

Naim to bid for RM1b MRT works

Developer likely to do so by the end of the month

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KUALA LUMPUR: Naim Holdings Bhd is preparing to throw in a bid for around RM1 billion worth of mass rapid transit (MRT) related construction works, a local analyst who attended a briefing by the company told *The Edge Financial Daily*.

According to the analyst, the Sarawak-based developer has yet to submit bids for some of the jobs, but will likely do so by the end of the month.

This could see an additional RM1 billion to its approximately RM2 billion order book, if its bids are successful.

"There are roughly RM12 billion in MRT contracts up for grabs and Naim has a decent shot at securing some contracts.

"Naim has pre-qualified to bid for contracts relating to the elevated section of the Sungai Buloh-Kajang MRT project in the bumiputera category," said the analyst.

The analyst also noted that Naim does not have a presence or relative experience in Peninsular Malaysia and had trouble in the past breaking into the market there.

In Sarawak, where Naim is the

largest developer by landbank, the group is bidding for another RM1 billion in contracts.

Towards this end the analyst said: "It is likely that Naim will have to find a partner to undertake a project of such a large size and complexity.

"Naim has just come out of a poor performance in 2011, with few additions to its order book. Last year it only secured one major job worth RM12 million in Fiji."

The company recorded a net profit of RM5.28 million for 4QFY11 ended Dec 31, down 76.47% from RM22.45 million the previous year.

Revenue fell 52.77% for the quarter to RM90.86 million from RM192.4 million.

For FY11, net profit was down about 52% to RM46 million from RM97.75 million previously. Revenue dropped 33.14% to RM409.65 from RM612.69 million.

"Naim's earnings were bolstered by its 34.2%-held oil and gas (O&G) associate, Dayang Enterprise Holdings Bhd, which contributed about RM27 million to Naim's core earnings," said the analyst, who noted there was a slowdown in the property market in Sabah and Sarawak last year.

Looking ahead, Naim's earnings are expected to normalise this year.

While the MRT project would be a bonus to Naim's order book,



the developer's core business is in Sarawak where job flows are beginning to pick up and the company is hoping to secure up to RM1 billion worth of contracts, said the analyst.

Naim could double the size of its order book this year although it is unlikely to win 100% of the bids.

The analyst said of Naim's order book which currently stands at RM2 billion, about RM1 billion of the jobs were awarded letters of intent (LoI) for flood mitigation works in Kuching from the federal government.

He explained that Sarawak's market is demand-driven and lately there has been a boom in demand for energy which has outstripped supply.

"The state has immense po-

tential for hydroelectric power and more hydroelectric dams are being planned. The Sarawak Corridor of Renewable Energy (Score) sees demand for energy growing," said the analyst.

While Naim does not have the expertise to build the dams, it will take the opportunity to undertake basic infrastructure projects like water supply, roads, bridges and building works, said the analyst, who highlighted Bintulu's Samalaju Industrial Park.

"For example, Naim has a JV with Cahya Mata Sarawak Bhd (CMS) to develop a township in Samalaju, near the Samalaju Industrial Park on about 4,000 to 5,000 acres of land. They will probably start by developing 1,000 acres first," said the analyst.

Overall, the analyst is positive on Naim's prospects in the coming years.

"We can expect to see earnings normalise in 2012 from a low base. Due to improved earnings visibility, we can expect Naim to reap most of its gains in 2013 and 2014," said the analyst.

"Its associate Dayang should also continue to offer strong returns as it has been securing contracts from Petronas. Even though Naim does not control Dayang, it was still a very good investment."

The stock price fell 3.2% to RM2.14 yesterday from RM2.21, with 592,700 shares traded.