

Gamuda may come under selling pressure

GAMUDA Bhd, the country's second biggest builder may come under selling pressure after two research firms downgraded their outlook on concerns that it may have to sell off its water assets, for far less than what the market has expected.

Gamuda currently has a 40 per cent stake in Syarikat Pengeluar Air Selangor Sdn Bhd (Splash), the largest water treatment operator in Selangor.

The Gamuda associate is the concessionaire for Sungai Selangor Water Supply Scheme Phase 1 (SSP1) as well as the Sungai Selangor Water Supply Scheme Phase 3 (SSP3) that have a combined capacity to treat and supply 2,000 million litres of water per day.

"Our new net present value (NPV) for Splash is RM790 million (previously RM1 billion), based on similar terms as the recently concluded Johor state water asset transaction. If the offer does not include the operate and maintain concession, this reduces our

valuation by RM310 million," Petrina Chong of Macquaire Research wrote in a report on Tuesday.

NPV is an indicator of how much value an investment or project adds to a firm's cashflow, owing to the sale of its assets.

Prior to this, Gamuda had received an offer of RM2.1 billion from the Selangor state government for its stake in Splash, but turned it down as it felt that the offer was below par and that the federal government might step in and make a better offer.

Macquaire has a neutral stand on Gamuda, though it has cut the company's earnings estimates by 50 per cent in the current financial year on expectations of lower construction margins, delays in the Double Tracking project and weaker property earnings.

Citigroup, meanwhile, has a "sell" recommendation on Gamuda, with a 12-month target price of RM1.45 a share.