

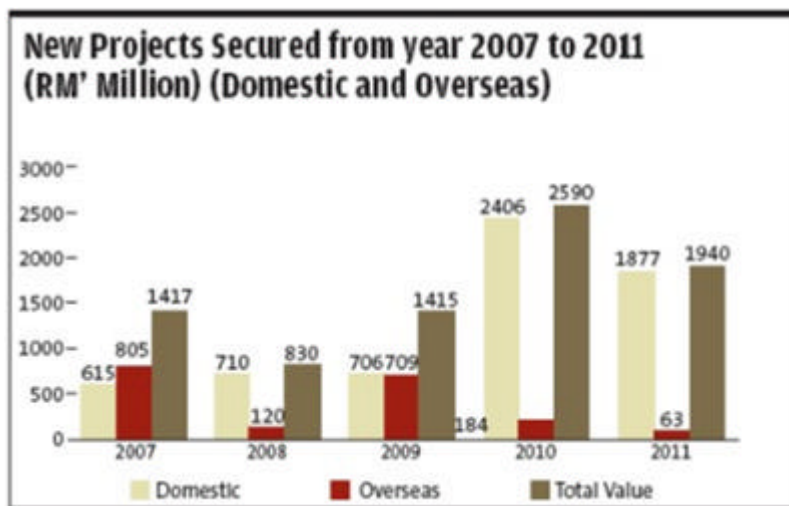
Bina Puri to leverage on new businesses as construction cost rises

By CHOONG EN HAN
han@thestar.com.my

WITH construction business margins getting squeezed because of higher labour and raw material costs, [Bina Puri Holdings Bhd](#) group [managing director Tan Sri Tee Hock Seng](#) is seeking to add recurring income into the company portfolio and diversify its core operations.

He tells *StarBizWeek* that he would personally be steering the company towards more recurring income and new businesses, and would divert all his personal “kangtao” to [Bina Puri](#). Tee, a true blood Hokkien, places emphasis on “kangtao” also known among the Chinese as “guanxi” and often described as the “bamboo network” of clan associations, guilds and chambers of commerce and industry.

In the spirit of diversifying, Tee first ventured into the power generation business when an acquaintance offered some power plants in Indonesia for Bina Puri to purchase and this has turned out to be fruitful.



“Margins generated by the power plants are very healthy and is currently generating about 40% of its revenue,” he says in an interview recently.

However, according to him, the venture was not smooth as there was a lot of red tape, but guidance from his acquaintances made all the difference.

The company acquired an 80% stake in Indonesia-based [PT Megapower Makmur](#) via [Bina Puri Power Sdn Bhd](#), and spent close to US\$5mil on the investment.

Bina Puri is going to add a 4.2 megawatt (MW) hydropower plant to its portfolio of power plants soon as discussions are already in their final stages and an announcement is expected once the power purchase agreement is signed between the parties in Indonesia.

The hydropower plant will complement the company's existing five diesel-powered plants that have a combined capacity of 10MW located in Pulau Bangka, Indonesia.

Upcoming Bina Puri property developments	
	Expected GDV
Laman Vila, Mon't Kiara	RM100.2mil
Puri Tower, Puchong, Selangor	RM60mil
Petrie Villa, Johor Baru, Johor	RM73.6mil
MainPlace Residence, USJ, Subang Jaya	RM360mil
Jesselton View, Kota Kinabalu, Sabah	RM66mil
One Jesselton@Kepayan, Kota Kinabalu	RM67mil
Medini Square, Johor Baru, Johor	RM512mil
Jalan Tallala, Kuala Lumpur	RM290mil

A miner of the 1970s, Tee is also looking at a coal mine located in Kalimantan, Indonesia, which predictably, Bina Puri is going in via a local partner familiar with the area.

"It would be a joint venture, and we will be engaging Chinese contractors for this mine, as they are well known for their mining expertise," he says.

While Tee is setting the stage for the company to diversify, construction is still the company's forte and core business, and the company is targeting to commence work as early as October for its RM864mil Pakistan highway concession.

"Our team is currently working on the technical and financial aspect of the motorway, and financing is expected to be done via Chinese banks based in Pakistan," he says.

Pakistan's National Highway Authority awarded the work to Bina Puri in January to convert the existing four-lane highway into a six-lane motorway on a built-operate-transfer basis for a concession period of 28 years.

"I would like the construction business to contribute 50% to revenue, property development to generate 30% and mining and recurring income to give the rest" he says.

He says if the mineral business goes well in the future, the company will scale down on its construction business.

"Margins for construction contracts are very low, and not only are we faced with rising building material prices, the industry is also suffering from labour shortages," he says, adding that he prefers to venture into property development, which offers better profit margins.

While its property development division had been somewhat dormant for the past two years, the company has already brought forward plans worth RM1.5bil in gross development value.

"Although construction has been our bread and butter, we must leverage on our prominent brand name and change with the times," Tee says.