

# Investors take profit in Sapura after Shahril sells 3.76% stake

BY SAMANTHA HO

KUALA LUMPUR: Despite clinching some RM1.3 billion worth of contracts last week, shares in Sapura Energy Bhd were sold down yesterday after its second-largest shareholder Tan Sri Shahril Shamsuddin and family sold a total of 600 million shares or 3.76% in the group.

The oil and gas counter declined by one sen or 2.9% to 33.5 sen by the closing bell, leaving the group with a market capitalisation of RM5.28 billion.

It was the second most active stock on Bursa Malaysia with some 11.89 million shares exchanged.

According to Rakuten Trade Sdn Bhd head of research Kenny Yee, the sell-down was likely driven by short-term negative sentiment and profit-taking on the back of the Shamsuddin family's sale.

"They still have a sizeable order book, so investors will want to see them deliver on their numbers," he told *The Edge Financial Daily* yesterday.

Analysts, meanwhile, remained sanguine on the stock, especially following the announcement of five new contracts secured last Friday. They include the extension of an existing contract with Petronas Carigali and one new drilling for ExxonMobil, both in Malaysia.

Sapura Energy also bagged a provision to install six subsea pipelines in the Gulf of Suez, marking its first foray into Egypt, as well as a submarine rescue service contract

for the Royal Australian Navy and an engineering, procurement, construction and installation works in Indonesia.

According to Bloomberg data, 11 out of 18 analysts observing the stock recommend a "buy" and the rest a "hold".

In a report yesterday, AmInvestment Research said it expected the new contracts to add 8% to Sapura Energy's outstanding order book of RM18.5 billion.

MIDF Research, which has a "neutral" view of Sapura Energy, said that it remained wary of the group's earnings prospects as its drilling segment has yet to break even.

Sapura Technology Sdn Bhd was announced to have pared down his stake in a stock exchange announcement by Sapura Energy to Bursa Malaysia last Friday.

The shares changed hands through several off-market deals at 31 sen per share, according to Bloomberg data. The transaction price was one sen above the group's rights issue price of 30 sen, but below the closing price of 34 sen for both days.

Following the stake sale, Sapura Technology holds 12.81% of Sapura Energy. It is still the group's second largest shareholder after Amanahraya Trustees Bhd with 26.93%.

This follows a RM4 billion cash call by Sapura Energy, which recorded a subscription rate of 81.5% for its rights issue that closed on Jan 16, making it undersubscribed.

# Revival of ECRL a catalyst but market already priced in the positive news

BY SYAHIRAH SYED JAAFAR

KUALA LUMPUR: The revival of the East Coast Rail Link (ECRL) project is considered as positive news but the market has already factored it in.

Share prices of rail contractors have on average risen 44% year to date, which is likely to have already reflected the optimism on the potential project revival, CIMB Research commented. "At these levels, we believe the positives are largely in the price."

Last Friday, the government announced that the project will proceed with the ECRL project at a reduced cost of RM44 billion, 32.8% lower than its original cost of RM65.5 billion.

A supplementary agreement was signed between Malaysia Rail Link Sdn Bhd and China Communications Construction Co Ltd (CCCC) covering the engineering, procurement, construction and commissioning (EPCC) aspects of the ECRL. The railway will now be 648km — 40km shorter than previously — and pass through Jelevu, Negeri Sembilan, instead of Gombak in the Klang Valley.

CIMB Research, however, maintains its "underweight" rating on the construction sector pending more details on the EPCC terms and tender portions for local contractors, which may form upside risks for local players.

"Under our coverage, potential beneficiaries include IJM Corp Bhd, Sunway Bhd (via Sunway Construction Group Bhd) and WCT Holdings Bhd," said CIMB research. IJM Corp closed two sen or

## Year-to-date share price growth of selected construction, material stocks

	LAST CLOSING PRICE (RM)*	YTD GROWTH (%)
IJM Corp Bhd	2.25	44
Sunway Construction Group Bhd	1.96	51
WCT Holdings Bhd	0.97	43
Lafarge Malaysia Bhd	2.45	35
Press Metal Aluminium Holdings Bhd	4.53	-4
Ann Joo Resources Bhd	1.71	38

\*as at April 15, 2019

0.88% lower to RM2.25, while Sunway Construction rose three sen or 1.55% to RM1.96. WCT also closed higher by 0.5 sen or 0.52% to 96.5 sen.

## Share prices of rail contractors have on average risen 44% year to date.

Malacca Securities Sdn Bhd senior analyst Kenneth Leong concurred that most contractors have likely already reacted to the news beforehand. Any fresh catalysts for buy-in would be updated on the terms for local contractors, he said.

"Stocks to look at would be IJM Corp as it has experience in road and rail projects. Gamuda Bhd and Gadang Holdings are also contenders," he told *The Edge Financial Daily* when contacted.

Gamuda closed six sen or 1.88% lower to RM3.13, while Gadang lost 2.5 sen or 3.52% to settle at 68.5 sen.

Shares of building material stocks such as Lafarge Malaysia Bhd and Press Metal Alumin-

um Holdings Bhd, which are also said to be contenders to benefit from the ECRL project had traded in positive territory early yesterday before paring gains at market close.

Lafarge Malaysia closed three sen lower or 1.21% to RM2.45, while Press Metal closed unchanged at RM4.53. Ann Joo Resources Bhd also ended eight sen or 4.47% lower to RM1.71.

In a research note yesterday, AllianceDBS noted that the revival of the ECRL project is a small win as it is likely that CCCC would also revive the cement supply contract (worth RM270mil then) signed with Lafarge in 2016. The contract was cancelled last year following the suspension of the project.

"We estimate if the RM270 million contract remains, this will translate into [about] 1.2 million tonnes of cement demand — spread over the next four years, equivalent to 300,000 tonnes per year. This is relatively small compared to Lafarge's effective capacity of 8.2 million tonnes. As such, we think that more infrastructure projects are needed to support demand," said AllianceDBS.