

# LCCT catalyst for Bina Puri

BY Jose Barrock

**B**ina Puri Bhd got its big break when it — together with UEM Group Bhd — landed the RM997.2 million job to build the main terminal of the new low-cost carrier terminal (LCCT) at KL International Airport. Now, the winners of the keenly contested contract have a big task ahead to complete it within 20 months.

“It’s not an easy job, the timeline is short. We will have to work around the clock,” Bina Puri’s managing director Tan Sri Tee Hock Seng tells *The Edge*.

The LCCT project, one of the biggest to come onstream this year, was keenly contested as competitive bidding was held by Malaysia Airports Holdings Bhd. Among the names that put in bids were Sunway Group and Malaysian Resources Corp Bhd. The job was to design, construct, complete test, commission and maintain the main terminal building, satellite building, skybridge and piers for the proposed development of the LCCT and associated works.

Bina Puri’s success pushed its stock price to a six-year high, closing at RM1.42 on July 16, the day the announcement was made, and hitting an intra-day high of RM1.54.

Tee says the value of the contract came down due to the competitive bids.

“The value was scaled down from RM1.1 billion initially to the current level of RM997.2 million. Our portion is actually about 40% of the contract, so it’s about RM400 million,” he says.

He adds that margins will be in the region of 5%, which means Bina Puri could rake in some

RM20 million if all works out in its favour over the next 20 months.

According to Bina Puri’s announcement to Bursa Malaysia, the time frame for the completion of the job is 20 months, and should contribute positively to its financial year ending December 2010.

For the first three months of FY2010, the company posted a net profit of RM1.71 million on the back of RM298.4 million in revenue — a remarkable improvement compared to a year ago.

In the notes which accompany its financials, Bina Puri says the bulk of its revenue and profits were derived from its construction division. The improved performance of this division was mainly attributable to progressive profit recognised from projects in progress, insurance claims and gain on disposal of assets received in 4Q2009.

Despite the thin margins of 5%, the LCCT job should augur well for Bina Puri.

Tee adds Bina Puri has bagged RM900 million worth of jobs YTD, including its portion of the LCCT contract. The company has an order book of some RM2.7 billion. Bina Puri had also secured a RM306.9 million job to construct a UITM campus in Sarawak in May this year.

Tee says the company is still bidding for RM4 billion worth of jobs. “Our total bids at present stand at about RM4 billion, including the LRT extension works for which we are hopeful of bagging some portions. Our hit rate is about 10%.”

The LCCT job could also be the catalyst for more jobs at the terminal.

News reports say Bina Puri is tendering for the construction of a hotel and retail area via a private finance initiative (PFI).

But Tee is tight-lipped about future develop-

ments, merely saying that there are still several jobs in Malaysia the company is interested in, many involving the building of universities and Ministry of Defence related jobs.

Despite Tee’s optimism about the Malaysian construction scene, many of the jobs Bina Puri is bidding for are abroad, in the Middle East, Brunei, Pakistan and Bangladesh among others.

In its FY2009 annual report, Bina Puri states that 44% of the jobs secured were from Malaysia; other countries that contributed significantly included Brunei with 26%, Thailand with 15% and United Arab Emirates with 12%.

Last year, Bina Puri secured a RM690 million job from the Brunei Economic Development Board to build 2,000 affordable houses, which was the single largest project secured by the group. Other notable deals include the building of a Nippon Paint factory in Lahore, Pakistan.

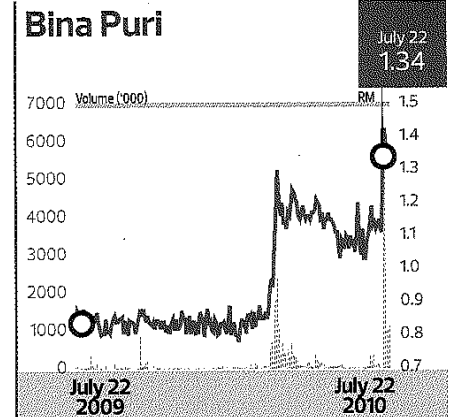
“We can’t put all our eggs in one basket,” Tee says.

Things could pick up in Saudi Arabia as well where Bina Puri has been awarded a Class B construction licence, which will make it easier for the company to win jobs in the region.

Bina Puri has 50% equity in Bina Puri Saudi Co Ltd, which will spearhead future developments in the kingdom.

“Considering we have not done any jobs in Saudi Arabia, this is a boost for us. Other Malaysian companies there are mostly doing sub-contractor jobs because they don’t have the Class B licence,” he says.

The sole research outfit that covers Bina Puri, Kenanga Research, has a “buy” call on its stock, upgrading it from a “hold”. Kenanga has increased its target price for Bina Puri consid-



erably, from 97 sen to RM1.77.

“We have revised our earnings forecast higher by 81% and 72% for FY2010 and FY2011, respectively, to reflect the newly secured LCCT contract as it has exceeded our estimates in securing new contracts in FY2010,” Kenanga says in a July 19 report.

However, Kenanga warns of the possibility of lower margins due to delays in completion and higher building material costs.

For FY2010, Kenanga forecast Bina Puri posting a net profit of RM18.1 million on the back of RM924.7 million in revenue, which is a huge jump from the RM6.4 million in net profit and RM780.1 million in sales in FY2009.

Kenanga sees the company’s revenue breaching the RM1 billion mark, testing RM1.1 billion in FY2011, and posting net profits of RM20.5 million. Bina Puri ended trading last Thursday unchanged at RM1.34. ■