

Kerjaya Prospek sees more job opportunities, unfazed by Mideast war-driven cost hikes

KUALA LUMPUR (May 22): Kerjaya Prospek Group Bhd (KL:KERJAYA) remains unfazed by a tougher construction environment and rising building material costs following the Middle East conflict, saying it is well-positioned to navigate the volatility due to its experience and disciplined pricing strategy.

Executive chairman and major shareholder Datuk Seri Tee Eng Ho said the group has gone through multiple industry cycles over the past four decades and believes the current cost pressures are manageable.

“We went through 40 years. We can predict what will happen to the market,” Tee told reporters confidently during a media briefing after the group’s first-quarter results briefing on Thursday.

His comments came amid concerns over escalating raw material prices after the Middle East conflict disrupted energy and commodity markets, pushing up construction input costs globally.

Tee acknowledged that prices had risen sharply following the outbreak of the war earlier this year, especially after February.

“After the war, first round [prices went up] a lot,” he said, adding that steel bar prices have risen about 10%, while ready-mix concrete costs have climbed roughly 40% since last year.

As for the spike in diesel prices, Tee said the group has been relatively insulated as most of its construction sites have direct access to power from the national grid, reducing reliance on diesel-powered co-generation sets. While certain machinery still uses diesel, he said the overall impact has been mitigated to a large extent.

Still, he described the situation as temporary and expects supply chains to gradually stabilise.

“The war can last for another six months. But even if six months later, I think all issues will be solved,” he said, noting that higher prices would eventually encourage additional supply from other markets.

In the meantime, Tee said the group remains relatively sheltered from margin pressure as it had already budgeted for some cost increases and incorporated revised assumptions into newer contracts.

“New contract, new pricing,” he said.

Upside seen despite cautious market

A slower market environment could in fact be healthier for the industry, Tee said, as contractors are now more cautious when pricing projects.

“Slow is good. More sustainable,” he said, adding that contractors often struggled to accurately price jobs during overheated periods because of rapid cost escalation.

The group also continues to see opportunities despite the more challenging backdrop, though Tee noted some financially weaker contractors may struggle.

“Some players who are cautious about their margins might have priced a bit higher, and that may put them out of favour with tenders. We know how to price it,” Tee said, chuckling.

In fact, as other contractors turn more cautious, Tee believes Kerjaya Prospek could potentially secure more jobs this year, potentially exceeding its RM2 billion job replenishment target.

As to whether the group could be constrained by its workforce of about 7,000 employees, Tee quipped that a more challenging environment actually makes it easier to hire workers.

Kerjaya Prospek’s outstanding order book currently stands at RM4.4 billion, of which about 78% are related-party projects from property developers linked to Tee, namely Kerjaya Prospek Property Bhd (KL:KPPROP) and Eastern & Oriental Bhd (KL:E&O), the developer behind the Andaman Island project in Penang.

Tee owns 74.1% of Kerjaya Prospek Property, 62% of Eastern & Oriental and 68.3% of Kerjaya Prospek.

Kerjaya Prospek owns about 89 acres of land bank and currently has no plans for new property launches this year, eyeing the following year instead.