

IJM orderbook targets RM8.8b

Contracts for MRT and WCE construction jobs boost company's orderbook number

by JOHN GILBERT

BASED on the recent Sungai Buloh-Kajang mass rapid transit (MRT) and West Coast Expressway Sdn Bhd (WCE) contract-winnings, leading construction group IJM Corp Bhd was expected to increase its orderbook size from the

current RM3.8 billion to RM8.8 billion.

The contracts orderbook would provide earnings visibility for IJM for the next 2-3 years, ECM Libra said in a research report last Friday.

For the MRT project, IJM was awarded the Viaduct 5 (V5) contract package other associated works along a 5.2km elevated stretch from Taman Maluri to Plaza Phoenix station of the Sungai Buloh-Kajang MRT line worth RM974 million.

Assuming an earnings before interest and taxes margin of 9% and project duration of

four years, this job is expected to contribute approximately RM22 million to the IJM's operating profit per year and will also boost its construction orderbook to estimated RM4.5 billion, TA Securities Holding Bhd said in a report.

In addition, IJM's associate Kumpulan Europlus Bhd (KEuro) has received approval from the government's public-private partnership unit to undertake the RM7.1 billion construction and privatisation of the WCE, the company announced in filing to Bursa Malaysia last week.

The WCE would be a build-operate-transfer basis for 60-year concession period via KEuro's 64.2%-subsidiary, WCE.

The WCE will be partly financed by a RM2.2 billion support loan and commercial loan interest rate subsidies from the government, and the balance borne by KEuro via a mixture of equity and debt.

Once the concession agreement is signed between WCE and the government, IJM is expected to get RM4 billion of construction works from KEuro expected in the first-quarter of financial year 2013, while the bal-

ance of works will go for open tender to other contractors.

IJM has openly said that it would not sacrifice margins to clinch new jobs as it was confident of bagging its portion of the WCE project, and expected margins to be still relatively lucrative for IJM at between 5%-7%, HwangDBS Vickers Research Sdn Bhd said in a report.

HwangDBS and ECM Libra maintained a 'Buy' call for IJM while TA Securities said it maintains its 'Sell' recommendation on IJM as its current valuation is running ahead of fundamentals.