

Good news flow for MRT Line 2 and LRT Line 3 in 2H

Construction: Cost comparison of MRT 2 vs LRT 3

	TOTAL COST (RM MIL)	DISTANCE (KM)	COST/KM (RM MIL)	UNDER-GROUND TUNNEL (KM)	AWARD PHASE	% OF TUNNELLING PORTION'S LENGTH
MRT 2	25,000	52.2	478.9	13.5	1H16	26
LRT 3	9,000	36.0	250.0	2	1H16	1
Total	34,000	88		15.5		27

Source: CIMB, Public display

Construction sector

Maintain overweight: We visited the public display of the alignments of the Klang Valley Mass Rapid Transit (MRT) Line 2 and Light Rail Transit (LRT) Line 3. This is a three-month event before the government executes the land acquisition part and prior to the pre-qualification and award phase.

Key details we garnered are: (i) the pre-award phase for MRT Line 2 and LRT Line 3 looks likely to gain traction in the second half of 2015 (2H15); (ii) the total estimated cost of both lines is RM34 billion — the cost per km of MRT Line 2 is almost double that of LRT Line 3 as 26% of the total length of MRT Line 2 will be underground compared to LRT Line 3's 1%; (iii) the award for LRT Line 3's project development partner (PDP) is targeted for July 2015

(likely 6% PDP fees) while MRT Line 3 has already awarded the PDP role to MMC-Gamuda Joint Venture (JV) Sdn Bhd and (iv) awards for LRT Line 3 could begin from end-2015 at the earliest and MRT Line 2 in 1H16.

Although there were no major surprises, indications of timing and major milestones we gathered from our checks with the officials at the show that 2H15 is likely to be a period of good news flow for both MRT Line 2 and LRT Line 3.

The revised alignment of MRT Line 2 has resulted in a longer underground portion that accommodates Bandar Malaysia as a feature station of the planned high-speed rail (HSR) link to Singapore. This is positive for Gamuda Bhd as it could mean a larger share of contract value compared with the RM4 billion package for MRT Line 1.

We expect the pre-qualification and award phase to feature other contractors under our coverage that have won MRT Line 1 packages, including IJM Corp Bhd and Sunway Bhd.

Accumulate potential MRT Line 2 and LRT Line 3 plays ahead of the award phase in 2H15. MRT Line 2's potential beneficiary list is likely to be broader, similar to the impact of MRT Line 1, while LRT Line 3's next key event is the award of the PDP role in July this year.

We are overall positive as the public display of lines marks the start of the pre-award phase of both projects, estimated to cost a combined RM34 billion.

We maintain "overweight", with Gamuda (the biggest beneficiary of MRT) and Muhibbah Engineering (M) Bhd as top picks. — CIMB Investment Bank, May 18.