

January's awards a positive surprise

> Big contracts handed out recently spark interest in construction stalwarts

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PETALING JAYA: Contract awards in the construction sector amounted to RM8.5 billion in January, sparking some interest in stalwarts like IJM Corp Bhd, Gamuda Bhd and Ahmad Zaki Resources Bhd (AZRB).

"We are keeping our overweight recommendation for the construction sector while expecting more positive news flow, focusing mainly on economic transformation programme (ETP) contract awards," Kenanga Research said yesterday.

The biggest chunk of the awards is the privatisation of the West Coast Expressway to Kumpulan Europlus Bhd. The long-delayed 316km stretch of highway from Banting in Selangor to Taiping in Perak will cost RM7.1 billion.

"Investors should accumulate IJM Corp as we expect this news to spark a re-rating as IJM Corp owns 22.5% of Kumpulan Euro and is also vying for a share of the WCE construction works," CIMB Research said.

IJM Corp is also reported to have clinched a RM974 million contract

to build part of the My Rapid Transit (MRT) elevated system, although MRT Corp has yet to issue a formal letter of award to the company.

Another contractor, AZRB, was reported to have won a similar MRT work package worth RM764 million.

Big-ticket awards in 2011 amounted to RM8.1 billion, but the total figure this year is set to more than double after a strong start in January. Estimates showed the infrastructure development for the MRT line is worth RM18 billion.

Despite being positive on new awards, CIMB maintained its trading buy call on the construction sector, citing heightened political risk amid a looming early general election as a key concern in a report dated Jan 10.

While the MRT project is expected to provide much of the work for contractors this year, other big-ticket items that will excite investors include the much-talked-about high-speed train linking Kuala Lumpur and Singapore, traffic alleviation project in Penang, PNB's plans to build its own tower and the proposed Johor-Singapore undersea tunnel.

Meanwhile, Gamuda is said to be the frontrunner to secure the electrified double-track railway project between Gemas and Johor Baru. This job is estimated to be worth at least RM7 billion.

Gamuda, which is also tipped to bag the tunnelling portion of the MRT project with joint venture partner MMC Corp Bhd, has replaced Kimlun Corp Bhd as Kenanga's top pick for the sector.

"Nonetheless, Kimlun will still be on the radar in the construction sector as one of the beneficiaries of the MRT tunnel lining segment."

Kenanga expects the next few months to be busy as project rollouts under the ETP gather speed ahead of the upcoming general election, which must be held by March next year.