

# Bina Puri eyeing concessions for recurring income

BY **Kamarul Azhar**

**C**ivil construction and property developer Bina Puri Holdings Bhd is looking to diversify into the concession business such as toll roads and hydropower generation, says group managing director Tan Sri Tee Hock Seng.

"These businesses give more recurring income. Plus, they involve construction, for which we could leverage our expertise in the construction sector," he tells *The Edge*.

With regard to hydropower projects, Tee says the group will bid for the construction of dams and secure concession rights for power generation.

Bina Puri is one of the oldest construction companies in the country, having been established in 1975. At its closing price of RM1.04 last Friday, it had a market capitalisation of RM116.8 million.

Last year, the group ventured into the power-generation business in Indonesia through 80%-owned Bina Puri Power Sdn Bhd, which owns PT Megapower Makmur. Its booming economy requires Indonesia to increase investments in power generation and other basic utilities, a fact Bina Puri intends to take advantage of.

"The power-generation business is a great opportunity for us to ride the Indonesian economy. Currently, only 60% of Indonesians have access to the power grid. The other 40% are still generating electricity on their own. This allows us to expand our power-generation business in the country even though competition is high," says Tee.

The group is also looking at toll road concessions, having completed the construction of the LATAR Expressway earlier this year. The highway connects Kuala Lumpur to Rawang and Kuala Selangor, passing through Ijok. As at September, it had achieved 46% of traffic capacity, just two months after the group started collecting toll charges at the end of July, according to Tee.

However, he says, the construction business will remain Bina Puri's core business in the years to come as the country will need to build more infrastructure such as highways and railway lines to increase connectivity and give added impetus to the domestic economy. At the same time, Bina Puri is expanding its other businesses such as property development and hospitality to diversify its revenue base and enhance shareholders' value.

"Currently, income from property development is not substantial. We initially aimed to increase its portion [of group revenue] to 20% by the end of the year. However, some of our major property launches have been postponed to next year and we are already into the 10th month of the year. So I think we will have to extend the timeline to the end of next year," explains Tee.

Bina Puri plans several major property launches worth a combined RM1.13 billion in gross development value (GDV) in 4Q2011 and 1H2012. These include Laman Vila in North Mont'Kiara, The Puri Tower @ Puchong in Bandar Bukit Puchong, Taipan Square in USJ21 Subang Jaya, Petrie Vila and Medini Square in Johor Baru as well as Jesselton View and One Jesselton @ Kepayan in Kota Kinabalu.

Aside from its operations in Malaysia, Bina Puri has several construction projects in other countries in the region. So far, it has completed three major highways in India, including the Vijayawada-Eluru Expressway and Tada-Nellore Expressway in Andhra Pradesh and the Chittorgarh-Managlawar Highway in Rajasthan.

"We have completed a lot of construction projects in other countries in the region, such as highways in India and also the access road and approach bridges to Suvarnabhumi International Airport in Bangkok, Thailand. We are also building 2,000 units of affordable houses in Brunei worth almost RM700 million," says Tee.

Bina Puri has completed a luxurious five-star hotel in Kathmandu, Nepal and the Malaysian Embassy and Ambassador's Residence building in Beijing as well. In Bandar Seri Begawan, it acquired the former SEA Games' athlete residential apartment and turned it into a serviced apartment called OSP Puri Indah Residences.

HARIS HASSAN/THE EDGE



Tee: The construction business will remain Bina Puri's core business

## Cautiously optimistic

Although the plodding global economy and the European sovereign debt crisis have clouded the outlook for the country's economy, Tee says Bina Puri is cautiously optimistic about the construction business in Malaysia and other Southeast Asian countries, especially Indonesia. This is because the governments in these countries are expected to continue spending to upgrade their infrastructure.

Tee also says the group will bid for the construction of 1,000 units of affordable housing under a Perbadanan Kemajuan Negeri Selangor (PKNS) scheme, which is expected to be launched next year. This project will add to the group's RM3.5 billion worth of unbuilt book orders and almost RM1 billion of secured projects.

"Government projects will continue to be the main source of income for the group's construction business in the future. This is because we are almost guaranteed of being paid by the government whereas it would be hard for us to secure final payment from privately funded projects," says Tee.

In the six months to June 30, 2011, Bina Puri recorded revenue of RM590.6 million, a marginal increase of 4.3% from RM566.1 million in the previous corresponding period. Profit before tax remained flat at RM7.4 million compared with RM7 million in the previous corresponding period. Net profit increased to RM6.66 million from RM5.52 million previously.

In FY2010 ended Dec 31, group revenue breached the RM1 billion mark for the first time in Bina Puri's 35-year history, rising 56.1% from RM788 million in FY2009 to RM1.23 billion. However, net profit of RM11.1 million represented net margin of 1.11% to revenue. ■