



SUNWAY ISKANDAR  
NATURE'S CAPITAL CITY™

# Sunway's valuation seen attractive

## analyst reports

### SUNWAY BHD

By Affin Hwang Investment Bank Bhd  
Buy (maintain)  
Target price: RM3.90

SUNWAY Bhd's 56%-owned subsidiary, Sunway Iskandar has entered into a 30:70 joint-venture (JV) agreement with Daiwa House Malaysia to form Daiwa Sunway Development (DSD).

Sunway Iskandar has in turn proposed to dispose of and transfer to lease over land measuring 13.02 acres to DSD for RM63mil or RM111.20 per sq ft.

The company said the JV was to develop landed residential properties using pre-fabricated technologies.

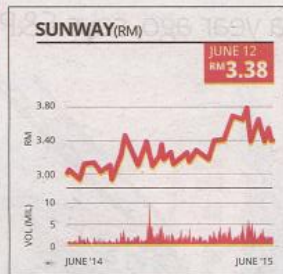
Fabricated housing is the manufacturing of houses or housing components offsite in a factory environment in advance before final installation onsite.

The use of pre-fabricated housing technologies will enable faster construction and delivery. Affin Hwang Investment Bank Bhd said construction would only take about a year as opposed to 24 months for conventional construction of landed properties.

The proposed development will consist of landed residential properties encompassing a mix of bungalows, semi-detached and cluster homes.

The project has an estimated gross development value of RM210mil, and is targeted for launch in 2016.

The land is located within the Lakeview



Precinct of Sunway Iskandar in Medini with a 99 years lease, expiring 2111, with a 30-year extension to 2141.

Affin Hwang reiterates its "buy" call on Sunway with a target price of RM3.90 a share, supported by the company's total effective unbilled sales of RM1.9bil and RM3bil construction order book.

"Although the property market is expected to soften post-GST, we like Sunway for its exposure to the construction sector as well as its recurring income from its investment properties," it said.

Also, the imminent listing of Sunway Construction will unlock the values with the potential total yield of 9%. The group reaffirmed that it will list the business tentatively on July 23.

Sunway's valuations are also attractive at 0.65 times price to revised net asset value.

### INDUSTRIAL PRODUCTION INDEX

By AllianceDBS Research

THE Industrial Production Index (IPI), which tracks overall industrial activity, grew at a slower pace of 4% year-on-year in April, compared with a revised 7.1% in March.

Slower growth was largely due to a 4.1% increase in the manufacturing sector – representing more than two-thirds of the IPI, said AllianceDBS Research.

Mining was up 3.9%, while the electricity sub-division rose 3% during the month.

Together with slower growth in the manufacturing sector, electrical and electronics (E&E) output rose slower by 4%, while Petroleum, Chemical, Rubber and Plastic Products output expanded 3.6%.

Within the mining sub-sector, the Extraction of Crude Oil index expanded 15% while the production of natural gas fell 8.1%.

Year-to-date April, overall IPI rebounded by 5.8% versus 4.7% during the same period last year. AllianceDBS said April data was below expectations after March recorded strong growth. The market expected a 4.5% growth in April, as reflected by Bloomberg median forecast.

During the month, exports growth fell 8.8% year-on-year, down from a 2.3% expansion in March. The decline was across the board. Key commodity exports like crude petroleum; refined petroleum products; LNG; palm oil and its related products contracted during the month.

Also, E&E shipments, which made up 34.8% of total exports fell 3% during the month.

Moving forward, the research house remains cautious, due to the headwinds of low crude oil prices and uncertainties in glob-

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**"Although the property market is expected to soften post-GST, we like Sunway for its exposure to the construction sector as well as its recurring income from its investment properties.."**

Affin Hwang Investment Bank Bhd

al demand for manufactured exports.

While softer commodity prices contributed to declines in most exports, the implementation of GST may have hit the production side, given the uncertainties in the cost of production, especially for manufactured goods, it said. Growth in E&E production was due to sustained demand in the semiconductor industries.

AllianceDBS expects the prospects for US industrial activities remain steady. Given the April data for both exports and IPI, it expects GDP growth in the second quarter to be weaker and register growth of between 5.3% and 5.5%. It maintains its full-year forecast of 5%.