



06 JUN, 2020

## Pestech's third asset in Cambodia to enrich future income

Borneo Post (Kuching), Malaysia

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Yvonne Tuah

**KUCHING:** Pestech International Bhd's (Pestech) third concession asset in Cambodia has been viewed positively by analysts as it could help strengthen its recurring income base further and provides diversification from relying on engineering, procurement, construction, and commissioning (EPCC) contracts.

Pestech in its filing on Bursa Malaysia said its 70-per cent owned Cambodian company, ODM Power Line Company, completed the execution of all novation agreements in relation to the rights of the development of 230kV Transmission Line from Oddor Meanchey to East Siem Reap Grid Substation on a Build-Transfer basis.

The concession value stems from committed payment from the state utilities Electricite Du Cambodge (EdC) to OPL over concession period of 10 years and one month.

Payments will be paid on a monthly basis where first and 121st payments are both at circa US\$458,000 each while payment for second to 120th are at circa US\$917,000 each.

According to the research arm of Kenanga Investment Bank Bhd (Kenanga Research), this is Pestech's third concession asset, of which all are located in Cambodia,



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It noted that Pestech is expected to book in two streams of earnings from this project, which are the 10-year concession fees and an EPCC contract which is valued at circa US\$50 million.

"We are positive on this

concession asset as it helps to lessen reliance on EPCC with stable recurring cashflow over the next 10 years.

"Although borrowing is set to increase, it is mainly ring-fenced financing like the other existing borrowings which is fairly safe.

"In all, we still like this niche utility infrastructure play which could potentially benefit from the revival of mega projects

domestically and the fast growing energy infrastructure development market in Cambodia," Kenanga Research opined.

It also noted that the BOT which started operations in January 2018, contributes circa RM15 million to bottomline.

On the impact of the Coronavirus Disease 2019 (Covid-19) pandemic, Kenanga Research said it is likely to mildly impact

project progress as all its local projects are proceeding during this Movement Control Order period while its Cambodia project is also business as usual.

"The sizeable outstanding order-book of circa RM1.6 billion will sustain earnings growth for the next two years," it added.

Kenanga Research maintained its 'outperform' rating on the stock.



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### SUMMARIES

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