

Analysts positive on Kencana

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KUALA LUMPUR: The current slide of Kencana Petroleum Bhd share price offers opportunities for investors to make an arbitrage profit of about 20 per cent.

Kencana shares fell 16 per cent, or 43 sen, this month. Last Friday, it closed about 3 per cent lower to RM2.35 a share.

Last month, the board of directors of Kencana and SapuraCrest Petroleum Bhd approved a RM12 billion merger plan via a special purpose company, Integral Key Sdn Bhd.

Under the proposal, Kencana shareholders will get RM3 a share worth of Integral Key stocks and cash, while owners of SapuraCrest stocks will receive the equivalent of RM4.60 per share in shares and

cash.

"I am not 100 per cent sure why the stock fell, but I guess it is partly due to the generally weak market sentiment. Also, the offer was not a 100 per cent cash offer, so investors just want less exposure on equities market," said an analyst who declined to be named.

For the recent financial result, both Kencana and SapuraCrest reported record quarterly profits for the quarter ended July 31 2011.

Kencana made RM63.7 million during its fiscal quarter ended July 31, an improvement of 53 per cent. For the full year, Kencana posted a record net profit of RM223.1 million.

The company attributed its performance to higher progress

achieved for contracts in hand on the back of bigger order book and better management of relevant costs, contribution from drilling services as well as maiden contribution from offshore diving support services.

Based on Bloomberg data, analysts remained generally positive on Kencana.

From the 16 research houses that cover the stock, eight recommended a "buy", four recommended investors to "hold", while two with a "sell" recommendation.

"I believe the deal is still on, and as long as the deal is still on, the current price offers investors a good value," an analyst added.

