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MKH Oil Palm dips below IPO price on Main Market debut

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KUALA LUMPUR (April 30): Oil palm plantation player MKH Oil Palm (East Kalimantan) Bhd (MKHOP) is the second company this year to conclude its maiden trading day on Bursa Malaysia with its share price slipping below its initial public offering (IPO) price.

MKHOP closed its Tuesday (April 30) debut at an intraday low of 61.5 sen, down 0.81%, or half a sen, from its IPO price of 62 sen. The Main Market stock rose to as high as 65.5 sen in the afternoon session before dipping.

At 61.5 sen, the counter is valued at RM629.5 million. It saw some 122.94 million shares traded.

Of the 13 IPOs so far this year, MKHOP is the second listing to record a lacklustre debut after ACE Market-listed Master Tec Group Bhd, which fell 7.69% compared to its IPO price of 39 sen.

MKHOP, previously wholly owned by property developer MKH Bhd, is an upstream oil palm plantation group with operations based in East Kalimantan, Indonesia.

Through its subsidiaries, MKHOP is principally involved in the cultivation of oil palm and the production and sale of crude palm oil and palm kernel. It owns two oil palm plantation assets with a total land area of 18,205.3ha, one palm oil mill and one jetty. The plantation estates are located in East Kalimantan's Samarinda, Balikpapan and Indonesia's new capital Nusantara.

MKH initiated the listing of plantation assets under MKHOP on Bursa Malaysia's Main Market to seize growth opportunities near the new Indonesian capital of Nusantara. The floatation exercise is the first plantation IPO in seven years since Matang Bhd's debut in January 2017.

Notable previous plantation IPOs include Boustead Plantations Bhd in June 2014 (now privatised by Lembaga Tabung Angkatan Tentera) and Felda Global Ventures Holdings Bhd (now FGV Holdings Bhd) in June 2012.

'Well positioned to leverage Indonesia's rising CPO consumption'

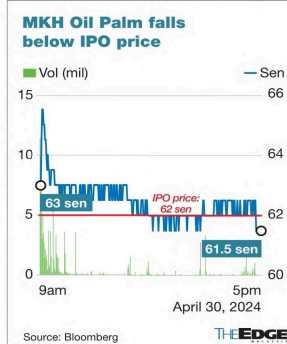
MKHOP executive director Datuk Andy Lee Khue Meng told reporters during the listing ceremony that the impact of the El Nino phenomenon on the company's palm oil production is minimal due to the company's measures to maintain sufficient water levels within its plantation estates.

"In MKHOP, we use stoppers, basically local soil, built into our drains to ensure that we have enough water inside our estates. We have been practising this for many years and have observed that during El Nino periods, our crop is less affected compared to the rest of the plantation industry.

Company	Board	Listing date	IPO price (RM)	1st day closing price (RM)	Changes (%) one-day
KJTS Group Bhd	ACE Market	Jan 26	0.270	0.500	85.19
Master Tec Group Bhd	ACE Market	Jan 29	0.390	0.360	-7.69
HE Group Bhd	ACE Market	Jan 30	0.280	0.325	16.07
TSA Group Bhd	ACE Market	Feb 2	0.550	0.575	4.55
Wentel Engineering Holdings Bhd	ACE Market	Feb 6	0.260	0.280	7.69
AGX Group Bhd	ACE Market	Feb 7	0.350	0.360	2.86
Alpha IVF Group Bhd	ACE Market	March 22	0.320	0.320	0.00
Prolintas Infra Business Trust	Main Market	March 25	0.950	0.970	2.11
Zantat Holdings Bhd	ACE Market	March 27	0.250	0.375	50.00
SBH Marine Holdings Bhd	ACE Market	Apr 8	0.220	0.255	0.00
Keyfield International Bhd	Main Market	Apr 20	0.90	1.93	114.44
Topmix Bhd	ACE Market	Apr 23	0.310	0.420	35.45
MKH Oil Palm (East Kalimantan) Bhd	Main Market	Apr 30	0.62	0.615	-0.81

Source: Bursa Malaysia

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Source: Bloomberg

"But we do witness an upward trend in CPO [crude palm oil] prices as the [plantation] industry is affected by the weather conditions, which lead to tighter CPO supply. If CPO prices go up, that means we can maximise our revenue further," he added, without giving any forecast on average CPO prices.

MKHOP non-independent non-executive chairman Tan Sri Chen Kooi Chiew @ Cheng Ngi Chong also said the company is well-po-

sitioned to leverage the rising consumption of CPO in Indonesia, being the largest consumer as well as producer of CPO globally.

MKHOP raised RM136.4 million from its Main Market IPO. It plans to allocate RM42 million of the IPO proceeds to acquire lands for oil palm plantations within the East Kalimantan province and spend RM9 million to set up a palm kernel crushing facility to provide the group with an additional income stream.

It plans to spend another RM42 million as capital expenditure for its existing plantation lands, refurbishment or upkeep of existing palm oil mills, refurbishment and construction of workers housing quarters, and expansion of electricity supply, while RM30 million is for repayment of loans and the remaining RM13.4 million is for working capital and to cover listing expenses.

M&A Securities Sdn Bhd is the adviser, managing underwriter, joint underwriter and joint placement agent for the IPO exercise. Kenanga Investment Bank Bhd (Kenanga IB) is the joint underwriter. Kenanga IB, together with AmInvestment Bank Bhd, are the joint placement agents.

Read also: Main Market debutance MKH Oil Palm anticipates stronger margins this year on lower fertiliser costs