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Serba Dinamik's growth targets on track despite slower tenders

KUALA LUMPUR:

AmInvestment Bank Bhd (AmInvestment Bank) maintains its outstanding order book target of RM15 billion for Serba Dinamik Holdings Bhd (Serba Dinamik) by the end of this year, even though Serba's current order book is higher at RM17.5 billion.

This comes as 44 per cent of its order book stem from the massive US\$1.8 billion (RM7.7 billion) Innovation Hub property development project in Abu Dhabi, in which the financing for the working capital will be finalised towards the end of the year.

"The group acknowledges that tender activities have substantially decelerated with awards being delayed due to the Covid-19 impact. Jobs being awarded currently are from tenders announced from the previous year," AmInvestment Bank said in its notes yesterday.

"Nevertheless, management maintains its FY20F revenue and earnings growth guidance of 10 to 15 per cent given its strong locked-in order book."

Notwithstanding Middle-Eastern losses incurred by other Malaysian-based construction companies in the past, the group remains confident of executing the Abu Dhabi project given that its managing director Datuk Mohd Abdul Karim, with his savvy business network, has over 10 years of completing multiple oil and gas jobs in the region with commendable profit margins.

On local projects, Serba Dinamik expects the handover of 170 acres of industrial land with warehouses, workshops and fabrication yard in Teluk Ramunia, Kota Tinggi, Johor, which is being acquired for RM320 million cash or RM43 per square feet from Petronas, in September this year.

"The group already expects to support the yard with RM100 million to RM200 million jobs from its existing order book, which is currently being undertaken in other leased facilities," AmInvestment Bank added.

"With an annual breakeven order book of only RM30 million to RM40 million, Serba Dinamik expects the Ramunia yard to be profitable next year, especially as the group hopes to secure a major fabricator licence from

Petronas by 4QFY20 while potentially leasing parts of the yard to strategic partners.

"Serba is currently eyeing decommissioning jobs, transportation and installation work which require rigging and loading up points in the area together with subcontracting activities from nearby MMHE."

Meanwhile, the group's 30 per cent-owned 29MW hydro power project in Kota Marudu, Sabah is expected to be completed by the end of this year. As this RM218 million engineering, procurement, construction and commissioning (EPCC) project was delayed by a year due to Sabah Electricity's yet-to-be-ready power grid, there is no additional cost or provision expected from this project.

Likewise, the group will also not incur any additional costs from the group's 40 per cent-owned Kuala Terengganu Utara water treatment plant, which will only be completed by mid-2021 versus the original schedule in 2Q2020 due to Covid-19 movement restrictions.

The group's stake had earlier secured EPCC works worth RM290 million under Konsortium Amanie, which is building a 120 million litre per day membrane water treatment plant, intakes, service tank, installation of raw water and clean water pipes and retrofitting works for the Kuala Terengganu Utara Water Supply Scheme.

Meanwhile, the group's proposed investment in 40 per cent equity stakes in Maju Renewable Energy, Maju RE (Talang) and Maju RE (Temenggor) for RM25 million has lapsed without any financial impact on Serba Dinamik. The power plants, with a combined 60MW capacity, are under an EPCC contract worth RM560 million.

The facilities were supposed to be developed within the Temenggor and Belum Forest Reserves in Perak, of which a 27MW hydropower plant will be located in Singgor, a 19MW hydropower plant in Talang, and a 14MW hydropower plant in Temenggor. However, Maju's power purchase agreements with Tenaga Nasional were not extended.