Malaysia Flash Note

DBS Group Research . Equity

Sunway Construction Group (SCGB MK) : BUY

Mkt. Cap: US\$446m | 3m Avg. Daily Val: US\$0.38m Last Traded Price (26 Mar 2020): RM1.50 Price Target 12-mth: RM2.60 (73% upside) (Prev RM2.60)

Analyst

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Secures India HAM project

- Clinches RM508m India NHAI with O&M portion
- HAM model mitigates risk land acquisition at 80% and price fluctuation clauses in place
- First win for FY20F bringing orderbook to RM5.5bn
- BUY with TP of RM2.60

Forecasts and Valuation				
FY Dec (RMm)	2018A	2019A	2020F	2021F
Revenue	2,257	1,769	2,315	2,551
EBITDA	218	181	224	248
Pre-tax Profit	184	157	191	213
Net Profit	146	129	153	170
Net Pft (Pre Ex.)	146	129	153	170
Net Pft Gth (Pre-ex) (%)	5.0	(11.3)	18.2	11.3
EPS (sen)	11.3	10.0	11.8	13.2
EPS Pre Ex. (sen)	11.3	10.0	11.8	13.2
EPS Gth Pre Ex (%)	5	(11)	18	11
Diluted EPS (sen)	11.3	10.0	11.8	13.2
Net DPS (sen)	7.50	6.99	7.68	8.55
BV Per Share (sen)	45.7	48.2	52.3	56.9
PE (X)	13.3	15.0	12.7	11.4
PE Pre Ex. (X)	13.3	15.0	12.7	11.4
P/Cash Flow (X)	10.3	10.3	5.5	12.9
ev/ebitda (X)	7.6	9.0	6.4	5.8
Net Div Yield (%)	5.0	4.7	5.1	5.7
P/Book Value (X)	3.3	3.1	2.9	2.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	25.5	21.3	23.5	24.1

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

Company Guide

Refer to important disclosures at the end of this report

Summary of our point of view, and highlights the relevant data points, which are actively tracked

<u>Sunway Construction</u>- iBanking Login <u>Sunway Construction</u>- Institution Login

What's New

27 Mar 2020

India highway win. Sunway Construction Group Berhad (SCGB) together with its 40% partner RNS Infrastructure Limited has won a Rs864.5 Crore (c.RM508m) contract, along with a 15-year operating and maintenance contract of Rp7.08 Crore per annum from the National Highway Authority of India. The contract encompasses a four-lane highway for the Thorapalli Agraharam – Jittandahalli Section of NH-844 from Km 25.000 to Km 63.500 (existing Chainage), corresponding to Km 23.350 to Km 60.100 (Design Chainage) under Bharatmala Pariyojana Phase-I (National Corridor) on Hybrid Annuity Model in the state of Tamil Nadu.

Project details are favourable and risk contained. The project will be operated under the Hybrid Annuity Model (HAM) for a concession period of 15 years. The construction begins in October 2020 for a period of two years. Under the HAM, NHAI will pay 40% of the project cost in the first two years during the construction period in five equal instalments.

The balance 60% is paid over 15 years as a fixed annuity amount plus interest which is pegged to the RBI (Reserve Bank of India) rate + 3%. There is no toll right for the concessionaire and as such no traffic risk arises. Any cost risk is mitigated through a price fluctuation clause throughout the 2-year construction period and 15 years' maintenance period. Land acquisition has also reached 80%.

First win for FY20F. Based on SCGB's 60% equity stake in the JV, its contract value works out to be RM305m. This represents its first win for FY20F and forms 15% of its new order win forecast of RM2bn and also our forecast.



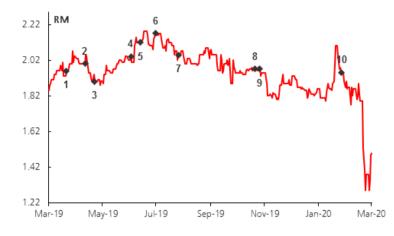


No funding issues. Based on a debt equity structure of 80:20, SCGB needs to fork out c.RM30m equity portion for its 60% stake. The debt portion will be funded in the local Indian currency and financial close is expected in 195 days. Its balance sheet as at 31 December 2019 was in a net cash position of RM407m.

Valuation and Recommendation

BUY, TP of RM2.60. We continue to like SCGB for i) its steady bedrock of orders from its parent company; ii) its concerted effort to build a construction base overseas with the target of another win in India; and iii) its solid balance sheet with a net cash of RM407m (RM0.32/share).

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	15 Apr 19	1.96	1.66	HOLD
2:	06 May 19	2.00	1.66	HOLD
3:	17 May 19	1.90	1.91	HOLD
4:	27 Jun 19	2.04	1.91	HOLD
5:	08 Jul 19	2.12	2.70	BUY
6:	25 Jul 19	2.17	2.70	BUY
7:	20 Aug 19	2.05	2.70	BUY
8:	15 Nov 19	1.97	2.70	BUY
9:	20 Nov 19	1.97	2.70	BUY
10:	21 Feb 20	1.95	2.60	BUY

Note : Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS Analyst: Tjen San CHONG



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*Share price appreciation + dividends

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