

Construction sector showered with contacts

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KUALA LUMPUR: The construction sector was showered last week with news of job wins worth a whopping RM3 billion in total, on top of fund disbursements of close to RM100 million to contractors needing cash to kick start work — a stark contrast to rising global economic unease over tepid Chinese growth data.

And analysts are looking forward to more “election-driven news flow on job wins” in the coming weeks and months in the run-up to the general election that is slated to happen by April 2013.

The bulk of contracts doled out last week came from Mass Rapid Transit Corp Sdn Bhd (MRT Corp) which awarded RM767 million worth of jobs last Friday for the Sungai Buloh-Kajang MRT line to three companies. Just two days earlier on July 11, jobs worth some RM1.68 billion were officially awarded to units of Mudajaya Group Bhd and Gadang Holdings Bhd.

Other major contracts awarded last week include a RM391 million job to WCT Bhd for the fourth lane widening of the Nilai to Seremban stretch of the North-South Expressway from UEM-MRCB JV Sdn Bhd.

The sudden splash of job awards made CIMB Research analyst Sharizan Rosely's report headlined “It's raining jobs” on July 4 a prescient one.

“Likely pre-election driven newsflow continues to anchor our ‘trading buy’ call on the construction sector,” he wrote in the note, pointing out that the sec-

Announcement date	Contract	Value (RM mil)	Recipient
July 13	Klang Valley Sungai Buloh-Kajang MRT (Package MSPR1) construction of multi-storey carpark and associated works at Sungai Buloh station.	117.1	TSR Bina Sdn Bhd
	Klang Valley Sungai Buloh-Kajang MRT (Package DPT2) construction and maintenance of Kajang Maintenance Depot and administrative building.	212.8	TSR Bina Sdn Bhd
	Klang Valley Sungai Buloh-Kajang MRT (Package S4) construction of Section 16, Pusat Bandar Damansara and Semantan elevated stations.	208.2	Naim Engineering Sdn Bhd
	Klang Valley Sungai Buloh-Kajang MRT (Package S5) construction of Taman Bukit Ria, Taman Bukit Mewah, Leisure Mall and Plaza Phoenix works.	228.9	IJM Construction Sdn Bhd
July 12	Fourth lane widening of North-South Expressway (Nilai-Seremban stretch) Engineering, procurement and construction (EPC) work package for 275KV substation in Samalaju, Sarawak.	391	WCT
	Supply of steel pipes (letter of intent, subject to formal award from KACC-JAKS JV Sdn Bhd).	115.2	Pastech International
		28	KKB Engineering
July 11	Klang Valley Sungai Buloh-Kajang MRT viaduct jobs Package V3 (Dataran Sunway to Section 17).	816.24	Mudajaya Group
	Klang Valley Sungai Buloh-Kajang MRT viaduct jobs Package V2 (Kota Damansara to Dataran Sunway).	863.39	Gadang Holdings
July 9	Subcontract for supply of antennae poles	22.8	Lysaght Galvanised Steel
	Total for the week:	3,003.63	

tor is not an “overweight” due to overhang from the upcoming election.

In fact, Sharizan expects total domestic contract job awards in 2012 to hit RM30 billion to RM35 billion, more than triple the record in the past two years.

“We estimate that RM95 billion worth of highway and rail jobs could come onstream from this year onwards,” he said, adding that specialised foundation and earthwork contracts for the Rapid rail project, Kuala Lumpur International Financial District (KLIFD) and Rubber Research

Institute (RRI) land could add another RM3 billion more jobs.

“We concur with the view of many contractors that news flow will continue and may intensify if the general election is held later rather than sooner,” he added, reiterating a preference for WCT and Mudajaya among construction peers to clients.

There was even cheer for smaller players like KKB Engineering Bhd, which last week announced the receipt of a letter of intent worth RM28 million to supply steel pipes.

OSK Research analyst Jerry

Lee, for one, saw the “surprise order replenishing after a long drought” as reason to upgrade KKB to “neutral” with a higher fair value of RM1.50 from RM1.34 which also reflects a revival in activity for the Sarawak Corridor of Renewable Energy (Score).

Indications are that there will be more awards and cheer for the construction sector.

On July 4, MRT Corp said tenders for the remaining 31 packages for the Sungai Buloh-Kajang MRT line will be called in the current quarter, adding to the 21 that were being evaluated and 33

worth RM15.5 billion that had been given out.

In addition, *Bernama* reported last Monday that the government had allocated RM600 million to help bumiputera companies implement infrastructure projects by lending them up to 15% of the overall project cost.

In fact, more bumiputera contractors will be able to access those funds now that the qualifying threshold has been lowered to projects costing at least RM5 million, down from RM20 million previously, minister in the Prime Minister's department Tan Sri Nor Mohamed Yacop reportedly said, adding that applications will be scrutinised carefully and approved within a month.

And that's in addition to the RM20 billion funds allocated to the Public-Private Sector Partnership Unit (Ukas) under the 10th Malaysia Plan to help private sector companies undertake projects worth above RM100 million each.

Maximum funding aid given would be 10% of total project cost. The scale is up to 15% of projects worth a minimum of RM20 million for bumiputera contractors applying to the Bumiputera Agenda Coordinating Unit (Teraju).

Just last week, Ukas disbursed a total of RM88.19 million to two parties — RM57.5 million to Tasja Development Sdn Bhd to build a hi-tech park in Kuantan, Pahang; and RM30.69 million to Plaza Merdeka Holdings Sdn Bhd for a shopping centre at Hotel Plaza Merdeka in Kuching, Sarawak.

The two projects reportedly brought total funds disbursed to RM5.1 billion, with applications for RM4.7 billion in funding still being processed.