

Gamuda Bhd (April 8, 52 sen)

TRADING BUY: According to media reports, Gamuda is seeking a government contract to upgrade the rail lines in Kuala Lumpur and its surrounding areas. The government has allocated about RM35 billion for public transport development over the next five years. The contract may involve the construction of 70km to 80km of new lines. Under a special RM10 billion government allocation for an efficient and cost-effective public transport system in the Klang Valley, a new light rail transit line linking Kota Damansara and Cheras and the present LRT networks will be expanded.

Gamuda is well positioned to secure the expansion of the Klang Valley light rail transit network and we do not discount the possibility of Gamuda being awarded the contract, given its proven track record. Assuming the company was awarded the contract, its order book will be boosted by RM7 billion. We estimate an average revenue growth rate of 10% for FY2009 and FY1010, but we expect FY2009 net profit to fall by 10% before recovering by 24% in FY2010 as pressure from operating costs (material costs) dissipates. We note that interest in the stock continues to be strong. We reiterate our "trading buy" recommendation. — *MIDF Research (April 8)*