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West River bets on higher-margin contracts

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West River bets on higher-margin contracts

Group targets up to 50% profit growth in FY27

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PETALING JAYA: Mechanical and electrical (M&E) engineering services provider West River Bhd is putting the company's proposed factory and warehouse expansion on hold as engineering contracts offering more immediate returns are prioritised, while targeting profit growth of 30% to 50% for the financial year ending Dec 31, 2027 (FY27).

Managing director Stanley Lim Yong Lai said the expansion, proposed when the company sought its initial public offering, will remain on hold at least for this and the next year as it directs funds and management resources towards existing opportunities.

He said the group's push into high-voltage work and engineering services for semiconductor facilities does not depend on the factory expansion, allowing it to pursue these businesses without proceeding with the building.

Lim expects a year-on-year growth of at least 30% for FY26 and between 30% and 50% in FY27.

While his expectations encompass revenue and profit, he emphasised the improved profitability, explaining that revenue could grow only modestly in some periods while earnings rise faster.

"We are now moving to the higher margin jobs compared to our past," he told *StarBiz* recently.

Lim identified data centres (DCs), high-voltage infrastructure such as substations, and fast-track projects as areas offering better margins.

> "I think it may be the next wave of growth for us after DCs. So we are keeping an eye to search for opportunities in this industry"
>
> Stanley Lim Yong Lai

West River is also tendering for high-voltage work with Tenaga Nasional Bhd including bidding for solar farm substation and grid connection works.

However, Lim cautioned that strong DC demand may not translate into the same pace of new developments as previously, citing electricity availability as a potential constraint over the next two years.

"So overall, it's still good. At least the demand is still there.

"Maybe the pace may slow down a bit," he said.

Beyond DCs, Lim sees semiconductor facilities as another source of demand for the group's M&E services.

"I think it may be the next wave of growth for us after DCs.

"So we are keeping an eye to search for opportunities in this industry," he said.

Lim said West River is approaching factory owners for maintenance and smaller expansion jobs, seeking to establish credentials before pursuing larger opportunities.

It is also engaging experienced industry personnel to strengthen its network in this area expecting to secure a couple of jobs in this sector within six months.

West River's order book stands at RM195mil to RM200mil.

On funding, Lim attributes the recent decline in cash holdings to a project worth more than RM30mil that had to be completed within two months, before the company received payment.

"But right now it's recovering.

"We are quite confident that by year end, our operating cash flow will turn positive," he said, referring to December 2026.

Lim said the group has about RM15mil to RM20mil of unused banking facilities and together with cash on hand, he believes existing financing could support revenue expansion of 30% to 50%.

"So funding is still not our limitation right now. It's the resources.

"Resources are the limitation," he said, pointing to workforce availability and engineers' project commitments.

For longer-term recurring income, Lim said West River is currently designing two mini-hydropower projects and identifying suitable contractors to undertake the work.

"This is our major involvement in renewable energy. Not the subcontract works but as the asset owner," Lim said.

On dividends, Lim said the group's guideline is to retain cash equivalent to about 20% of annual revenue to fund project execution, with amounts above that potentially available for distributions.

"But we don't anticipate any (dividends) for the near future, maybe for at least another year," he said.

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