

Financial Year End	31/12/2011
Report Period Ending	31/03/2011
Reporting Quarter	1Q-2011

**MALAYSIA EQUITY
NPC RESOURCES BHD**

RESULTS REPORT

Recommendation	BUY
Target Price (MYR)	2.80
Current Price (MYR)	2.25

1Q FY11 revenue fell 15.4% year on year, whilst net profits fell more than 50% over the same period. NPC's own FFB production fell 32% 1Q11 vs 1Q10 due to prolonged adverse weather conditions. In addition, net margins were adversely affected by lower milling margins and higher effective tax rates. Weather conditions in central Sabah during the period 1Q FY11 were some of the worst seen for the past five years; thus FFB production for NPC may well be near its nadir. Looking ahead, revenue growth will be supplemented by NPC's new acreage in Indonesia.

Industry Group	Agriculture
Industry Sub Group	Agricultural Operations

INVESTMENT RISKS

Key Company Statistics	
Bloomberg Ticker	NPC MK
Bursa Stock Code	5047
Issued Share Capital (mn)	120.0
Market Capitalisation (MYR mn)	270.0
52 week High (MYR)	2.50
52 week Low (MYR)	1.76
Average Volume (3 month) '000	11.1
1 Yr Return (%)	10.3

Risks to our recommendation and target price include: i) a sharp reversal in CPO prices, ii) further increases in the MYR exchange rate, iii) an increase in the general level of interest rates, and iv) a sharp slowdown in the general level of economic activity in Malaysia or among the economies of the major CPO importers: China, India, Pakistan, Europe and the US. Investors can take some comfort in the fact that vegetable oils are among the most resilient of food related commodities.

Major Shareholders (%)

RECOMMENDATION

Jubilant Ventures Sdn Bhd	32.0
Koh Kin Lip	16.5
Loo Pang Kee	8.5

We maintain our BUY recommendation on NPC Resources Bhd ("NPC") with a fair value estimate of MYR 2.80. Value investors will be attracted by the combination of steady revenue growth and stability of operating margins. Looking ahead, average ROE is likely to be maintained at levels of 9-10%, whilst P-BV stands on 1.0x trailing book value and 0.9x current year book value.

FTSE-BURSA INDEX MEMBERSHIP

FBM KLCI	FBM70	FBMEMAS	FBMHJRAH
No	No	No	No

Compared to its peers in sales and market cap, NPC offers a higher ROE at lower multiples of profit and book value. With revenue growth expected to remain at or above Malaysia's GDP on the back of firm long run international demand for vegetable oils, NPC's shares have reasonably good upside with limited downside risk. At current prices, investors can expect a total return somewhere in the neighbourhood of 10-15% pa for the next few years.

REPORT INDEX

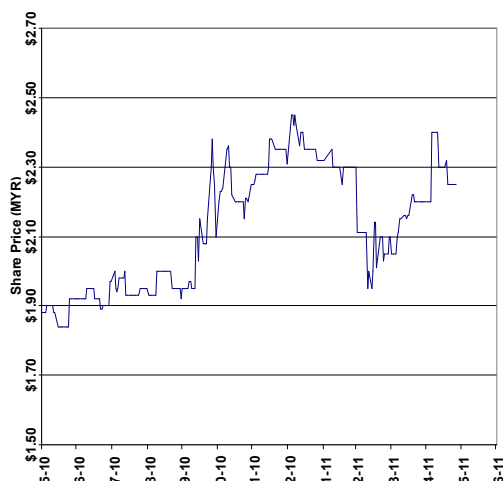
COMPANY PROFILE

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NPC's major line of business is the cultivation and refining of palm oil. The roots of the company began in 1981 with a plantation of 162 ha; today the company operates over 7,000 ha of mature acreage. Total acreage will be increased significantly as plantations in Indonesia come on line in the near future. NPC converted to a public limited company in May 2000, prior to listing in May 2002.

