

Lafarge to benefit from infra projects

KUALA LUMPUR: Lafarge Malayan Cement Bhd is set to benefit from an expected surge in cement orders once construction works on the Mass Rapid Transit Sungai Buloh-Kajang line (KVMRT) go into full swing towards year-end, said AmResearch Sdn Bhd.

Lafarge is the country's largest cement producer with a market share of over 40%.

"Apart from the MRT project, other big-ticket projects that would likely trigger a multi-year accentuation in domestic cement procurement include the Klang Valley LRT extension, the West Coast Expressway, KL International Financial District, Rubber Research Institute of Malaysia redevelopment, Menara Warisan, the Gemas-Johor Baru double-tracking project as well as the growth corridors of Johor's Iskandar Malaysia and the Sarawak Corridor of Renewable Energy," the research firm said in a note to clients yesterday.

AmResearch has upgraded its call on Lafarge from a "hold" to a "buy" at RM7.18, with a higher fair value of RM8.28.

"Similarly, our target price-earnings (PE) is also raised by two notches to 18 times to reflect Lafarge's improving prospects with a re-acceleration of local infrastructure spending," it added.

AmResearch said coal prices have also somewhat stabilised after supply bottlenecks brought about by last year's major floods in Australia start to ease amid a weakening in global macro conditions. International coal prices have softened to US\$113 per tonne in the fourth quarter of 2011 from US\$126 per tonne in the first quarter of 2011.

It is assuming coal prices will hover at US\$115-123 per tonne for FY12 and FY13.

"We project Lafarge's net profit for the financial year ending Dec 31, 2012 (FY12) to accelerate to RM344 million compared with (an estimated) RM273 million in FY11, rising further to RM391 million in FY13. This is backed by domestic cement demand growth of 4% and 5% over the next two years against a higher growth base in FY11 of 7%," said AmResearch.