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It has found buyer for 95% stake in THIP

By TEE LIN SAY

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PETALING JAYA: The first condition of Lembaga Tabung Haji's (LTH) RM3bil proposed sale of a 95% stake in plantation company, PT TH Indo Plantations (THIP) has been fulfilled, sources said.

LTH has found a buyer for THIP which has 83,879ha of plantation land in Riau, Indonesia. This is believed to be the biggest single piece of plantation landbank in the world. Apart from the land, THIP has a kernel crushing plant, six palm oil mills and one biomass plant.

Since negotiation began in February, the buyer has obtained all the regulatory approvals from the Indonesian government as well as satisfied the due diligence requirements imposed by LTH and also put in a hefty cash pre-payment to signify its seriousness in the deal.

At RM3bil, the sale is valued at a price to book (P/B) ratio of more than three times and a price earnings ratio (PER) in excess of 45 times. LTH is set to make a gain of some RM2bil from this sale.

Both the P/B and PER are based on the current net book value of the plantation land.

"Based on THIP's earnings, it would have taken LTH more than 20 years to realise this

sort of gain from the THIP disposal. This deal was just too good to forego," said the source.

LTH first acquired its 95% stake in THIP in 1997 for approximately RM800mil to RM1bil. The remaining 5% of THIP is owned by a local company with no connection to LTH. This company is not selling its plantation land.

When contacted, a plantation analyst added that on a back of the envelope calculation, the RM3bil price tag appeared fair.

"The P/B of 3x just shows that they are getting a 3x higher return from when they first bought into it. However the 45x PER is good as

it shows that they are selling it at a much higher earnings generation capacity," she said.

Assuming THIP has no debt and all of its plantation land is planted, the sale of the land is valued at RM35,765 per ha, which is about US\$11,537 per ha.

"At US\$11,500, that is the current market rate for plantation landbank. The market rate is anywhere between US\$10,00 and US\$15,000 per ha," said the plantation analyst.

She added that as LTH was predominantly a fund manager, perhaps it was good to "harvest" THIP, especially if it felt it could get better investments elsewhere. Furthermore, it was not easy to find a buyer willing to take up the entire bulk of the plantation land.

Meanwhile the source added that as LTH was still bullish on the plantation sector, it would use some of the proceeds from the sale to replenish its landbank, but it didn't need to be as big a replacement as the 83,879ha it had sold.

According to LTH's website, the pilgrimage fund presently has seven wholly-owned subsidiaries in the plantation sector.

They are TH Plantations Bhd, TH Agro Sdn Bhd, TH Bakti Sdn Bhd, TH Estates (Holding) Sdn Bhd, TH Indo Industries Sdn Bhd, TH Indopalms Sdn Bhd and TH Ladang Sabah & Sarawak.

Its other wholly-owned subsidiaries include Theta Edge Bhd, Bank Islam Malaysia Bhd and Syarikat Takaful Malaysia Bhd.

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- A SOURCE