

Newspaper : The Star

Date : 19th June 2017

Title : Power Play for Bina Puri

Section : Starbiz

Page : 2

Bina Puri Holdings Bhd

(207184-X)

<http://www.thestar.com.my/business/business-news/2017/06/19/power-play-for-bina-puri/>

# Power play for Bina Puri

## Company confirms July IPO for Indonesian power business

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**PETALING JAYA:** Construction and property firm Bina Puri Holdings Bhd will be listing its Indonesian power business PT Megapower Makmur Tbk on the Indonesia Stock Exchange on July 5 after a delay of almost a year.

Bina Puri group executive director Datuk Matthew Tee confirmed the listing date. Originally, Megapower was supposed to be listed at the end of last August but according to him, the listing was delayed as certain accounting transactions had to be reconciled because of the difference in accounting practices between Indonesia and Malaysia.

"It was a matter of the different accounting standards used in Indonesia pertaining to the valuation surplus," he told *StarBiz*, adding that Megapower's final prospectus would be released on June 16 in tandem with the final approval for the listing from Indonesia's

Financial Supervisory Authority.

Tee's upbeat take on the listing rests on the margins, as the power business yielded far better margins than Bina Puri's construction mainstay.

"We're talking about net margins of 15% (for the power business) as opposed to the average gross margins of 7% for the construction business of 20-odd public-listed companies here," he pointed out.

But Bina Puri's power business contributes only about 1% to the company's revenue based on figures from the financial year ended Dec 31, 2016 (FY16). "Eventually, power will contribute to the bottom line," Tee conceded.

In the latest available quarter, Bina Puri recorded revenue of RM279.03mil for the quarter ended March 31, of which RM241.2mil came from the construction business and only RM5.6mil came from the power business.

The notes to the quarterly results showed that the current value of construction works in progress

amounted to RM1.5bil, giving Bina Puri a stream of revenue over the next three years.

However, revenue contribution from the power business has improved on an annual basis, rising more than six-and-a-half fold from FY12 to FY16 as has pre-tax profit, which has risen 115% in the same period.

Tee said there was a lot going on for the power business in Indonesia where demand far outstrips supply.

Analysts noted that private financing in Indonesia for infrastructure, which includes ports, power grids and transportation links, have traditionally been lacking, which in turn has crimped growth.

That could be changing. According to a recent report by Kohlberg Kravis Roberts & Co's global macro and asset allocation head Henry McVey, budget allocations for priority areas such as infrastructure, education and healthcare have increased significantly under President Joko Widodo.

"All told, central government

funding for infrastructure, an area that we have traditionally viewed as notably inadequate in Indonesia, jumped by over 20% in the latest 2017 budget, and it now stands at 2.5 times what was allocated just three years ago," he said.

While Tee said Megapower, an independent power producer, would take a breather and consolidate what it has following the listing, the focus would be on renewable energy, especially hydropower, where several projects were under negotiation. "We've a lot on our plate right now," he said.

Megapower has a 4.2 MW hydropower plant in Sulawesi that has been in operation since April last year. It has eight diesel plants with a capacity of 28 MW, which generates power for PT Perusahaan Listrik Negara, a state-owned corporation with a monopoly on electricity distribution.

The initial public offering of Megapower involves a public issue of up to 245.1 million new shares, representing 30% of its issued and

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Datuk Matthew Tee

paid-up capital. The indicative pricing for the shares ranges from 200 rupiah (0.064 sen) to 250 rupiah that will raise 49.02bil rupiah to 61.27bil rupiah.

Currently, the company has a price-earnings ratio of between seven and nine times and price-to-book value of 1.3 times. The book-building process, which started on May 23, ended on June 5.