WORLD MARKETS | FBM KLCI (Jan 23) -3.54 (1,574.44) | STI (Jan 23) -19.37 (3,234.56) | DJIA (Jan 22) -9.77 (29,186.27) | FTSE 100 (Jan 22) -38.78 (7,571.92) | Exchange rate (Jan 23) US$1=RM4.068 | Brent Oil US$62.18* *AT PRESS TIME

BUSINESS

TRANSFORMATION

TH PLANTATIONS UPBEAT ON REBOUND

Company embarks on asset rationalisation exercise to strengthen financial position

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TH Plantations Bhd is confident of reemerging as a viable medium-sized plantation company upon completion of its current asset rationalisation exercise.

The exercise involves the disposal of some of its loss-making plantation land and internal corporate transformation.

"The move is to strengthen our financial position. Most of the assets identified for disposals were not producing expected performance, adding to the overall financial burden.

"We can choose not to do anything and hold on to the assets but the consequences would be serious to TH Plantations and Tabung Haji depositors, who indirectly own the company.

"A strategy must be implemented to strengthen the company's position," said its chief executive officer Muzmi Mohamed in an interview, here, recently.

TH Plantations was a small-sized farm company favoured by investors when it was listed in 2006. It posted positive performance between 2006 and 2009.

However, after that period, especially from 2012 to 2014, the company aggressively embarked on acquiring plantation land, increasing its acreage to 100,000ha from 15,000ha in 2006.

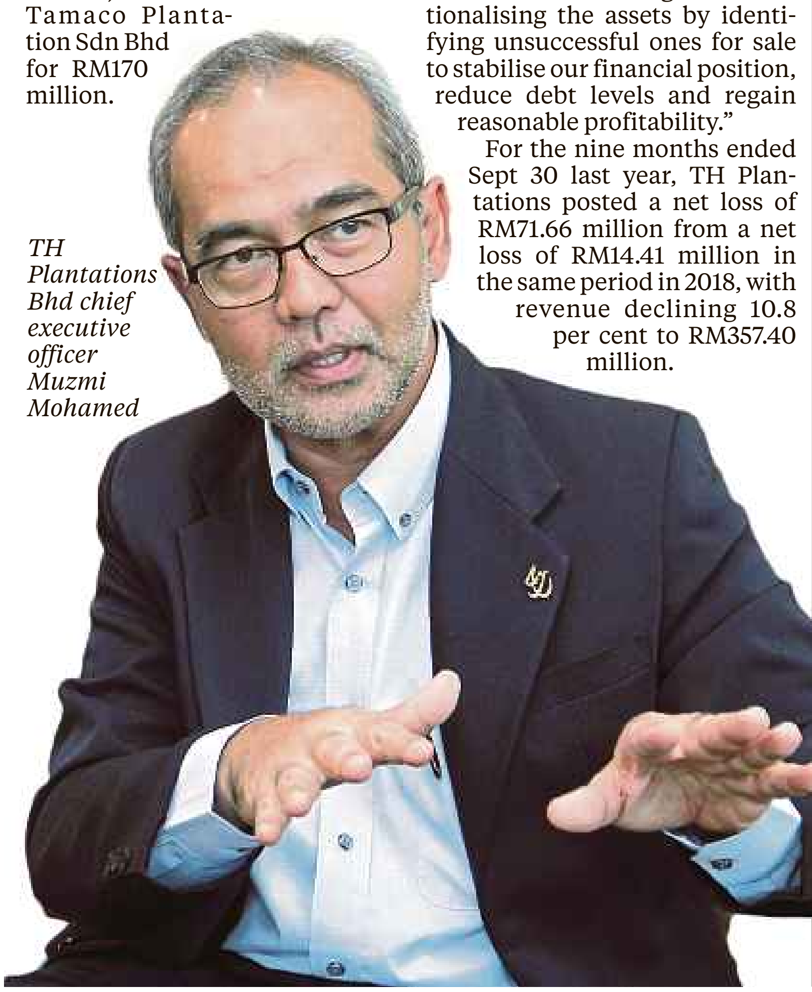
"A land deal is considered beneficial if the purchase is preceded by fair and reasonable evaluation. The new management, however, recently discovered that the projection made by the earlier management was inaccurate.

