

Gamuda may get re-rating on rail

Maintains an 'outperform'

PETALING JAYA: Gamuda Bhd may enjoy a re-rating on final confirmation of the multi-billion ringgit double-tracking rail project and newsflow on other local and overseas jobs, said CIMB Research. Maintaining an "outperform" on the stock, the research house said inclusion of the estimated net asset value of the double tracking project and the Laos independent power producer job could raise the target price to RM11.55 from the present RM10.60.

It said activity on the local construction scene was expected to be stepped up as RM77 billion of potential mega projects had yet to be awarded.

"As a leading contractor, Gamuda should get a slice of the pie, boosting its order book, which now stands at RM9.7 billion. The stock remains our top pick in the construction sector," CIMB

Yield comparison

Company	Last price (RM)	Gross DPS (sen)	Gross dividend yield (%)
IJM Corporation	8.25	15.0	1.8
PLUS Expressways	3.24	12.5	3.9
Puncak Niaga	3.36	8.0	2.4
WCT Engineering	7.40	15.0	2.0
ACPI	1.86	1.0	0.5
Gamuda	8.95	46.0	5.1

Source: CIMB Research

Research said in a note yesterday.

Other local construction jobs up for grabs include the RM8.8 billion Pahang-Selangor interstate water transfer and the RM20 billion Klang Valley transportation upgrade.

It said there was now clearer visibility for Gamuda's construction business, which is expected to make a comeback in financial year 2008 and beyond, thanks to new overseas and local jobs.

Also, CIMB Research said the double-tracking project and the Laos IPP project would be in full steam by the fourth quarter of 2007, while Vietnam still offered exciting prospects for both the property and construction sectors.

"With the inclusion of the RM2 billion Laos hydroelectric project and its estimated RM5.5 billion share of the northern double-tracking project, Gamuda's outstanding order book now stands at RM9.7 billion," it said.