



## IRIS Corporation Berhad

### Rimbunan Kaseh Programme Takes off

**TP: RM0.31**(+87.9%)

Last traded: RM0.165

**BUY**

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#### Award of Rimbunan Kaseh project

Iris has entered into an agreement with Perbadanan Setiausaha Kerajaan Negeri Pahang, representing the Pahang state government, for the development of a modern integrated farm in Kampung Sungai Kepong, Lipis, Pahang known as Rimbunan Kaseh programme. The programme consists of 3 main components including: 1) housing development using the IRIS-KOTO IBS system and amenities; 2) modern integrated farming; and 3) construction of basic infrastructure on a piece of land at Kampung Sungai Kepong, Mukim Tanjung Besar, Lipis District measuring approximately 50 acres. The contract amount is RM23mn and project is targeted for completion within 60 days.

#### What is KOTO housing and integrated farming

"Koto" system is a new way to mass manufacture energy efficient housing from the foundation right up to the roofing. According to research, Koto system is a form of IBS with superior quality and ease of manufacturing and site usage. More importantly, it allows speedily execution of works.

As far as the integrated farming is concerned, Iris is bundling the new farming technology into Rimbunan Kasih by introducing the AutoPot System. According to management, the AutoPot system will channel water from the reservoir to the plant when the plant's water reserve dropped to a pre-designed level. This will enhance production yield and at the same time provide substantial savings in the use of fertilizers and water.

Note that the objective of Rimbunan Kaseh programme is to assist the poor and squatters to increase their income, hence reducing poverty in the rural areas. We laud that Iris has participated in this programme given its innovative concept in adopting modern agriculture techniques and housing development.

#### More to come

Based on a contract sum of RM23mn, we estimate about 78 KOTO houses to be built as well as the integrated farming at the site. Assuming a PBT margin of 28%, the project is expected to generate RM6.4mn for FY13. We understand that the integrated farming will generate recurring income to the company, albeit small, from the sales of crops.

Looking forward, we expect awards of Rimbunan Kaseh projects to come from other state governments to uplift the social and economic standing of the rural people. This is in line with the objective of ETP.

#### Forecast

No change to our FY13-15 earnings projections as we have assumed Iris to bags RM160mn worth of new contract for FY13.

#### Share Information

Bloomberg Code	ICB MK
Stock Code	10
Listing	ACE Market
Share Cap (mn)	1575.0
Market Cap (RMmn)	259.9
Par Value	0.50
52-wk Hi/Lo (RM)	0.205/0.13
12-mth Avg Daily Vol ('000 shrs)	6064.7
Estimated Free Float (%)	74.4
Beta	0.87

#### Major Shareholders (%)

Perbadanan Nasional Bhd	(8.4)
Versatile Paper	(8.0)
Deutsche Bank	(4.8)

#### Forecast Revision

	FY12	FY13
Forecast Revision (%)	0.0%	0.0%
Net profit (RMm)	43.6	45.6
Consensus	N/A	N/A
TA's / Consensus (%)	N/A	N/A
Previous Rating	Buy (Maintained)	

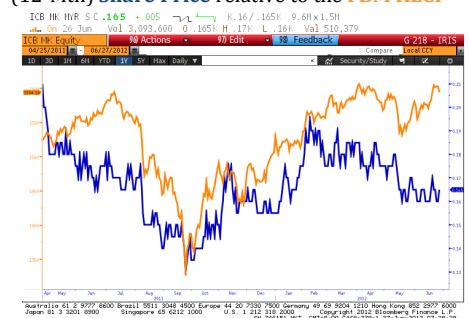
#### Financial Indicators

	FY12	FY13
ROE (%)	8.7	10.5
Net Gearing (%)	15.3	23.2
NTA/Share (RM)	0.3	0.3
Price/NTA (x)	0.6	0.6

#### Share Performance (%)

Price Change	IRIS	FBM KLCI
1 mth	0.0	2.8
3 mth	(10.8)	0.4
6 mth	6.5	6.2
12 mth	(5.7)	2.0

#### (12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

### Valuation and recommendation

We maintain our target price at RM0.31/share, based on unchanged 10x CY13 earnings. We continue to like Iris given its entrenched position in the global digital identity solution segment. Also, the company has always been in the front line of research which is essential to the procurement of new projects. Maintain **BUY**.

### Earnings Summary (RM'mn)

	FY12*	FY13F	FY14F	FY15F
Revenue	484.5	534.8	552.3	578.7
Operating Profit	80.4	95.6	98.8	103.5
Depreciation	(5.9)	(14.7)	(14.1)	(13.5)
Interest Expenses	(14.1)	(13.0)	(13.0)	(13.4)
Pre-tax Profit	58.5	70.2	75.3	75.8
Effective Tax Rate (%)	29.4	35.0	35.0	35.0
Net Profit	43.6	45.6	48.9	49.3
Operating Margin (%)	16.6	17.9	17.9	17.9
Pre-tax Margin (%)	12.1	13.1	13.6	13.1
Net-Margin (%)	9.0	8.5	8.9	8.5

\* Comprising 15-month earnings from Jan-11 to March-12

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