

Headline	Analysts positive on Pestech`s latest contract win Analyst
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# Analysts positive on Pestech's latest contract win — Analyst

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**KUCHING:** Pestech International Bhd's (Pestech) latest contract win in the Philippines garnered positive views from analysts and they believe that the company's current order book could provide earnings visibility up to end-2019.

According to a filing on Bursa Malaysia, Pestech said, it was awarded an engineering, procurement, construction and commissioning (EPCC) contract for the Calamba 230kV Substation project in the Laguna Province, Calabarzon Region, Luzon Island, Philippines.

The contract value is US\$5.3586 million (approximately RM22.67 million) for the offshore portion of the project and 332.136 million peso (approximately RM27.538 million) for the onshore portion of the project.

Under the project, Pestech is expected to deliver a new 230kV

outdoor substation with 230kV/115kV facilities to serve the Laguna island.

In a report, the research arm of Kenanga Investment Bank Bhd (Kenanga Research) said this is the company's second contract award in the Philippines and it is also the first EPCC project for Pestech in the Philippines.

"We see vast potential there, where 30 per cent of the population are without access to electricity supply," it opined.

It added, "We are pleased with this small contract win, which is the second contract secured from the National Grid Corporation of the Philippines (NGCP) after the first contract won worth RM38 million in August last year."

It also noted that the company will focus on small contracts worth US\$10 million to US\$20 million each initially to build its base before looking for sizeable contract, which is the same model when it started venturing into Cambodia.

It pointed out that the profit margin for this new contract is still within the range of 10 per cent.

With this win, Kenanga Research highlighted that its order-book is estimated to be worth circa RM1.5 billion with earnings visibility up to end-2019.

The research team also believed that there could be more contracts in the near future.

It said, "So far, the RM1b worth of domestic electrification contract is not finalised yet. And, we believe that it stands a good chance based on its track record and work capacity."

Nonetheless, it pointed out that Indochina remained its main focus and it believed there could be few more contracts available for grab there, especially once its BOT project - Diamond Power commences operations by this year-end.

"For the BOT, this will mark its first recurring income stream over the next 25 years," it noted.