

Record RM7 bln in sight for IJM with Kuantan Port win

KUCHING: In an announcement to Bursa Malaysia yesterday evening, IJM Corporation Bhd (IJM) revealed that its wholly-owned unit IJM Construction Sdn Bhd has accepted the letter award for the construction of the New Deep Water Terminal at Kuantan Port worth RM1.2 billion.

AmResearch Sdn Bhd (AmResearch) noted in a research report that the contract is to be completed within three years with the latest project lifting IJM's total new contract wins to circa RM5.6 billion, and puts the group on track to secure a record orderbook of RM7 billion by early-financial year 2016 forecast (FY16F).

“It also puts IJM in a strong position to secure more jobs from the RM3 billion Kuantan Port expansion program. Phase 1 alone was reportedly estimated to cost roughly RM1.8 billion,” said the research house.

“Furthermore, the award signifies more progress coming along at Kuantan Port. The Federal government has set aside circa RM1 billion to build a 4.7km-long breakwater and upgrade external infrastructure to support the expanded port. From our channel checks, the breakwater works have reached the halfway mark.”

AmResearch project more upside to IJM's port earnings as it has a 60 per cent stake in Kuantan Port Consortium (KPC), which is the concession holder for Kuantan Port. When fully completed, Kuantan Port's capacity is set to double to 52 million freight weight tonnes (FWT).

“We have yet to incorporate the expanded capacity into our earnings forecast for now pending more updates,” it said.

In addition, the Kuantan Port expansion program bodes well for IJM's recent moves to develop industrial land in Kuantan. It has a 40 per cent stake in Kuantan Pahang Holdings, which in turn, holds a 51 per cent stake in the 1,500-acre Malaysia-China Kuantan Industrial Park (MCKIP).

IJM also owns 675 acres (effective stake: 60 per cent) of land located 5km away from Kuantan Port.

China's Guangxi Beibu – IJM's partner in Kuantan Port with a 40 per cent stake – has committed to source over US\$20 billion worth of investments to this new growth area by 2020. Of this total, some RM4 billion has already been pre-committed for a new steel mill by Alliance Sdn Bhd.