

Gamuda order book could be boosted to RM7b

By ASHWIN RAMAN

GAMUDA Bhd's construction order book this year could be boosted by up to RM7 billion should it secure the light rail transit (LRT) extension project in the Klang Valley, Credit Suisse said.

"Gamuda is focusing its efforts on the domestic construction market and is aggressively pursuing public sector projects to capitalise on the government's pump-priming initiatives.

"We understand that among the projects that the group is vying for, it is well positioned to secure the expansion of the Klang Valley LRT network," Credit Suisse said in a note yesterday after a recent meeting with Gamuda's management.

The company's shares

The company is said to be vying for the LRT extension project which could increase its order book

jumped 9 sen to RM2.44 yesterday, its highest level since September last year. A total of 24.97 million shares were traded.

Credit Suisse said the LRT extension project involves the building of 70 to 80 km of new LRT lines comprising an over 30 km extension of existing lines and a new alignment from Cheras to Kota Damansara measuring 40 to 50 km.

"If successful, the project could boost its construction order book by more than RM6 billion to RM7 billion.

"Public transport is high on the priority list of the government and some RM35 billion has been allocated for this over 2009 to 2014," it said.

Despite being announced last year, the LRT extension project has not take off. However, some industry analysts believe the government may go ahead with the project this year in light of the economic downturn due to the project's high multiplier effect.

Meanwhile, Credit Suisse said the cost of its double tracking project is now below the budgeted cost due to the sharp pullback in raw material costs such as steel and oil.

This, it said this implies that Gamuda's profit before taxation margin on the project could be above 15% should raw material cost and inflation not exceed 10 to 12% per

annum from current levels.

Despite Gamuda completing some 20% of the project, Credit Suisse said the company has yet to book full profit from this project.

"Gamuda currently has unrecognised pre-tax profit of around RM180 million in reserve from this project alone," it said.

On Gamuda's operations in Vietnam, Credit Suisse said the company plans to delay the launch of residential properties in Hanoi to mid-2010.

"We also understand that the proposed sale of commercial land parcels is unlikely to take place in FY09 to FY10. Meanwhile, the management intends to embark on the development of commercial properties by end-2009 and plans to lease out these upon completion," it said.