



BINA PURI HOLDINGS BHD

PRESS RELEASE

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Corporate story: Big names bidding for Ministry of Works job

By Jose Barrock

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Several companies have come forward to bid for a RM350 million contract to construct Kompleks Kerjaraya 2, which will be built on Jalan Sultan Salahuddin, Kuala Lumpur. The contract is under the purview of the Ministry of Works. A source familiar with the matter tells The Edge that among the more prominent names that have tendered for the project include construction giants IJM Corp Bhd, Malaysian Resources Corp Bhd (MRCB), UEM Group Bhd, and Bina Puri Holdings Bhd. The source adds that the Sunway Group may make a bid as well, but this remained unclear at press time.

The tender is closing soon and the winner is likely to be announced by September this year. To date, no clear frontrunners have emerged, with several parties vying for the job. Industry sources say this job is likely to generate considerable interest as the margins are attractive, which is rare these days.

Lately, the construction sector has been in the doldrums, with many jobs getting scrapped due to thinning margins brought about by the high cost of raw materials. The rising cost of steel and cement especially have taken a toll on construction players.

Year to date, the KL Construction Index has shed about 37% of its value. From about 330 points in January, the index has now dropped below 200 points. The KL Construction Index has also underperformed the lethargic Kuala Lumpur Composite Index by about 17% year to date.

Winning the Kompleks Kerjaraya 2 contract would be crucial for MRCB as the company lost out on two large-scale jobs in Penang. MRCB was given a letter of intent for the RM3 billion Penang monorail project and was the frontrunner to bag the RM1.5 billion Penang Outer Ring Road (PORR) project. Both projects have been scrapped since Pakatan Rakyat wrested control of Penang from Barisan Nasional in the March 8 general election.

For 1Q2008 ended March 31, MRCB posted a net profit of RM14.7 million on the back of RM177.1 million in revenue. Compared to a year ago, net profit improved by about 15% while revenue tumbled 36%. Revenue in 1QFY2007 was much stronger due to the sale of an 18-storey office tower in MRCB's flagship KL Sentral to the Employees Provident Fund (EPF) for RM80 million. With the loss of the Penang monorail and PORR projects after the general

election, MRCB has shed about 50% of its value. The stock closed at 96.5 sen last Friday. On top of that, MRCB, like other construction and property development companies, has been hindered by high raw material prices. The prices of steel and cement have escalated this year, wreaking havoc on margins.

Meanwhile, companies such as UEM Builders Bhd will be looking at bagging the Kompleks Kerjaraya 2 project based on their government-linked status. Government investment arm Khazanah Nasional Bhd controls UEM Group Bhd, which has a 59.2% stake in UEM World Bhd. Meanwhile, UEM World holds 51.7% in UEM Builders.

UEM Group has been in the limelight with the escalating cost of the 24km second Penang Bridge, of which UEM Builders is the lead contractor. The original cost was slated at RM3.6 billion but it is now testing the RM5 billion mark. The share prices of UEM World and UEM Builders closed at RM2.91 and RM1.25 respectively last Friday.

Meanwhile, IJM, as one of the largest construction companies in the country, could bag the Kompleks Kerjaraya 2 job, based on its excellent track record. IJM has an order book of about RM6 billion, with about RM1.3 billion of the sum from overseas projects. The EPF has been aggressively increasing its equity in IJM over the past few months and now controls about 20.6% of the company, from 17.5% as at end-April this year. In contrast to early this year, IJM's stock has shed about 42.5%. It finished at RM4.98 last Friday.

Over at Bina Puri, the company is believed to have roped in a privately held construction company, linked to businessman Datuk K Ravindran, to bid for the Kompleks Kerjaraya 2 project. Ravindran is known for his involvement in Subang Sky Park Sdn Bhd, which was given the mandate to build a private jet centre at Subang Airport.

It is worth noting that Tan Sri Syed Mokhtar Al-Bukhary is the largest owner of Bina Puri, with about a 24.6% stake held through Jentera Jati Sdn Bhd. Nonetheless, it is the family of Tan Sri Tee Hock Seng that manages Bina Puri. Tee holds a 16.3% stake in the company. For 1Q2008 ended March 31, Bina Puri posted a net profit of RM1.2 million on the back of RM150.6 million in revenue. About half of Bina Puri's RM2 billion order book is from projects abroad, namely Thailand, Abu Dhabi, Pakistan and Brunei. Bina Puri ended trading at 94 sen last Friday.

For further enquiries, please contact :

Cik. Surati Sujor
Corp Communications Dept
BINA PURI HOLDINGS BHD
Tel : 03-6136 3333 (3005)
Fax : 03-6136 9999

E-mail : surati@binapuri.com.my