

August 17, 2004

## Hemaraj Land and Development Plc. (HEMRAJ)

 NEW : BUY  
 PREVIOUS : BUY

### Property

### Normalised profit jumps 52% yoy to Bt189mn

Price Target

 Bt0.68  
 Bt1.73

Hemaraj Land and Development PCL. (HEMRAJ) reported better-than-expected 2Q04 financial results with Bt572mn in total revenue. Land sales jumped 98% from the previous year to Bt284mn but it was still down 23% from the previous quarter. HEMRAJ just 81 rai of land, including 68 rai at Eastern Seaboard Industrial Estate (ESIE) and 13 rai at Eastern Industrial Estate (EIE).

However, the 30% increase in total revenue from last year was due to the fact that the company had extraordinary gains from the revaluation of development cost of Bt75mn. Normalised earnings jumped 52% to Bt189mn. However, the bottom line is not comparable as HEMRAJ booked extraordinary gains last year of Bt608mn from the convertible bond repurchases and gains from right of transfer.

This year, we believe that HEMRAJ will continue to benefit from the growth in demand for industrial space, particularly by the auto and petrochemical sectors. As a result, we believe the company can achieve our full-year land sales forecast of 750 rai. HEMRAJ will also gain additional revenue from "The Park" condominium either in 3Q04 or before the end of this year. We are currently forecasting HEMRAJ to achieve total revenue of Bt4,141mn and normalised profit of Bt971mn.

We expect net gearing to climb to 0.99x and cash flow to be in negative Bt0.30/share this year due to construction of "The Park" worth more than Bt4bn. Cash flow should turn positive at the end of next year when the company starts to transfer titles. Approximately 30% of the project is already booked.

HEMRAJ shares have substantially oversold, having fallen about 30% since our last report on July 13. The stock is currently trading on very attractive PERs of 3.36x this year and 3.70x 2005. We are maintaining our **BUY** recommendation on HEMRAJ with a target price of Bt1.73 per share.

Analyst: Suwat  
 Limkraisiri  
 Tel : (662) 658-6300 Ext.  
 1480  
 E-mail:  
[suwat.l@kimeng.co.th](mailto:suwat.l@kimeng.co.th)

**Table 1: Earnings summary**

	2002	2003	2004F	2005F	2006F
Sales (Btmn)	1,788	2,050	4,141	5,431	6,134
EBITDA (Btmn)	562	720	1,118	1,233	1,243
Normalised earnings (Btmn)	336	579	971	996	968
Earnings (Btmn)	625	1,383	1,097	996	968
EPS (Bt)	0.18	0.26	0.20	0.18	0.18
PER (X)	3.86	2.66	3.36	3.70	3.81
EV/EBITDA (X)	6.4	4.7	7.2	7.3	7.6
Operating cash flow (Btmn)	(357.25)	13.11	(1,533.72)	312.54	478.22
CF/share (Bt)	0.0	0.2	(0.3)	0.1	0.1
BVPS (Bt)	0.4	0.7	0.8	0.9	1.0
P/BV (X)	1.6	0.9	0.8	0.7	0.7
DPS (Bt)	-	0.03	0.10	0.10	0.09
Dividend yield (%)	0.0%	3.7%	15.0%	14.9%	13.5%
Net debt/equity (X)	0.76	CASH	0.97	1.06	1.05
ROA (%)	2.6%	5.4%	2.8%	1.8%	1.6%
ROE (%)	56.6%	50.5%	25.8%	20.9%	18.5%

Source: Company reports and Kelive research estimates.

**Figure 2: Quarterly results**

	2Q04	2Q03	YOY	1Q04	QOQ
Land sales	284	144	98%	369	-23%
Total revenue	572	439	30%	620	-8%
COGS	266	216	23%	319	-17%
Gross profit	306	223	37%	301.11	2%
Gross margin	53.6%	50.9%		48.6%	10%
SG&A	71	57	24%	77	-8%
Operating margin	41.1%	37.8%		36.2%	14%
Interest expense	9	13	-32%	9	-1%
Normalized profit	189	124	52%	166	14%
Net profit	189	732	-74%	291	-35%
EPS	0.03	0.21	-85%	0.05	-41%

