

## Stock Idea

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## Dijaya Corporation Bhd

## NEUTRAL

Target	RM1.33
Previous	-
Price	RM1.30

## Major Shareholders (%)

Tan Sri Danny Tan	30.7
Golden Diversity S/B	18.3
Impeccable Ace SB	17.9

## Stock's Information

Market cap (RMm)	592.3
Shares Capital (m)	455.6
OSK 188 Ticker	DJC MK
Industry	Property

## Company Description

Dijaya Corp is principally involved in property development with exposure in Klang Valley, Johor, Penang and Perak.

## Acquisition of Landbank in City Centre

Last Friday, Dijaya Corp (Dijaya) announced that it had purchased three parcels of freehold development land along Jalan Sultan Ismail, Kuala Lumpur (KL) via its 99.9%-owned subsidiary, ACE Rhythm SB. The 0.6 acre landbank, which is located within the golden triangle of KL city centre, was acquired for a total purchase consideration of RM65m. The acquisition is also the second major development in KL city centre, following the RM958m W Kuala Lumpur Hotel & Residences project located along Jalan Ampang, which is scheduled to open in 2016. Meanwhile, we see little impact from the real property gains tax (RPGT) hike, which was announced during the recent Budget 2012, on Dijaya's property sales.

**Decent offer at RM2,400 psf.** Despite the offer price is 20% higher than the recent acquisition of landbank along Jalan Ampang, we deem the offer price as reasonable as the commercial and residential buildings around Jalan Sultan Ismail always enjoy high tenancy and attractive rental rates due to its strategic location, heavy traffic flow as well as the prime platform for many MNCs and several well-established foreign banks.

**Transformed into RM650m mixed development.** The RM650m project dubbed the Tropicana Sultan Ismail would be developed into service apartments and commercial lots. We believe the project could possibly fetch higher returns and an encouraging response given the scarcity of landbank within the heavily populated city.

**Healthy financial level to fund the project.** The group intends to fund the project via internally generated fund and/or bank borrowings. Based on the latest quarterly result, the company's net gearing stood merely at 0.1x, which leads us to believe that funding for the project is not an issue, despite its recent involvements in a series of mega projects in Johor and Selangor and the roll out of several launches in Klang Valley.

**Possibility of disposing commercial assets.** According to *The Edge*, Dijaya stated that the group had received several offers for its commercial assets. Despite the management remain tight-lipped on the targeted buildings; we think the Tropicana City Mall, Tropicana City Office Tower and W Hotel to be the likely candidates given the attractive rental rates and prime location of the buildings. In addition, the disposal of its commercial buildings would unlock the potential capital needed to fund its future projects.

