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Analysts positive on Pestech's sixth contract win in FY20

Borneo Post (KK), Malaysia

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KUALA LUMPUR: Pestech International Bhd's (Pestech) latest contract win in Cambodia has been viewed positively by analysts as it showed its ability to secure international projects despite the current disruptions brought on by the Coronavirus Disease 2019 (Covid-19) outbreak.

In a filing on Bursa Malaysia, Pestech said its wholly-owned subsidiary, Pestech (Cambodia) Plc, finalised the contract agreements with Renaissance Minerals (Cambodia) Ltd. for the engineering, procurement, construction and commissioning (EPC) contract for the construction of Okvau Gold Mine project 230/11kV Okvau Transmission Substation for US\$734 million or circa RM32 million.

The gold mine project is owned by Renaissance Minerals' parent company Australian listed mining firm Emerald Resources NL. The commencement date

of the project is March 1 and shall be completed within 12 months.

In a report, Kenanga Investment Bank Bhd's research team (Kenanga Research) said: "We are positive with this small contract win as it showed its ability to secure international projects.

This is its sixth contract win in FY20, totalling year to date contract win to RM412.6 million against our targeted FY20 order-book replenishment of RM750 million."

It added, "Given the change of federal government and Covid-19, the timing of the award of HSR, KVDT2, LRT3 and ECRL contracts would be uncertain for now."

"However, this does not affect our FY20 to FY21 assumptions as the current outstanding order-book of circa RM1.6 billion will sustain earnings growth for the next two years."

Meanwhile, it believed that the Covid-19 outbreak would likely

have a mild impact on progress of its projects.

"We understand that the local JB-Gemas double track, MRT2 and KVDT projects are still proceeding during this Movement Control Order (MCO) period in accordance to government's procedure for safety requirements while its Cambodia project is still business as usual.

"So far, all contracts executions are continuing based on contractual conditions which have clauses to deal with such situation that will be fair for both parties."

"As such, the pandemic is likely to have mild impact on project progress," it explained.

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

"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."



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SUMMARIES

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