SHARE PRICE LAST 12 MONTHS (MYR)

ANNUAL RESULTS AND METRICS (MYR mn)



FY Dec	2009	2010	2011F	2012F
Revenue	314.6	396.7	315.9	344.6
Revenue g (%)	-21.7	26.1	-20.4	9.1
Net Profit	32.4	35.0	26.2	30.6
Net Profit g (%)	-18.0	8.0	-25.1	16.8
Dividends	7.2	3.6	3.6	3.6
Owners' Equity	237.3	267.7	290.6	317.6
Total Liabilities	113.1	133.0	168.6	188.3
Debt/Equity (%)	47.7	49.7	58.0	59.3
EPS (sen)	27.0	29.2	21.9	25.5
P-S (x)	0.7	0.7	0.9	0.8
P-E (x)	7.3	7.9	10.3	8.8
P-BV (x)	1.0	1.0	0.9	0.9
ROE %	13.7	13.1	9.0	9.6

MALAYSIA EQUITY
NPC RESOURCES BHD**PROFIT & LOSS (All figures in MYR mn unless otherwise indicated)**

FY Dec	2009	2010	2011F	2012F
Revenue	314.6	396.7	315.9	344.6
Operating Profit	48.5	53.2	39.6	44.0
Other Income	1.6	3.0	2.4	2.4
Share of Associates	0.0	0.0	0.0	0.0
Depreciation/Amortization	-8.6	-10.1	-11.8	-12.8
Finance Costs	-1.9	-2.1	-2.7	-2.7
Pre Tax Profit	46.6	51.2	36.9	41.4
Tax	-9.7	-13.7	-9.8	-10.3
Minority Interest	-4.5	-2.5	-0.8	-0.4
Net Profit to Shareholders	32.4	35.0	26.2	30.6
Operating Margin (%)	15.4	13.4	12.5	12.8
PBT Margin (%)	14.8	12.9	11.7	12.0
Net Margin (%)	10.3	8.8	8.3	8.9
Effective Tax Rate (%)	20.9	26.7	26.7	25.0

BALANCE SHEET (All figures in MYR mn unless otherwise indicated)

FY Dec	2009	2010	2011F	2012F
Total Assets	356.0	404.1	459.5	506.2
Fixed Assets	181.1	182.1	187.5	195.1
Current Assets	49.6	53.8	70.1	71.4
Other LT Assets	125.3	168.2	201.8	239.7
Current Liabilities	64.4	70.9	81.1	90.6
LT Liabilities	48.7	62.0	87.5	97.7
Total Liabilities	113.1	133.0	168.6	188.3
Share Capital	120.0	120.0	120.0	120.0
Minority Interest	5.6	3.4	0.3	0.3
Owners' Equity	237.3	267.7	290.6	317.6
Total Equity	242.9	271.1	290.9	317.9
Total Liabilities & Equity	356.0	404.1	459.5	506.2

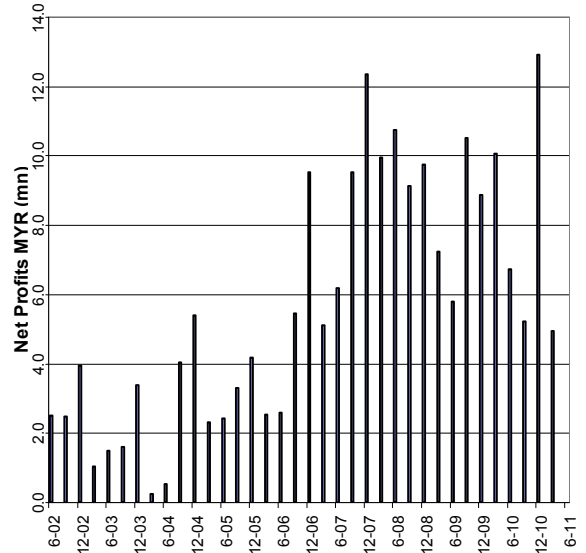
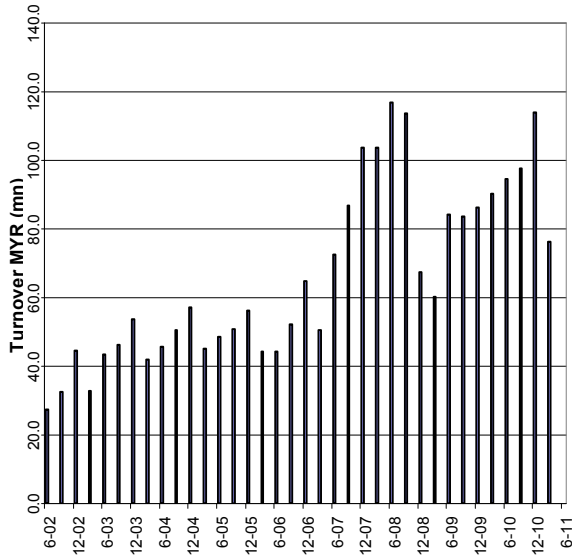
PER SHARE DATA (All figures in sen unless otherwise indicated)