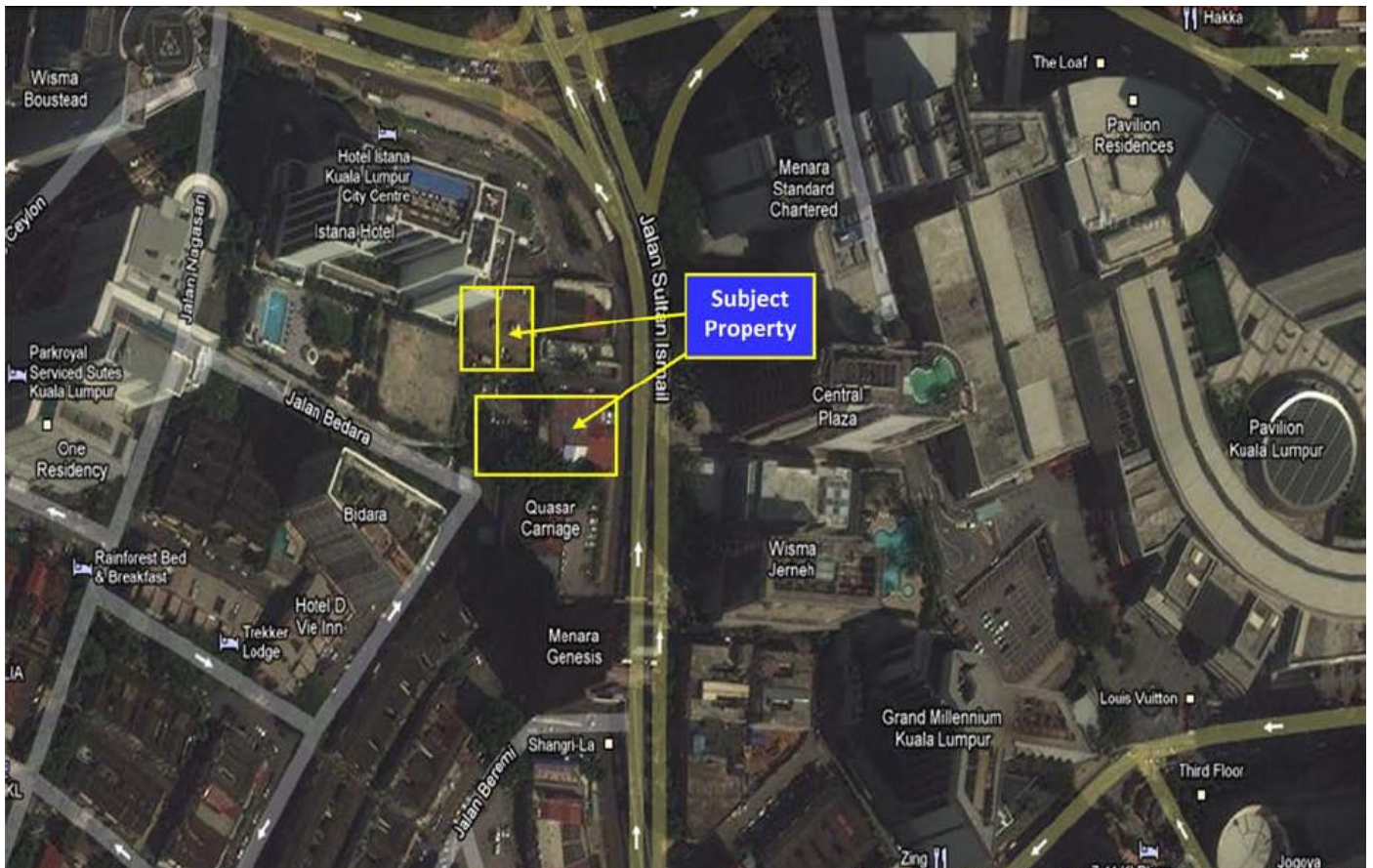
**Minimal effect from the Budget 2012.** Despite an increase of RPGT tax on the property sales transacted within two years under Budget 2012, we opine that the effect could be insignificant on Dijaya's property sales, given that the majority of Dijaya's projects are high-end launches, that target buyers from the high-income category who have strong holding power and furthermore, the timeframe of the 10% RPGT tax is considered relatively short.

**Maintain NEUTRAL, but lower our target price from RM1.64 to RM1.33.** The recent weak market sentiment and speculation on the introduction of further tightening measures on the property sector ahead of Budget 2012 have dampened the prices of most property counters, with Dijaya's share price coming down about 10.3% since we started the coverage. We lower our target price from RM1.64 to RM1.33 but maintain our NEUTRAL rating based on 0.65x FY12 PBV, to be line with the average PBV of mid-cap property companies. As it is in the midst of completing a private placement, the potential dilutive effect of its earnings remains our concern.

FYE Dec (RMm)	FY08	FY09	FY10	FY11f	FY12f
Revenue	244.0	311.7	292.3	362.8	572.8
Core net profit *	51.1	39.4	24.4	36.3	54.6
% chg y-o-y	-8.3	-22.9	-38.1	48.9	50.2
Consensus	-	-	-	n.a	n.a
Core EPS (sen)	11.2	8.7	5.4	8.0	12.0
Gross DPS (sen)	2.0	3.0	5.0	5.0	5.0
Gross dividend yield (%)	1.5	2.3	3.8	3.8	3.8
ROE (%)	7.2	4.3	2.5	3.7	5.4
ROA (%)	4.0	2.8	1.6	2.2	3.0
PER (x)	11.6	15.0	24.2	16.3	10.8
BV/share (RM)	1.4	1.8	2.0	2.0	2.1
P/BV (x)	0.9	0.7	0.6	0.6	0.6

\*Fair value gains / losses in marketable securities have been excluded from core net profits

Figure 1: Location of the acquired landbanks along Jalan Sultan Ismail, Kuala Lumpur



Source: Dijaya, OSK

## OSK Research Guide to Investment Ratings

**Buy:** Share price may exceed 10% over the next 12 months

**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months

**Take Profit:** Target price has been attained. Look to accumulate at lower levels

**Sell:** Share price may fall by more than 10% over the next 12 months

**Not Rated (NR):** Stock is not within regular research coverage

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