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Boon for contractors

Foreign funds are net buyers of construction and property stocks

By TEE LIN SAY

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PETALING JAYA: Construction and property stocks rallied in a market that saw foreign funds becoming net buyers. Companies deemed to be beneficiaries of large construction projects saw some action.

WCT Holdings Bhd, Malton Bhd, Gamuda Bhd, Fajarbaru Bhd and WZ Satu Bhd were among the top gainers last week. Speculation is rife that large government projects will be farmed out soon.

On Bursa Malaysia, foreign buying momentum continued for the week ended March 16, for the sixth consecutive week as the foreigners increased their exposure in Malaysian equities.

During the week, the foreign investors bought RM939.9mil worth of Malaysian equities compared with local institutions who remained net sellers at RM837.8mil.

MIDF Research, in a report dated March 13, said that year-to-date, foreigners have mopped up RM1.7bil worth of local equities.

In 2015 and 2016, foreign investors took out RM3.0bil and RM19.5bil respectively from Bursa. To put things into perspective, there are some RM96bil worth of infrastructure contracts to be awarded from 2017 to 2018, not taking into account the KL-Singapore High Speed Rail.

AffinHwang Capital has named construction beneficiaries that included Sunway Construction Bhd, WCT Holdings and Gabungan AQRS Bhd.

Meanwhile, Credit Suisse which turned bullish on Malaysian equities, has also rated Gamuda and IJM Corp Bhd among its top 10 picks, in part due to their superior dividends and free cash flow yields.

Investors have also piled into the shares of Tan Sri Lim Kang Hoo's Iskandar Waterfront City Bhd (IWC).

The company saw its share price moving up since a month ago - from the 90-sen level to last Friday's close of RM2.73.

Iskandar Waterfront Holdings Sdn Bhd (IWH) is taking over the listing status of IWC, and this will include IWH's 30% stake in the

Bandar Malaysia project. This has caused Lim's other related stocks such as Ekovest Bhd to start rising.

Some are starting to speculate that counters related to tycoon Tan Sri Desmond Lim could be the next theme.

Recall last November that Lim bought a 19.67% stake in WCT in a transaction valued at RM2.50 per share, for a total of RM614.28mil.

The offer price was a 30% premium to WCT's closing price of RM1.75 on Nov 1.

The fact that Lim paid a premium for his WCT stake has given rise to speculation that there were synergistic opportunities to be created with Lim's 28% stake in Pavilion Real Estate Investment Trust and 41.2%-owned Malton.

On a more fundamental note, major work packages to be awarded this year included the RM9bil light rail transit line three in the first half of 2017.

The remaining 32 packages for the RM12.8bil Pan Borneo Highway Sabah civil works should also be awarded this year.

For urban rail contracts, analysts said that the key job was the mass rapid transit three circle line. The contract is pending the finalisation of feasibility studies, which should be announced sometime by the end of the first quarter.

Another long-awaited big ticket project that will provide a new source of contracts for the local construction sector will likely be the RM8bil Gemas-Johor Baru double-tracking line.

Industry sources have indicated that packages for the 197km Gemas-Johor Baru double tracking project are set to be announced within the next two months, with the aim of completing it by 2020.

Sources said that the lucrative Gemas-Johor Baru double tracking project, which has been stalled for more than a decade, is now in the last stages of being finalised.

Although it has been a while since YTL

> TURN TO PAGE 3

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Eyes on Gemas sub-contractors

> FROM PAGE 1

Corp Bhd has won a high-profile construction job, sources said that it was one of the front runners for this project.

YTL has rail expertise and was one of the first proponents for the KL-Singapore High Speed Rail.

The last time YTL undertook a rail job was in 1997, when its wholly-owned subsidiary Syarikat Pembinaan Yeoh Tiong Lay (SPYTL) teamed up with Siemens AG and Siemens Electric Engineering Sdn Bhd to build the Express Rail Link.

SPYTL undertook the civil works portion, which was roughly RM2bil.

It is also learnt that SIPP, which is a private vehicle controlled by the Sultan of Johor, Sultan Ibrahim Sultan Iskandar, has been appointed as the main contractor for the Gemas double-tracking job.

The market is now abuzz about the companies that will be named the sub-contractors of the Gemas project.