



Investment

Kenanga upgrades Sunway Construction to 'outperform', TP at RM1.80

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KUALA LUMPUR: Kenanga research has upgraded SUNWAY CONSTRUCTION GROUP BHD to outperform following the decline in its share price and on the back of news that the group has secured a highway job in India valued at about RM500mil.

The contract represents the group's first win in 2020 and puts it on track to meet its full-year order-book replenishment target of RM2bil, while boosting its outstanding order book to RM5.7bil.

To recap, the group's 60%-owned Sunway Construction Sdn Bhd-RNS Infrastructure Ltd cosortium has accepted a letter of award issued by the National Highways Authority of India to undertake a 36.8km highway project in Tamil Nadu, India for Rs864.51 Crore (RM498.3mil).

This is in addition to a 15-year operating and maintenance contract valued at Rs7.08 Crore per annum.

The construction of the highway is expected to commence in October 2020 and will be completed in two years.

According to Kenanga, it will be shifting its valuation methodology from PER to PBV for construction stocks in view of the low earnings visibility for the sector.

"For SunCon, we have attached a PBV multiple of 3.75x (-1SD below mean) on its BV per share of RM0.48 to derive our TP of RM1.80 (from RM1.82 previously)," it said.