



16 DEC, 2019

## Analysts positive on Pestech's third contract secured from NGCP

Borneo Post (Kuching), Malaysia

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**KUCHING:** Analysts are positive on Pestech International Bhd's (Pestech) third contract secured from National Grid Corporation of the Philippines (NGCP) as they see vast potential with this latest contract.

In a filing on Bursa Malaysia, Pestech's board of directors announced that wholly-owned subsidiary company Pestech Sdn Bhd had on December 12, 2019, received a Notice of Award from NGCP for the contract in relation to the Cebu-Bohol 230 kilovolt (kV) Interconnection Project.

"We are positive with this third contract secured from NGCP with greater contract value, increasing from the circa RM38 million Tiwi contract in August 2016 and followed by the bigger circa RM50 million Calamba contract in October 2017.

"This latest contract value of RM94 million almost doubled from the Calamba contract, showing an increasing trend in project value," the research arm

of Kenanga Investment Bank Bhd (Kenanga Research) said.

According to Kenanga Research, profit margin for this new contract is still within the range of nine per cent to 11 per cent.

"We see vast potential there as 30 per cent or 28 million of its population are without access to electricity supply.

"Meanwhile, we have learnt that Pestech is currently eyeing another engineering, procurement, construction and commissioning (EPCC) contract in the country as well."

Kenanga Research noted that with this contract win, Pestech has secured a total of RM132 million for financial year 2020 (FY20) after winning a small Smart Metering contract last month worth RM38.4 million from Tenaga Nasional Bhd.

Although almost crossing the half-year mark for FY20, the research arm believed its targeted order-book replenishment of

RM750 is not overly optimistic given the upcoming contract flows from KVDT2, LRT3 and ECRL.

"While there is no indication of contract value size, we believe the combined value of any two of these three rail electrification projects could likely boost its current order-book by 40 per cent-50 per cent, from current size of RM1.6 billion, should it be successful in the bidding."

Overall, Kenanga Research continued to 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.

"Given the earnings growth potential of 26 per cent to 14 per cent, at decent price earnings ratio (PER) of 10-fold-nine-fold for FY20 to FY21, we believe the market has yet to appreciate the growth potential in this stock."



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### SUMMARIES

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