

Better outlook for SunCon on workforce capacity



CONSTRUCTION

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PETALING JAYA: [Sunway Construction Group Bhd](#) (SunCon) earnings outlook should improve on higher workforce capacity, after the government's announcement regarding the re-opening of selected economic sectors on Sunday, according to Maybank Investment Bank (IB) Research.

The research house pointed out that 99% of the group's workforce has received first-dose vaccinations and they should be fully inoculated by end-August, while its sub-contractors have also achieved high workforce vaccination rate.

A fully vaccinated workforce will enable a 100% workforce capacity regardless of project location in National Recovery Plan (NRP) phase one, two or three states.

Maybank IB Research noted that work at all SunCon's construction sites drew to a halt in the first two weeks of July on more stringent standard operating procedures.

Work resumed from mid-July for critical infrastructure – Klang Valley's Light Rail Transit 3 – and building jobs with approved workers accommodation or centralised labour quarters; these make up 50% of SunCon's outstanding order book, according to the research unit.

Maybank IB Research also estimated that about 70% of SunCon's outstanding order book comprises projects located in the Klang Valley, now under NRP phase one.

Elsewhere, SunCon's NH-227 highway project in Tamil Nadu under a hybrid annuity mode (HAM) has received the go-ahead from the National Highways Authority of India (NHAI) to start works from Aug 9.

In October last year, the group said it had a 60% stake in the venture (RNS Infrastructure Ltd holds the balance 40%) which won the RM315mil highway project in Tamil Nadu, plus a 15-year operating and maintenance contract of RM850,000 per year from the NHAI.

Under the HAM, NHAI will pay 40% of the project cost in the first two years during the construction period in five equal installments, while the balance 60% is paid over 15 years as fixed annuity amount plus interest benchmarked at Reserve Bank of India's rate plus 3%.

Maybank IB Research also pointed out that since end of the first quarter of 2021, SunCon has secured RM155mil new jobs, taking its year-to-date win to RM620mil and outstanding order book to RM5.1bil; the latter based on RM5bil balance as of end-March 2021 but before deducting for second quarter 2021 works recognition.

Maybank IB Research said SunCon's earnings for the second quarter ended June 30 should be weaker quarter-on-quarter, disrupted by the various movement restrictions which had continued into the first half of the third quarter.

The research unit maintained its "hold" call and RM1.72 target price on SunCon shares.