Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Kencana Agri Limited

Stock code: BNE

Meeting details:
Date: 28 April 2023
Time: 2.00 p.m.
Venue: <<live webcast>>

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Q1. In FY2022, the company experienced a 19.0% increase in revenue, primarily attributed to higher sales volume and selling prices of Crude Palm Oil (CPO) and Palm Kernel (PK). Specifically, the sales volume of CPO and PK increased by 9% and 8%, respectively. Additionally, the average selling price (ASP) of CPO in FY2022 increased by 8% to US$761/MT, while the ASP of PK rose by 17% to US$502/MT.

However, the group's profit after tax, however, decreased by 84% to US$2.6 million in FY2022. The decrease was mainly attributed to:
(i) higher CPO production costs incurred;
(ii) fair value loss recorded in biological assets of US$5.8 million because of 30% decrease in fresh fruit bunch (FFB) price from US$213/MT in FY2021 to US$150/ MT in FY2022; and
(iii) foreign exchange loss of US$9.9 million following further depreciation of IDR against USD.

The cost of production for nucleus CPO by other producers was significantly lower, with some reporting costs as low as approximately US$275 per tonne.

(i) **What is the group's cost of production for CPO from nucleus FFB and third party/plasma FFB?**

(ii) **Can management quantify the increase in CPO production cost as a result of general inflationary pressure, higher energy costs and supply chain disruptions?**

(iii) **What is management's strategy to better manage these costs, and have the supply chain disruptions eased?**

(iv) **Did the additional purchases of third party FFB to better utilise the capacity of its mill generate positive downstream/processing margins?**

Q2. The average FFB yield, profile of the group's oil palm trees and the FFB production trend can be found on pages 10 and 9 of the annual report (reproduced below):

Financial and Operational Review (Cont'd)

OPERATIONAL HIGHLIGHTS

	2022	2021	2020
AVERAGE FFB YIELD (MT/HA)			
Nucleus	12.3	12.2	11.9
Plasma	10.8	9.7	9.7

(Source: company annual report)

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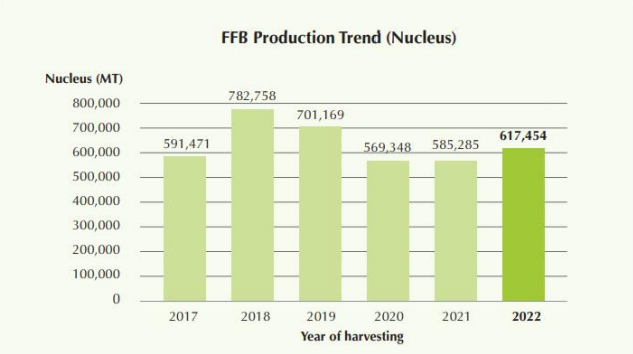
REVIEW OF OPERATIONAL PERFORMANCE

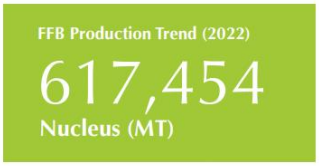
Snapshot of our plantation profile

Age Profile	Immature	%	Young Mature	%	Prime Mature	%	Old Mature	%	Total	%
Nucleus	1,291	2%	13,778	27%	29,258	57%	7,356	14%	51,683	100%
Plasma	2,540	15%	2,154	13%	9,852	60%	1,923	12%	16,469	100%
Total	3,831	6%	15,932	23%	39,110	57%	9,279	14%	68,152	100%

INCREASE IN THE PRODUCTION VOLUME RESULTING FROM HIGHER YIELDS

The Group's production of Nucleus FFB increased by 32,169MT from 585,285MT in FY2021 to 617,454MT in FY2022 due to higher average FFB yields as some of our immature plantations has entered into young mature stage.





(Source: company annual report)

(i) **Can the board/management help shareholders better understand its efforts at improving the average FFB yield? Are the group's FFB yields on par with the industry? Reported figures from other plantations were as high as 18 MT/ha.**

(ii) **How is the group managing the impact of La Niña/El Niño weather changes on the group's operations?**

(iii) **What is the group's approach to its planting and replanting, including the key factors that determine the schedule?**

(iv) **In management's view, how significant is the B35 biodiesel blending mandate, and what positive impact on the industry can be expected from it?**

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Q3. A major detractor of the group's financial performance is the foreign exchange loss of US$9.9 million following further depreciation of IDR against USD.

As shown in Note 33G (Foreign currency risks), the group has exposure to USD via its borrowings to the tune of US$86.9 million.

33G. Foreign currency risks

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency that is a currency other than the functional currency in which they are measured. Currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency as defined in the financial reporting standard on financial instruments: disclosures.

Analysis of significant amounts denominated in non-functional currencies:

Group 2022	SGD dollars US$'000	USD dollars US$'000	Total US$'000
Financial assets:			
Cash and cash equivalents	513	118	631
Total financial assets	513	118	631
Financial liabilities:			
Borrowings	(639)	(86,922)	(87,561)
Total financial liabilities	(639)	(86,922)	(87,561)
Net financial liabilities at the end of the year	(126)	(86,804)	(86,930)

(Source: company annual report)

(i) **Can the board provide further details regarding the nature of its USD-denominated liabilities, and explain the steps taken to manage foreign currency risks? Are there alternative sources of funding available to the group that would not result in significant currency mismatch risks?**

(ii) **In addition, can the board also provide more information on the hedging strategies employed by the group to better manage interest rate risks?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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