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Mah Sing's township to shore up growth

(/news/author?name=) May 23, 2012 | Updated 8 years ago

Mah Sing Group Bhd (May 22, RM1.97)

Maintain hold at RM1.89 with target price of RM1.77: We are positive on Mah Sing Group Bhd's latest land purchase in Bangi, Selangor, given its fair pricing and good location. More importantly, the new land, slated for the development of bread-and-butter-type products, will sustain Mah Sing's long-term growth. This will help to cushion the slowdown in sales of high-rise projects like Icon Residence. We adjust our 2012 to 2014 earnings forecasts by -1.2% to 4.7% but maintain our RM2.95 realisable net asset value estimate. Our target price is unchanged at RM1.77 (40% discount to RNAV). We maintain our "hold" call.

Mah Sing has acquired a 412-acre (167ha) plot of land in Bangi from Boon Siew Development Sdn Bhd (408-acre freehold at RM330.8 million) and an individual (4-acre leasehold at RM2.5 million) for RM333.2 million cash (RM18.6 per sq ft or RM20 to RM21psf after accounting for land conversion premium and infrastructure costs). The land will be developed into a mixed development project called Southville City (70% residential; 30% commercial). Total gross development value is estimated at RM2.15 billion.

We are positive on the land deal given: (i) the land cost of RM20 to RM21 psf is fair compared with current asking/transacted prices in the area of RM15.2 to RM27psf — UEM Land Holdings Bhd acquired a nearby 464-acre parcel of freehold agricultural land at RM13.30 psf in December 2010; (ii) a strategic location with good accessibility. The land is located in Bandar Baru Bangi with prime frontage of 2km along both sides of the North South Expressway (NSE). It is accessible from the NSE via the Kajang, Bangi or Bandar Seri Putra interchanges. To further enhance accessibility, Mah Sing intends to build a new interchange to allow direct access to the project.

Southville City will be officially launched in 1H13. Phase 1 of the project will consist mainly of double-storey terraces priced from RM530,000 per unit onwards. Assuming a 25% pre-tax margin and 8-year development period, we expect a RM50 million net profit per year (or six sen earnings per share).

After factoring in Southville City, we lower our 2012/13 net profit forecasts by 0.2% to 1.2% due to higher interest

costs, but raise 2014 net profit forecast by 4.7%. Post acquisition, anson's net gearing will jump to 0.6 times (https://elfomap.com/site2/d5f783a2acff24306dfa41599c1897d9/?u=sd4CR&webforms_id=bskBe) from 0.3 times as at end-December 2011. We make no change to R.M. 9.5 P.N.V. estimate (zero on surplus for this Bangi land). — Maybank IB Research, May 22



This story appeared in The Edge Financial Daily on May 23, 2012.

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Setia Eco Park

(listing/sale/20130422/selangor/alam-nusarajaya/semi-detached-house/setia-eco-park/shah-alam)

Setia Eco Park, Selangor
by JACK KUA (/agent/1030!)

RM 1,950,000

5 beds | 6 bath | 3500 sqft



SALE

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Jalan Setia Utama U13/37

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by JACK KUA (/agent/1030!)

RM 1,400,000

5 beds | 6 bath | 3400 sqft



SALE

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Jalan Setia Utama U13/37

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RM 1,300,000

4 beds | 4 bath | 2800 sqft



SALE

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Jalan Setia Utama U13/37

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RM 1,250,000

4 beds | 4 bath | 2835 sqft



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by JACK KUA (/agent/1030!)

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4 beds | 5 bath | 2600 sqft



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