaysia, coupled with improving operational efficiency in both plants.