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IJM Plantations to register seven per cent FFB production growth y-o-y for FY19

KUCHING: For financial year 2019 (FY19), IJM Plantations Bhd (IJM Plantations) is expected to register fresh fruit bunch (FFB) production growth of seven per cent year on year (y-o-y).

The research arm of MIDF Amanah Investment Bank Bhd (MIDF Research) recently met up with IJM Plantations and came away feeling neutral on the company in the near term.

“The company is aiming for eight per cent FFB growth in FY18,” MIDF Research said.

“Looking ahead into FY19, we expect IJM Plantations to register FFB production growth of seven

per cent y-o-y with the growth driver remain same being the Indonesian estate.”

According to MIDF Research, IJM Plantations has replanted 1,000 hectares (ha) of the group's landbank in FY18 in Sabah and plans to replant another 1,000 ha in FY19.

The research arm believed that the disciplined replanting is necessary to ensure optimal FFB yield and Oil Extraction Rate (OER) in the long run.

“Expansion of new planting is very minimal in FY18 and this trend is likely to continue in FY19 as the company has limited land-

bank left in Indonesia.”

On IJM Plantations' recent subscription to 20 per cent stake in PT Perindustrian Sawit Synergi (PTPSS) for 44 billion rupiah (approximately RM13 million), MIDF Research reiterated its neutral view on the news given its limited impact to the research arm's earnings estimate for FY18 and FY19.

“Net gearing impact is minimal as we expect it to increase from 0.31-fold to 0.32-fold.”

Overall, MIDF Research maintained 'neutral' on IJM Plantations due to the group's subdued earnings outlook.