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## Tradewinds set to sell Hanoi hotel

Merrill Lynch says the hotel will be sold for RM410 million and it will de-gear and cut interest payment

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TRADEWINDS Corp Bhd is due to complete the sale of its Intercontinental Westlake Hotel in Hanoi, Vietnam, for US\$120 million (RM410 million), a leading foreign brokerage said.

Merrill Lynch said in a report that the sale is "imminent" and that it will substantially de-gear the group from the current 1.4 times to 1.1 times and help reduce interest payment by 25 per cent at the holding company level.

"We maintain our buy recommendation. Our price objective is RM2.55 based on a 20 per cent holding company discount to our revised net asset value," Merrill Lynch said in a report.

The research firm reckons that Tradewinds could return to the black in the current financial year ending



December 31 2007 with a net profit of RM71 million.

This is followed by a net profit of RM117 million in 2008, backed by higher crude palm oil (CPO) production.

Earnings from CPO currently account for some 60 per cent of Tradewinds' operating profits.

In 2006, Tradewinds suffered a net loss of RM1.69 million, while operating profit stood at RM138.55 million.

Tradewinds slipped into the red because of the high interest it pays to service its borrowings of about RM2.3 billion.

For 2006, Tradewinds' group level finance cost stood at RM110.06 million,

while its cash position was RM287.35 million.

Tradewinds' palm oil powered turnaround story is set against the backdrop of palm oil futures in Malaysia enjoying double-digit growth over the next 12 months.

In a September 23 report, Bloomberg citing Dorab Mistry, a director at Godrej International Ltd, reported that palm oil futures may advance as much as 15 per cent because of rising demand and a shortfall in supply of vegetable oils.

Prices may climb as high as RM3,000 a tonne in the year ending September 30 2008, said Mistry, who has traded vegetable oils since 1976.



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