

MMC-Gamuda JV clinches RM8.2b MRT tunnelling job

It beats four rival bids on competitive pricing and expertise

by Sharon Tan

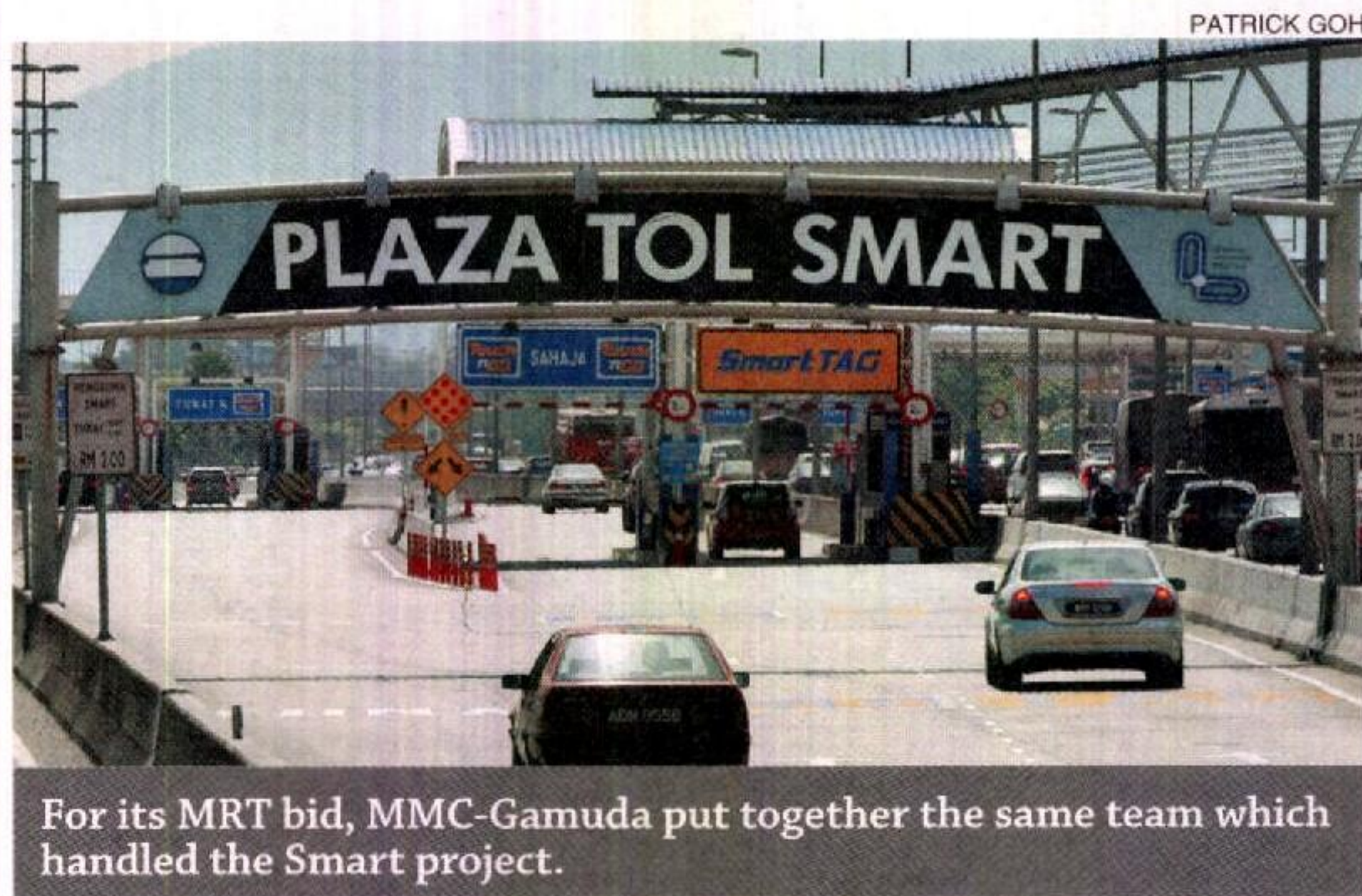
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KUALA LUMPUR: As expected, the MMC Corp Bhd-Gamuda Bhd joint venture (MMC-Gamuda JV) has been awarded the RM8.2 billion tunnelling job for the MY Rapid Transit (MRT) project, also known as the Sungai Buloh-Kajang line. The tunnelling job is the single largest package of the MRT project which makes up 30% to 40% of the total project cost.

Mass Rapid Transit Corp Sdn Bhd (MRT Corp) said in a statement yesterday that the One Stop Procurement Committee (OSPC) decided to award the job to MMC-Gamuda JV at a meeting chaired by the prime minister on Monday.

The local JV beat mostly foreign bidders for the job. Five companies or JVs had submitted bids for the tunnelling jobs. The other four are the Hyundai-Gadang-Chengal Jaya JV, Taisei Corp, Sinohydro Group Ltd and China Railway Group Ltd.

According to MRT Corp, MMC-Gamuda JV was selected based on the consortium's strengths in design, construction plant and tunnelling equipment, tunnelling and station construction methodology, especially in the challenging karstic limestone formation, and for the construction plan and



For its MRT bid, MMC-Gamuda put together the same team which handled the Smart project.

resources it committed.

"MMC-Gamuda JV also stood out because of its past experience in handling underground works in the same ground conditions and for putting together the same team which handled the Stormwater Management and Road Tunnel (Smart) project.

"The consortium also offered the most competitive price at RM8.2 billion to design and build the 9.5km MRT underground tunnel and seven underground stations," said MRT Corp, which will directly supervise the underground package.

MRT Corp CEO Datuk Azhar Abdul Hamid said the award of the project showed the MRT construction work is gaining momentum.

The news did surprise research houses as most had expected the

MMC-Gamuda JV to clinch the tunnelling job.

In a report yesterday, OSK Investment Bank (OSK IB) said it was not surprised the MMC-Gamuda JV had emerged as the winner as it has expertise and experience with the Smart project as well as the Swiss Challenge condition favouring local contractors over foreign parties.

"The clinching of this contract by the MMC-Gamuda JV is within our expectations. The amount of RM8.2 billion came in slightly above our earlier expectations of RM8 billion.

"From our recent conversation with Gamuda's management, the 9.5km underground tunnel comprises seven underground stations linking Semantan to Maluri. Works are expected to start as early as 2Q12 and the target completion date has

been set for June 2017."

With the award of the tunnelling job, OSK IB expects the remaining six out of the eight packages on the elevated portion of the MRT project to be dished out progressively over the next two months.

"This jives with our bullish view on the construction sector as a whole as we believe that trading sentiment will improve on the burgeoning news flow," said OSK IB, maintaining its "buy" call on Gamuda and MMC with a target price of RM4.58 and RM3.71 respectively.

RHB Research Institute said Gamuda's half of the tunnelling contract of RM4.1 billion has tripled its outstanding construction order book from RM2 billion to RM6.1 billion.

But while it is positive on the latest development, it believes the construction sector has very much been priced in by the market.

"We are less enthusiastic on construction stocks as we believe their share price performance is likely to be muted over the next six to 12 months as the market begins to price in a higher risk premium for construction stocks ahead of the nation's general election that will have to be held by March 2013," said RHB Research.

It nonetheless maintained its "buy" call on Gamuda at RM3.78.

MMC closed at RM2.95 yesterday, up 15 sen, with 11.3 million shares traded. Gamuda added 12 sen to end at RM3.74 with 20.3 million shares done. Both counters were among yesterday's top gainers.