



FGV rated 'buy' on operational efficiency

RHB Research has maintained its "buy" call on Felda Global Ventures Holdings Bhd (FGV) on the back of improving operational efficiency going forward.

"We see FGV's fair value at RM5 based on an unchanged 18 times current year 2014 target price-earnings (ratio) for the plantation division, comprising subsidiaries and associates, and a fair value of RM5.49 for MSM Malaysia Holdings Bhd.

"We expect the group's acquisition of a 51 per cent stake in Felda Holdings Bhd, which was completed at end-2013, to boost earnings by at least 10 per cent while improving its operational efficiency," RHB Research said in its note.

The research house said the move will give FGV complete control over the entire plantation value chain — from plantation estates to mills and refineries — and expects to see this improvement coming through from financial year 2014 onwards.

"We expect yields to improve in the next few years, having witnessed the group's serious efforts in improving operational efficiency at estates of Pontian United Plantations and Felda Sahabat estates in Lahad Datu, Sabah, by rehabilitating its old trees and reaping the low-hanging fruit."

RHB Research is maintaining its crude palm oil price assumptions of RM2,700 per tonne for financial year 2014 and RM2,900 per tonne for financial year 2015.