

CONSTRUCTION

KUALA LUMPUR: The reactivation of the Mass Rapid Transit 3 (MRT3) Circle Line Project is seen as a much-needed shot in the arm for the local construction sector, as it will provide players with strong order book replenishment and earnings visibility.

Considering the sheer size of the MRT3 project, MIDF Research said the contract will be awarded in packages, as was seen with the MRT2 development.

"It was split into the underground segment, stations, segmental box girders, viaducts and others.

"The underground package will most likely be the largest contract and we expect the major early beneficiary to be Gamuda Bhd, which would also go to hold the lion's share of MRT3."

MIDF Research said this is premised on Gamuda's vast experience with the MRT1 and MRT2 projects.

"Another potential front runner is IJM Corp Bhd, which is no stranger to mega projects like this," it said.

TA Research said it was positive on the news.

"The MRT3 project (nevertheless) is still at an early stage. Following the approval, MRT Corp Sdn Bhd will still have to go through a few more stages, such as finalising of the project structure, public display and calling for tender before awarding the packages.

"As such, we expect the award of civil works could be in early 2023. Given that no further details were provided in the announcement, we assume that the structure of the MRT3 project is similar to what was guided by MRT Corp previously," the research unit said.

MRT Corp, fully-owned by the Minister of Finance Inc, was set up to be the developer and asset owner of the MRT projects.

Additionally, TA Research said the MRT 3 development will have 31 stations with a total length of 50km.

"The estimated cost of the MRT3 project is between RM30bil and RM35bil.

"We believe the project is likely to be car-

A shot in the arm for builders

MRT3 to offer earnings visibility

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CGS-CIMB Research

ried out via a hybrid model, in which the contractor or the consortium will have to undertake the financing part for the first few years before reverting to the government funding, as this will help alleviate the country's fiscal burden."

Last week, the government approved the construction of the MRT3, which will link the existing MRT1 and MRT2 lines around Greater Klang Valley. The government also announced the expansion of the Pan Borneo Highway (LPB) project.

To complement the Sarawak LPB, the government also agreed to implement the Sarawak-Sabah Link Road and Trans Borneo Highway developments.

In the absence of large-scale construction projects, CGS-CIMB Research noted that the KL Construction Index had fallen 17.6% in 2021 and declined 2.8% year-to-date.

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driven trading opportunities."

Despite the reactivation of the MRT3 project, RHB Investment Bank said there are still "lingering concerns."

"These include delays in the rollout of tender packages and the reluctance by Tier-1 contractors (firms that work on the largest and most significant infrastructure projects) to take on funding risks, assuming a public-private partnership model is implemented.

"Concerns over the limited fiscal headroom of the government is a worry on whether other mega infrastructure projects can be revived later on."

The research house added that the construction sector is also facing risks of higher raw material prices.

"Steel prices have appeared to decline to RM2,979 per tonne in January 2022 versus the peak of RM3,255 per tonne in July 2021, although the former is still higher than the price of RM2,744 per tonne recorded in January 2021."