"Now the company is bearing the brunt of the wrong valuation and projection on purchases made before 2018," said Muzmi.

TH Plantations has been facing difficult financial situation since 2015 due to high investment costs, which resulted in the company selling two of its subsidiaries — TH Bakti Sdn Bhd in 2015 for RM16.3 million (excluding prepayment of RM15.22 million) and THP Gemas Sdn Bhd in 2016 for RM154.1 million — to meet financial obligations at that time.

The disposals were inadequate for the company's operations and its financial position continued to decline.

Last month, TH Plantations announced the disposal of its stakes in Bumi Suria Ventures Sdn Bhd dan Maju Warisanmas Sdn Bhd to Tamaco Plantation Sdn Bhd for RM170 million.



TH Plantations Bhd chief executive officer Muzmi Mohamed

Following the sale, its land reserves now stand at 94,462.08ha, consisting of oil palm and rubber estates.

Muzmi said the asset rationalisation measures have to be implemented as soon as possible to recover its financial position and avoid being declared bankrupt.

He said TH Plantations had debts amounting to RM1.24 billion in the financial year 2018, which rose to RM1.29 billion in the third quarter of financial year 2019. This compared to its cash position of only RM50.6 million in 2018 and RM43.8 million in the third quarter of last year.

The situation has put the company at risk of challenging capital structure and made it difficult to continue operations.

"What we are doing now is rationalising the assets by identifying unsuccessful ones for sale to stabilise our financial position, reduce debt levels and regain reasonable profitability."

For the nine months ended Sept 30 last year, TH Plantations posted a net loss of RM71.66 million from a net loss of RM14.41 million in the same period in 2018, with revenue declining 10.8 per cent to RM357.40 million.

Inflows into Malaysian equities swelled to US$121 million so far this month, the biggest monthly purchase in a year. BLOOMBERG PIC

EQUITY MARKET

Global funds eyeing cheap deals in Malaysia

KUALA LUMPUR: Investors are going bargain-hunting in Malaysia as they expect government policy changes to start bearing fruit.

Global funds from Aviva Investors to BNP Paribas SA are picking cheap deals in the country after its benchmark stock index had the worst year since 2008.

Sentiment appears to be on the mend as inflows into Malaysian equities swelled to US$121 million so far this month, the biggest monthly purchase in a year.

Prime Minister Tun Dr Mahathir Mohamad has sought to rein in debt, restructure state-linked firms and spur economic growth. That has led to billion-dollar projects being revised or cancelled and leadership changes at the country's biggest companies — moves that have roiled the markets. Still, the worst may be over.

"I consider Malaysia a rare gem as there are not many opportunities in this region where you get to invest in a market with a new government carrying out reforms," said Clint Loh, a regional fund manager at Phillip Capital Management Sdn.

Malaysia's stock valuations have come close to 10-year average.

Sentiment got a boost after the central bank rolled out measures to deepen onshore markets, ahead of a decision by FTSE Russell on whether to retain ringgit bonds in its World Government Bond Index.

On Wednesday, policymakers unexpectedly cut the benchmark rate to the lowest since 2011.

The ringgit has gained 0.6 per cent, the best performance in Asia after Indonesia's rupiah and the Chinese yuan.

The yield on benchmark 10-year bonds has dropped 15 basis points, while the FTSE Bursa Malaysia KLCI Index of stocks has declined one per cent.

"We have a positive outlook for the ringgit and recently added a long position in our portfolios," said Stuart Ritson, a fund manager at Aviva Investors.

"At the bottom-up stock level, the Malaysian market offers compelling investment ideas that have done well last year and we expect to continue to find such ideas in 2020," said Soo Hai Lim, head of Asia ex-China equities at Barings.

"Malaysia is well-positioned for export-oriented growth and potential relocations, especially in the electronics sector, driven by the ongoing United States-China trade friction," said Cynthia Lum, a senior fund manager for Asean equities at BNP Paribas Asset Management.

"If people are looking for a defensive market, Malaysia will be our first pick," said Dan Fineman, co-head of equity strategy for Asia Pacific at Credit Suisse Group AG. **Bloomberg**