

Gamuda. MMC buck market trend

by **Daniel Khoo**

FD@bizedge.com

KUALA LUMPUR: Shares of Gamuda Bhd and MMC Corporation Bhd climbed three sen and one sen to RM2.99 and RM2.46 respectively at yesterday's close, bucking the downward market trend on expectations that a proposed mass rapid transit (MRT) project for the city will benefit them.

Gamuda rose to an intra-day high of RM3 after trading at a low of RM2.90 with 7.8 million shares traded, while MMC closed at its intra-day high from a low of RM2.40 on a volume of nearly two million shares.

Citing sources, *The Edge Financial Daily* yesterday reported that the government was in the final stages of considering the MRT project, believed to be planned for the city which was experiencing traffic congestion.

It is speculated that Gamuda and MMC with their experience in building the 4km-long SMART tunnel in Kuala Lumpur and the Kaohsiung MRT in Taiwan may be the likely recipients of the award for this project.

In a report yesterday, HwangD-BS Vickers Research reaffirmed its buy call on Gamuda with a sum-of-parts (SOP) derived target price of

RM4.45. It said the 10th Malaysia Plan, which is expected to be tabled in parliament on Thursday, could give more information on this project.

It said the total value of the MRT project could be more than the RM12.5 billion double-tracking project undertaken by the Gamuda-MMC joint venture (JV).

"This could transform its earnings profile and visibility, and it will be a key milestone catalyst for Gamuda," the report said.

However, in its note, OSK Research was less sanguine on the prospects of this project being carried out, stating that "we do not expect the proposed MRT job to kick off anytime soon, if at all".

OSK's Jeremy Goh told *The Edge Financial Daily* that "funding could be another concern", due to the tightening of the government's coffers, implementation delays and spiralling material costs.

He said even the much talked about RM7 billion LRT extension had yet to kick off. "How is the proposed MRT going to complement the LRT when plans for its extension have yet to be finalised? Also, the proposed new Kota Damansara-Cheras line, which is supposed

to pass through (the) Kuala Lumpur City Centre, has not even been concluded," he added.

However, Goh said if the MRT was to be implemented, it would likely be an underground circle line within the KL City Centre and that the existing LRT line would serve as feeders into the circle line.

OSK maintained its neutral call with a target price of RM2.75 for Gamuda and a trading buy for MMC with a target price of RM2.54.