Source: Company reports/Kelive research estimates

**Figure 3: Income statement**

	2002	2003	2004F	2005F	2006F
Sales	1,070	1,511	3,345	4,690	5,366
Other income	659	369	796	742	768
Total revenues	1,788	2,050	4,141	5,431	6,134
Cost of goods sold	750	975	2,287	3,260	3,764
SG&A and others expenses	237	240	736	938	1,127
EBITDA	562	720	1,051	1,160	1,153
Interest expenses	154	55	77	161	182
Net profit before extra items	336	579	971	996	968
Equity Acc. + Extraordinary Gains	289	804	126	-	-
Net profit	625	1,383	1,097	996	968
EPS (Fully diluted)	0.18	0.26	0.20	0.18	0.18
EPS growth	N.A.	121%	-21%	-9%	-3%
PER	3.86	2.66	3.36	3.70	3.81
EV / EBITDA	6.37	4.73	7.24	7.27	7.58
BV / Shr	0.43	0.73	0.84	0.92	1.01
P / BV	1.56	0.94	0.81	0.74	0.67
P / Sale	2.26	2.44	1.10	0.79	0.69
Dividend / Share	-	0.03	0.10	0.10	0.09
Debt / Equity	1.14	0.26	0.99	1.08	1.06
No. Share	3,547.42	5,416.57	5,416.57	5,416.57	5,416.57

Source: Company reports/Kelive research estimates

#### **Singapore**

Kim Eng Securities  
(Private) Limited  
(Member of the SES)  
9 Temasek Boulevard  
#39-00 Suntec Tower 2  
Singapore 038989  
Telephone: 65 6336 9090  
Telex: KESECS RS 25871  
& RS 21857  
Facsimile: 65 6339 6003

#### **London**

Kim Eng Securities  
(London) Limited  
(Member of the FSA)  
6<sup>th</sup> Floor, 20 St. Dunstan's Hill  
London EC3R 8HY, UK  
Telephone: 20 7621 9298  
Dealers' telephone: 20 7626 2828  
Facsimile: 20 7283 6674

#### **New York**

Kim Eng Securities USA Inc  
(Member of the NASD)  
406, East 50<sup>th</sup> Street  
New York, NY 10022  
U.S.A.  
Telephone: 212 688 8886  
Facsimile: 212 688 3500

#### **Hong Kong**

Kim Eng Securities  
(Hong Kong) Limited  
(Exchange Participant)  
Room 1901, Bank of America  
Tower 12 Harcourt Road  
Central, Hong Kong  
Telephone: 852 2810 7755  
Telex: KIMEN HX 68698  
Facsimile: 852 2877 0104

#### **Malaysia**

Kim Eng Research Sdn Bhd  
(Formerly known as  
Mutual Scope Sdn Bhd)  
Co. No. 274244V  
Suite 16.02, 16<sup>th</sup> Floor  
Kompleks Antarabangsa  
Jalan Sultan Ismail  
50250 Kuala Lumpur, Malaysia  
Telephone: 603 2141 1555  
Facsimile: 603 2141 1045

#### **Indonesia**

PT Kim Eng Securities  
9<sup>th</sup> Floor, Deutsche Bank Bldg  
Jl. Imam Bonjol 80  
Jakarta 10310  
Indonesia  
Telephone: 62 21 3983 1360  
Facsimile: 62 21 3983 1361

#### **Philippines**

ATR-Kim Eng Securities, Inc.  
(Member of the PSE)  
17<sup>th</sup> Floor Tower One &  
Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines  
Telephone: 63 2 849 8888  
Facsimile: 63 2 848 5738

#### **Thailand**

Kim Eng Securities (Thailand)  
Limited  
(Member of the SET)  
10<sup>th</sup> Floor, Mercury Tower  
540 Ploenchit Road  
Bangkok 10330  
Thailand  
Telephone: 66 2 658 6300  
Facsimile: 66 2 658 6384

#### **Taiwan**

Yuanta Core Pacific Securities  
11/F, No 225, Nanking East Rd  
Section 3 Taipei  
Taiwan  
Telephone: 63 2 849 8888  
Facsimile: 63 2 848 5738

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