

# Genting Plantations

## Indonesia Forestry Unit Fines GENP

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Indonesia's forestry task force has issued fines on planters including an IDR396b (RM97m) interim fine on GENP for alleged non-compliance. GENP had earlier made a RM159m provision for future income loss from the land in question. However, it is not clear whether this fine will allow GENP to continue running the estates or it will have to provide for loss for the land later. We have cut our FY25F net profit but maintain FY25-26F core net profit which excludes one-off items. As our RM5.10 TP already imputed a 20% discount earlier to specifically reflect the uncertainties surrounding GENP's Indonesian land issues, it is maintained along with our MARKET PERFORM call.

**Government Regulation 45/2025 (GR 45/2025).** In Oct 2025, the Indonesian authority issued GR 45/2025 to amend and tighten earlier regulations and to impose stricter penalties including issuing administrative fines on businesses operating without permit in forest area. The role and authority of Satuan Tugas Penertiban Kawasan Hutan or Forest Area Control Task Force (FAC) was also augmented to implement the new regulations. It was the FAC that issued an interim notice to PT Susantri Permai, an indirect 95% subsidiary of GENP, an administrative fine of IDR396b (RM97m).

**PT Susantri Permai (PTSP).** In Oct 2008, GENP paid USD9m cash for an indirect 57% stake in PTSP. This indirect holding was subsequently raised in 2010 and 2013 to the current 95%. In 2014, PTSP obtained a location permit (Izin Lokasi) as well as a plantation business permit (Izin Usaha Perkebunan) from the regional authorities to develop 15k Ha of land. However, we believe 3k Ha of the land have yet to be granted Hak Guna Usaha (HGU) or the right to cultivate by the Indonesian Federal Ministry of Agriculture. Consequently, following discussion with the authorities, GENP opted to provide for some of the potential loss in income due from the 3k Ha which amounted to RM159m in 1HFY25 (RM66m in 1Q, RM93m in 2Q). However, the full potential loss is closer to RM200m; hence, GENP has only provided about 80% of the total potential loss.

**Earnings impact unclear.** At this juncture, it is unclear whether the RM97m fine is all GENP will have to face in which case GENP has over provided. On the other hand, its land may be re-zoned or confiscated later following this interim fine. If so, GENP may have under-provided by RM138m as: (a) the RM159m provided YTD is about 80% of the potential full amount of around RM200m, and (b) GENP still has to pay for the current interim administrative fine of RM97m.

**Forecasts.** We have trim FY25F net profit but FY25-26F core net profit (CNP) forecasts are left intact as: (a) we normally adjust out lumpy, one-off items from our CNP as we did with the RM159m provision in GENP 1HFY25 CNP, (b) the current notice is an interim and not the final notice and (c) in any case, it is not clear whether GENP can continue operating out the land after paying for the fine or it will have to make further provisions.

**Valuations.** TP is also maintained at RM5.10 based on: (i) 1.0x PBV less a 20% discount to reflect the uncertainty over the group's Indonesian landbank and (ii) 16x FY26F PER less the same 20% discount. No ESG adjustment to our TP based on a 3-star rating as appraised by us (see Page 3).

**Risks to our call include:** (i) impact of weather and labour shortages on yields, (ii) weak CPO and PK prices, and (iii) cost inflation e.g. for fertilisers.

## MARKET PERFORM ↔

Price : RM5.08  
Target Price : RM5.10 ↔

### Share Price Performance



KLCI 1,712.74  
YTD KLCI chg 1.9%  
YTD stock price chg -0.4%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GENP MK EQUITY
Market Cap (RM m)	4,557.6
Shares Outstanding	897.2
52-week range (H)	5.72
52-week range (L)	4.75
3-mth avg. daily vol.	220,823
Free Float	39%
Beta	0.5

### Major Shareholders

Genting Bhd	54.4%
Employees Provident Fund	14.5%
Kumpulan Wang Persaraan	7.6%

### Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2026F
Turnover	2,937.9	3,151.7	3,091.8
EBIT	564.0	696.9	554.5
PBT	480.7	610.1	456.4
<b>Net Profit (NP)</b>	<b>323.0</b>	<b>429.8</b>	<b>289.2</b>
<b>Core NP</b>	<b>305.0</b>	<b>310.8</b>	<b>382.3</b>
Consensus (CNP)	-	373.7	348.7
Earnings Revision	-	-13%	0%
Core EPS (sen)	34.0	34.6	42.6
Core EPS Grwth (%)	21.2	1.9	23.0
NDPS (sen)	25.0	25.0	25.0
NTA/Share (RM)	5.78	6.00	6.01
Core PER (x)	14.9	14.7	11.9
Price/NTA (x)	0.9	0.8	0.8
Net Gearing (x)	0.24	0.18	0.20
Dividend Yield (%)	4.9	4.9	4.9



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### Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
PLANTATION																	
GENTING PLANTATIONS BHD	MP	5.08	5.10	0.4%	4,557.6	Y	12/2025	39.8	42.8	17.0%	7.5%	12.8	11.9	0.8	12.5%	25.0	4.9%
HAP SENG PLANTATIONS HOLDING	MP	2.28	2.40	5.3%	1,823.3	Y	12/2025	14.8	15.6	-20.4%	5.2%	15.4	14.7	0.9	5.6%	11.0	4.8%
IOI CORP BHD	MP	4.06	4.20	3.4%	25,517.9	Y	06/2026	22.9	22.5	13.1%	-1.8%	17.7	18.0	1.9	11.2%	11.0	2.7%
KUALA LUMPUR KEPONG BHD	OP	20.00	24.00	20.0%	22,273.2	Y	09/2026	122.0	141.3	58.8%	15.9%	16.4	14.2	1.4	9.7%	50.0	2.5%
PPB GROUP BHD	OP	11.00	12.50	13.6%	15,648.6	Y	12/2025	98.5	115.3	21.5%	17.0%	11.2	9.5	0.6	3.0%	45.0	4.1%
SD GUTHRIE BHD	MP	5.59	5.10	-8.8%	38,658.8	Y	12/2025	28.7	26.5	32.3%	-7.5%	19.5	21.1	2.0	13.0%	17.0	3.0%
TA ANN HOLDINGS BHD	MP	4.23	3.90	-7.8%	1,863.2	Y	12/2025	45.5	41.5	20.4%	-8.8%	9.3	10.2	1.0	10.9%	40.0	9.5%
TSH RESOURCES BHD	OP	1.23	1.55	26.0%	1,556.7	Y	12/2025	13.3	12.7	39.3%	-4.2%	9.3	9.7	0.7	8.3%	3.0	2.4%
UNITED MALACCA BHD	OP	5.86	6.45	10.1%	1,229.2	Y	04/2026	76.1	70.8	37.2%	-7.0%	7.7	8.3	0.8	10.4%	20.0	3.4%
Simple Average					113,128.5					27.4%	3.8%	15.8	15.3	1.1	9.4%		4.2%

Source: Bloomberg, Kenanga Research

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Corporate Social Responsibility	★	★	★		
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	☆		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	☆		
SPECIFIC	Biodiversity Conservation	★	★	☆		
	Sustainable Planting	★	★	★		
	Guest Labour Welfare	★	★	★		
	Supply Chain Auditing	★	★	★		
	Occupational Health & Safety	★	★	★		
	Waste Disposal & Pollution Control	★	★	☆		
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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