FY Dec	2009	2010	2011F	2012F
Revenue	262.2	330.5	263.2	287.2
Cash Flow	34.2	37.6	31.7	36.2
Earnings	27.0	29.2	21.9	25.5
Dividends	6.0	3.0	3.0	3.0
Book Value	202.4	225.9	242.4	264.9
Payout (%)	22.2	10.3	13.7	11.7
P-S (x)	0.7	0.7	0.9	0.8
P-CF (x)	5.7	6.1	7.1	6.2
P-E (x)	7.3	7.9	10.3	8.8
P-BV (x)	1.0	1.0	0.9	0.8
Dividend Yield (%)	3.1	1.3	1.3	1.3
ROE (%)	13.4	12.9	9.0	9.6
Total Debt/Equity (%)	46.6	49.1	58.0	59.2

**MALAYSIA EQUITY
NPC RESOURCES BHD**

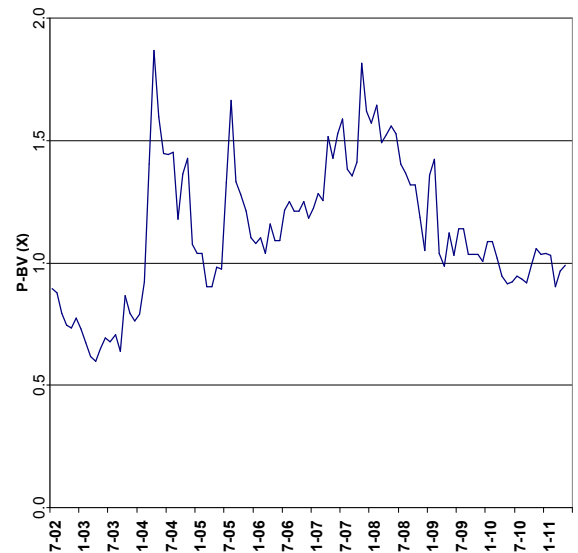
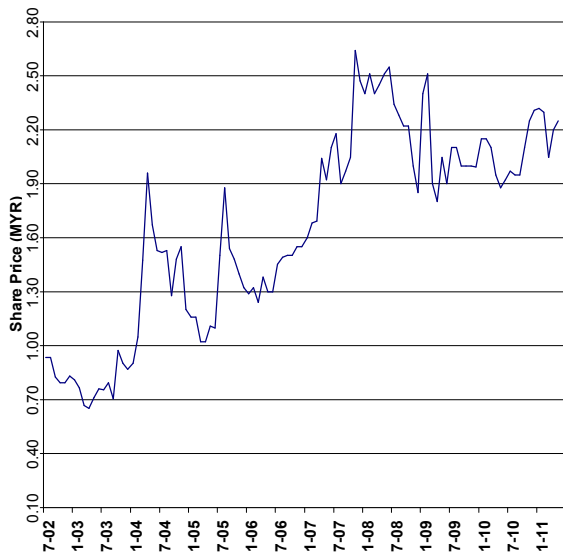
REVENUE - QUARTERLY LAST 8 YEARS (MYR mn)

NET PROFIT - Q'TERLY LAST 8 YRS (MYR mn)



SHARE PRICE - MONTHLY LAST 8 YEARS (MYR)

P-BV (X) - MONTHLY LAST 8 YEARS





ANALYST’S DISCLOSURE

BUY: Share price may exceed 10% over the next 12 months

TRADING BUY: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

HOLD: Share price may fall within the range of +/- 10% over the next 12 months

TAKE PROFIT: Target price has been attained. Look to accumulate at lower levels

SELL: Share price may fall by more than 10% over the next 12 months

NOT RATED (NR): Stock is not within regular research coverage

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J Charles Wilson
Head of Research

ANALYST’S RECOMMENDATION RECORD

Ticker	Date	Recommendation	Fair Value	Price At Date of Recommendation	% Price Change Since Prior Recommendation
NPC MK Equity	28-Feb-11	BUY	2.80	2.30	
NPC MK Equity	11-Apr-11	BUY	2.80	2.16	-6.1%
NPC MK Equity	26-May-11	BUY	2.80	2.25	4.2%

QUESTIONS?

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