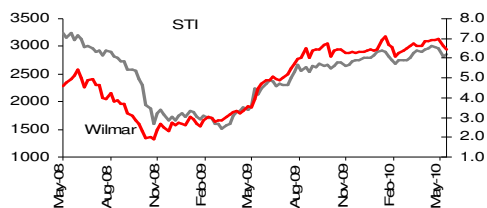


24 May 2010

Maintain

BUY

Previous Rating: BUY

Current Price: S\$5.54
Fair Value: S\$7.15


Reuters Code	WLIL.SI
ISIN Code	F34
Bloomberg Code	WILSP
Issued Capital (m)	6,392
Mkt Cap (S\$m/US\$m)	35,414 / 29,884
Major Shareholders	
Wilmar Holdings	40.63%
Free Float (%)	13.6%
Daily Vol 3-mth ('000)	7,203
52 Wk Range	4.590 - 7.290

IUS\$ m)	FY08	FY09	FY10F	FY11F
Revenue	29145.2	23885.1	27220.4	29069.2
EBITDA	1862.6	2057.0	2313.9	2389.0
EPS (cts)	24.0	29.5	29.4	30.7
PER (x)	17.1	13.9	14.0	13.3
P/NTA (x)	4.6	3.8	3.1	2.6

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Wilmar Int'l Ltd

Worries of Indonesian Tax Fraud Overdone

Refutes Indonesian tax fraud allegations. Wilmar International Limited (WIL) has again refuted allegations that its Indonesian subsidiaries have been involved in questionable tax refunds amounting to 3.6b Indonesian Rupiah (US\$385m) over the three years from 2007 to 2009. In its latest statement, WIL provided more information on how the value-added tax (VAT) claims work in Indonesia and added that because the verification process "also involves independent third party reports and government agencies, questions of fictitious or false claims made by the Group do not arise". It also stated that its internal records in respect to the VAT refund claims vis-à-vis export sales will stand scrutiny.

Worries likely more than priced in. Since these allegations first broke out on 18 May, WIL's stock price fell from a high of S\$6.36 then to a low of S\$5.25 on 21 May on very heavy volume - this translates to a loss of 17.5%; this also effectively wiped out S\$7.1b from its market capitalization or 13x more than the VAT amount. As such, we believe that the worries are likely more than priced in. In addition, it is worth re-iterating that WIL's core business is still expanding.

Still expanding business and operations. As a matter of fact, WIL announced that it has contracted to acquire four 82k deadweight-ton bulk carriers for a total of US\$127.6m with delivery expected to take place by end 2011; WIL has options to buy eight more similar vessels. The vessels, which WIL will finance using internal resources and bank facilities, will enhance the group's logistics operations and increase efficiency; however, we do not expect them to have any significant financial impact on FY10 and FY11. Separately, WIL announced that its 98.4% indirectly-owned subsidiary has signed a deal to purchase a 30% stake in two subsidiaries of Shenzhen-listed Xinjiang ChalkiS - a key player in China's tomato market. According to WIL, its intention is to use its manufacturing and distribution networks in China as well as its overseas distribution capabilities to develop this new business.

Maintain BUY. We are positive on WIL's latest expansion into the tomato market as we see the products as having a complimentary fit to its vast food distribution network in China. We are also leaving our FY10 estimates unchanged. However, in light of the current market sell-down, we pare our valuation from 20x FY10F EPS to 18x, which reduces our fair value from S\$7.95 to S\$7.15. Maintain **BUY**.

Wilmar's Key Financial Data

EARNINGS FORECAST					BALANCE SHEET				
Year Ended 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F	As of 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F
Revenue	29,145.2	23,885.1	27,220.4	29,069.2	Cash	2,893.1	5,134.9	5,566.7	6,450.2
EBITDA	1,862.6	2,057.0	2,313.9	2,389.0	Other Current Assets	5,400.2	7,735.7	7,522.4	7,910.6
Depreciation & amortisation	-207.9	-252.3	-354.0	-354.2	Fixed Assets	3,252.2	3,919.3	4,565.3	4,211.1
Operating Profit	1,654.7	1,821.7	1,959.9	2,034.8	Other long term assets	6,323.4	6,658.9	6,658.9	6,658.9
Net interest	-254.0	-43.4	-16.4	13.2	Total Assets	17,868.9	23,448.8	24,313.1	25,230.8
Associates	111.2	46.2	70.0	70.0	Current Liabilities less Debt	2,245.7	1,994.8	2,198.1	2,272.1
Exceptionals	0.0	0.0	0.0	0.0	Debt	5,283.6	9,579.7	8,682.0	7,871.1
Pre-tax profit	1,789.3	2,294.4	2,313.5	2,418.0	Other Long Term Liabilities	364.3	462.6	480.7	501.1
Tax	-232.2	-324.1	-347.0	-362.7	Shareholders Equity	9,606.5	10,931.1	12,383.7	13,925.8
Net Profit	1,531.0	1,882.0	1,878.3	1,963.3	Total Equity and Liabilities	17,868.9	23,448.8	24,313.1	25,230.8
CASH FLOW					KEY RATES & RATIOS				
Year Ended 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F		FY08	FY09	FY10F	FY11F
Profit Before Tax	2,088.7	2,136.7	2,683.9	2,759.0	EPS (S cents)	24.0	29.5	29.4	30.7
Working Capital Changes	1,629.9	-2,404.1	482.3	-314.3	Fully Diluted EPS (S cents)	23.4	28.7	28.7	30.0
Net Cash from Operations	3,230.9	-520.4	3,131.8	2,437.5	PER (x)	17.1	13.9	14.0	13.3
Capex	-1,012.2	-973.9	-1,000.0	-1,000.0	Price/NTA (x)	4.6	3.8	3.1	2.6
Investing Cash flow	-1,296.0	-1,282.4	-1,000.0	-1,000.0	EV/EBITDA (x)	15.4	14.9	12.7	11.6
Change in Equity	0.0	273.6	0.0	0.0	Dividend Yield (%)	1.3	1.4	1.6	1.6
Net Debt Change	245.8	4,024.7	-897.7	-810.9	ROIC (%)	10.3	9.2	8.9	9.0
Financing Cash Flow	-1,345.9	1,161.2	-1,255.3	-1,236.8	ROE (%)	15.9	17.2	15.2	14.1
Net Cash flow	588.9	-641.6	876.5	200.8	Net Gearing (%)	24.9	40.7	25.2	10.2
Ending Cash Balance	2,893.1	5,134.9	5,566.7	6,450.2	PE to Growth (x)	0.2	0.6	-71.1	3.0

Source: Company data, OIR estimates

SHAREHOLDING DECLARATION:

The analyst/analysts who wrote this report holds NIL shares in the above security.

RATINGS AND RECOMMENDATIONS:

OCBC Investment Research's (OIR) technical comments and recommendations are short-term and trading oriented.

- However, OIR's fundamental views and ratings (Buy, Hold, Sell) are medium-term calls within a 12-month investment horizon. OIR's Buy = More than 10% upside from the current price; Hold = Trade within +/- 10% from the current price; Sell = More than 10% downside from the current price.

- For companies with less than S\$150m market capitalization, OIR's Buy = More than 30% upside from the current price; Hold = Trade within +/- 30% from the current price; Sell = More than 30% downside from the current price.

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Head of Research

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