

Gamuda's all set on the MRT project

► **Recommendation:**
Maintain Buy

FAIR Value: RM4.57

by OSK Research Sdn Bhd
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On a Roll

GAMUDA Bhd's 1HFY12 revenue came in at a sturdy RM1.41b (+13.7% YoY) driven by its property division, which saw revenue soar 68.6% during the period to RM520.9m.

The group's core earnings surged by a stronger 47.2% to RM268.8m owing to margin expansion in its construction and property divisions, both of which witnessed a 620bps improvement in PBT margins.

We attribute these improvements to the recognition of better margins for its electrified double tracking (EDT) project as it had been rather conservative for FY09-FY10, as well as sales of higher-end property developments last year. On a quarterly basis, the 2QFY12 numbers improved markedly

► GAMUDA BHD				
	2011	2012F	2013F	2014F
REVENUE (RM mil)	2673.2	2602.7	2885.3	3403.8
NET PROFIT (RM mil)	425.4	521.5	594.7	700.9
EPS (sen)	20.6	25.2	28.8	33.9
PER (x)	17.4	14.2	12.5	10.6

across the board on a YoY and QoQ comparison.

What's New on the MRT

Management said that 27 works packages for the Klang Valley My Rapid Transit (KV MRT) Sungai Buloh-Kajang (SBK) line have been awarded out, while tenders and awards for the remaining 63 packages are expected to be mostly completed by 4Q12.

We understand that works on the tunnelling portion could start as soon as 3Q12, and the government is currently negotiating with landowners on vacating the affected sites.

The target date for completion is July 2017. Ten tunnel boring machines, each worth some RM150m, will be deployed at four launch shafts in core areas such as Semantan, Maluri and Cochrane.

Recognising Works on Elevated Portion

More interestingly, management highlighted that all packages for the elevated portion of the SBK line will be recognised in its books in view of its joint appointment with MMC Corp Bhd as the project delivery partner for this portion.

To put it simply, Gamuda's

revenue going forward would include all works relating to the elevated portion, plus the 6% management fee it is entitled to, while its operating expenses would comprise payments made to the respective contractors for the works involved.

Veil is Off the Upcoming Lines

As for the remaining two lines, ie the Circle (41km) and North-South line (36km), we understand that the government has identified the respective corridors and the exact alignment would be made known by 1Q13.

In contrast to the SBK line, we gather that the underground portions of these two lines are likely to be awarded ahead of the elevated packages.

Work on the elevated packages are only expected to start in 2019 while the tunnelling portions may start concurrently with that for the SBK line. With the tunnelling works for the SBK line already in its bag, we continue to like MMC-Gamuda's chances of securing the underground works for all the three lines mentioned as the duo would have already purchased the required equipment.

Gemas-Johor Baru EDT Possible

Meanwhile, 77% of works on the EDT has been completed, with the Padang Besar-Ipoh section due to be completed by June 2014 while the Bukit Mertajam-Butterworth portion is scheduled for completion by November 2014.

On the widely speculated RM8b Southern portion linking Gemas and Johor Baru, management hinted at the possibility of more positive developments come 3Q12. We understand that Gamuda is likely to partner with Chinese Railway Construction Corp for this potential job.

Decent Property Sales

Gamuda's property division recorded sales of RM870m in 1HFY12, of which RM620m was registered in Malaysia while the remainder was from its developments in Vietnam, representing an encouraging 50% surge from RM580m in 1HFY11. Its unbilled sales now total RM1.3b.

Maintain 'Buy'

We expect the remaining six out of the eight packages of the elevated portion to be dished out over the next two months. Maintain 'Buy', with our FV unchanged at RM4.57, based on SOP valuation.