

Tuju Setia to ride on construction sector recovery

KUALA LUMPUR: Underpinned by a strong order book, construction firm Tuju Setia Bhd may further benefit from the economic recovery that is taking shape.

The company, which is bound for a listing on the Main Market of Bursa Malaysia on May 19, currently has nine ongoing projects with a total outstanding order book of RM953.1mil, along with a tender book of about RM4bil.

While the construction sector was largely affected by the Covid-19 pandemic last year, construction activity is expected to pick up this year, supported by the reopening of the economy.

According to the Independent Market Research Report, the value of construction work completed in Malaysia fell by 19% year-on-year (y-o-y) in 2020 but the industry is expected to grow by 13.9% in 2021.

TA Securities has expressed optimism on Tuju Setia's outlook, given that its order book would provide earnings visibility for the next three years.

Following the relaxation of the movement control orders, the research house estimates that the group will record earnings growths of 94.3%, 11.6% and 11.2% to RM21.2mil, RM23.7mil and RM26.3mil for financial year 2021 (FY21), FY22 and FY23, respectively.

"Our FY21-FY23 earnings projections are premised on the key assumptions that order book replenishments will be at RM300mil, RM330mil and RM350mil for FY21, FY22 and FY23, respectively, with gross margins of 9.2%, 9.4% and 9.7%, respectively," it said in a report.

Tuju Setia's revenue for FY19 increased by 28.6% y-o-y to RM421.6mil from RM327.8mil a year ago, mainly attributed to higher revenue contribution from non-residential segment. Its core profit surged 198.9% y-o-y to RM26.6mil during the same period, thanks to margin improvement resulting from hospital project.

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