

Analysts bullish on IJM, AZRB after MRT job news

KUALA LUMPUR: Analysts are bullish on IJM Corp Bhd and Ahmad Zaki Resources Bhd (AZRB) after the companies secured RM1.7 billion contracts from MRT Corp Bhd to help build the MRT (mass rapid transit) Sungai Buloh-Kajang line.

Shares of IJM, a construction company-cum-highway concessionaire, yesterday rose as much as 6.8 per cent to RM5.82, their steepest intraday gain since September 28, before settling at 25 sen higher to RM5.70.

MRT Corp on Thursday announced that it had awarded IJM a RM974 million job package to build a viaduct guideway and other related works from the Maluri Portal to Plaza Phoenix Station.

AZRB, too, jumped as much as 28 per cent to 95 sen after MRT Corp awarding it a RM764 million MRT job.

The shares closed 16 sen higher to 90 sen.

AZRB will build a viaduct guideway and other related works from Plaza Phoenix to Bandar Tun Hussein Onn Station.

Maybank-Kim Eng analyst Wong Chew Hann has upgraded its call on IJM to "buy" from "hold".

Her target price of the shares, however, remained unchanged at RM6.20.

"Being a competitive bid, we expect margins to be thin. Assuming a 5.0 per cent net margin, we expect this contract to contribute RM49 million in net profit (or 3.6 sen in earnings per share) over the duration of works," she said in her note to investors yesterday.

Hwang DBS Vickers Research has maintained its "buy" rating on IJM and valued the shares at RM8.10.

IJM is seen as a strong defensive bet for the construction sector.

OSK Investment Bank analyst Kong Heng Siong said the package

awards to IJM and AZRB came within his expectations but was positively surprised by the higher job quantum.

"We foresee near-term upside for both IJM and Ahmad Zaki's share prices," he said in his note to investors yesterday.

"We believe almost half of the RM20 billion Sungai Buloh-Kajang line is expected to be awarded in three months and three quarters by October.

"The tender process for the tunneling package worth as much as RM8 billion has closed. We understand that the award could be announced as early as April," he added.

The 51km Sungai Buloh-Kajang line, of which 9.5km — including seven of the 31 stations — will be underground, is being designed to carry 442,000 passengers a day.

By Ooi Tee Ching