

# Fajarbaru enters new phase of growth

BY Max Koh

After having been in the construction business for more than 38 years, Fajarbaru Builder Group Bhd is moving into property development.

"It is a natural progression for any construction company to go into property development. We have the know-how and we can manage costs. This is Fajarbaru's new phase of growth," says its managing director and CEO Datuk Low Keng Kok.

In the last three years, Fajarbaru has spent RM77 million on purchasing a total of 12.6 acres in Sentul, Puchong and Melaka. Now, it plans to launch properties with a gross development value (GDV) of at least RM850 million on the land.

"We will launch our projects in Sentul and Puchong by next year. We are planning to develop serviced apartments and condominiums in these two locations," says Low.

By the first quarter of 2013, Fajarbaru will launch its maiden project in Sentul that will have a GDV of RM200 million and comprise 400 apartments.

As for the Puchong project, Low says Fajarbaru will launch 800 condos with a GDV of RM500 million next year. The company had bought the 6.8-acre parcel in Puchong for RM40 million or RM135 psf last year.

"This land is located near the proposed Kinrara-Damansara Expressway (Kidex) and Serdang-Kinrara-Putrajaya Expressway (SKIP). An LRT station will be located nearby as well. Given such a good location, we see strong demand for the condos when they are launched," says Low.

He adds that the project is targeted at the middle class. "We are looking at pricing these condos

at around RM600,000, depending on the market price then [for similar products]."

Low is unperturbed by the slowing property sector as he believes demand for good housing will always be there in the Klang Valley.

"Demand for housing will be there regardless of good or bad economic times. We believe these projects will see good demand as they are located in prime areas. People are always migrating to the Klang Valley from the rural areas."

According to Low, the company's landbank in Puchong and Sentul is freehold.

He says the launch of the Melaka project will depend on market sentiment. "We are still submitting plans to the authorities for our Melaka land, which fronts the straits. At the moment, we are looking at building high-end serviced apartments. But the launch will depend on market conditions."

Fajarbaru had bought the 3.5-acre parcel for RM13.5 million in 2010.

Low says the housing projects will keep the property arm busy for the next few years. "We are looking at the property arm contributing 30% to our turnover in the future."

He adds that Fajarbaru will continue to scout for land in the Klang Valley, Penang and Johor. "However, we will ensure we don't take on too many projects to ensure our cash flow is not burdened. We will also consider joint ventures for future projects."

Fajarbaru is also eyeing more construction jobs in the mass rapid transit (MRT) project. It has submitted bids to build MRT stations under two packages that closed on May 28 and June 11.

Low would not reveal how much Fajarbaru bid for the jobs, but according to analysts, the two packages are valued at RM650 million.



An artist's impression of Fajarbaru's condominium project in Puchong

Low says Fajarbaru will bid for more MRT packages when they are put out to tender. "We will bid for more as we have the capacity to take up another RM1 billion worth of jobs."

According to him, Fajarbaru is also bidding for the Kidex project and the civil works for a sewage treatment plant in Klang.

Fajarbaru plans to leverage its track record to secure the jobs. It has already won some RM450 million worth of jobs to build stations, depots and power stations for the Ampang and Kelana Jaya light rail transit (LRT) line.

The company has an order book of RM900 million with its jobs including the rebuilding of the Shaw Parade complex in Kuala Lumpur and the construction of hangars at the Sultan Abdul Shah airport in Subang Jaya.

Despite its strong order book, it slipped into

the red in the last quarter ended March 31. This was due to a deferment of site possession and recognition of costs for order claims.

"The loss last quarter was due to an adjustment of costs. As for the full year, I cannot comment as we have just closed the books," Low says.

Fajarbaru's financial year-end is June 30.

Despite the dip, Kenanga Research maintains its "outperform" call on Fajarbaru due to its outstanding order book and it being a strong contender for MRT jobs. It has a target price of RM1.27.

On June 12, the company's share price spiked 28% to a high of RM1.08 from 84.5 sen on June 8. "I don't know the reason for the spike," remarks Low. "My main job is to manage the company and I cannot speculate on what the shareholders are doing."

The stock had retreated to 86 sen by last Thursday.

Apart from property development, Fajarbaru is also going into fish farming. Earlier this year, it entered into a joint venture with Supreme Farming Enterprise Sdn Bhd and Chan Kam Yuen to breed tilapia on its four-acre parcel in Port Dickson. Low says the group is pumping around RM5 million into the venture.

The group, he adds, has tied up with parties with experience in the business and has managed to sell a few batches of the fish in the past six months.

"We are trying out this new venture on a small scale and don't expect it to contribute significantly in the near term. We will only look into this more seriously if it turns out to be very profitable. Our construction and property development businesses will remain our bread and butter," comments Low. ■