

Kimlun Corp expecting bigger orderbook **28 APR 2021**

KUALA LUMPUR: Engineering and construction firm Kimlun Corp Bhd is anticipating infrastructure projects to be rolled out towards the end of financial year 2021 ending Dec 31 (FY21), which would support its earnings.

For Sarawak projects, the group believes tenders for both the Pan Borneo Highway Phase 2 and Autonomous Rail Rapid Transit (ART) are expected to be called by end-FY21, at the earliest.

For Peninsular Malaysia, Kimlun is interested in participating in the Mass Rapid Transit 3 (MRT3) as a supplier of precast concrete products and also in civil engineering works where it is pre-qualified to bid for the project after meeting the track record prerequisites.

In Johor, the group is also eyeing the Johor Baru Rapid Transit System, central spine road, and Johor Iskandar Bus Rapid Transit projects.

For the group's near-term earnings, RHB Research said it would be underpinned by its RM1.4bil total outstanding order.

"We think the risk-reward profile remains favourable, as the company stands to benefit from the sector recovery, with near-term catalysts stemming from the rollout of infrastructure contracts.

Its valuation remains undemanding, at 7.3 times price-to-earnings ratio for FY22 against our conservative earnings forecast," it added.

The research house is maintaining its conservative RM500mil annual construction contract replenishment assumption, and burn rate of RM200mil to RM230mil for FY21 to FY23 forecasts for the manufacturing segment.

It is keeping a "buy" call on Kimlun with a target price of RM1.15.

With the group targeting RM500mil construction replenishment for FY21, RHB Research believes the replenishment is likely to be derived from private building projects supported by its RM1bil outstanding tender for private sector jobs.