

Headline	Pestech to win more contracts in financial year 2017
MediaTitle	Borneo Post (Kuching)
Date	11 Feb 2017



Pestech to win more contracts in financial year 2017

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KUCHING: Pestech International Bhd (Pestech) is tipped to win more contracts in financial year 2017 (FY17) ending June 2017 having obtained a contract extension with upgraded work recently.

Pestech in a filing to Bursa Malaysia on Wednesday said its wholly-owned subsidiary Pestech (Cambodia) Ltd (PCL) signed an amendment contract agreement (ACA) on February 8 with Alex Corporation (Alex Corp), a Cambodian multi-faceted business entity.

The contract is for the design, engineering, manufacturing, installing, testing and commissioning of the 230 kilovolt (kV) West Phnom Penh-Sihanoukville transmission line and substation extension project at a contract value of US\$86.065 million.

Pestech added the ACA signified both parties' agreement to an upgrade of the specifications of the project and the adjustment to the total price of the project at a revised value of US\$143.9 million.

"The upgraded project involves the design, engineering, manufacturing, installation, testing and commissioning of 230kV double circuit transmission line from Stung Hav Substation to Chamkar Loung and 500kV double circuit transmission line from Chamkar Loung to Bek Chan," it said.

Meanwhile, the research arm of Kenanga Investment Bank Bhd (Kenanga Research) yesterday said Pestech has finally secured the well anticipated upgrading contract from Alex Corp for the design, engineering, manufacturing, installing, testing and commissioning of the 230kV West Phnom Penh-Sihanoukville transmission line and substation, which was initially awarded in March 2014.

The new upgrading works

raised the total contract value for the project in Cambodia to US\$143.9 million from US\$86.1 million previously.

It observed the upgraded project is expected to be completed by November 2019.

Kenanga Research opined that the development is highly positive as it was the first contract secured in four months and the first in 2017 although the contract was well within expectation.

With the additional US\$58 million upgrading contract, Pestech has clinched a total of five contracts in FY17 with total contract value worth more than double of RM469 million from RM214 million previously.

As of September 2016, it noted the group's order book was at RM1.04 billion.

As a result of the additional contract amount, Kenanga Research calculated that Pestech's order book is likely to rise to approximately RM1.30 billion.

Nonetheless, the upgrading contract does not change its earnings estimates for Pestech as the contract amount was within its FY17-FY18 revenue assumptions.

Kenanga Research estimated that the upgraded works is expected to raise Pestech's revenues for FY17 and FY18 to RM589 million and RM438 million, based on the project's duration.

The research firm believed its FY17 revenue estimate for Pestech is achievable while the company needs to secure another RM211 million worth of contract to meet its expectation for FY18.

With the upgraded work in hand, Kenanga Research gathered that Pestech is still involved in two major contract biddings.

The research firm believed that the company stood high chances

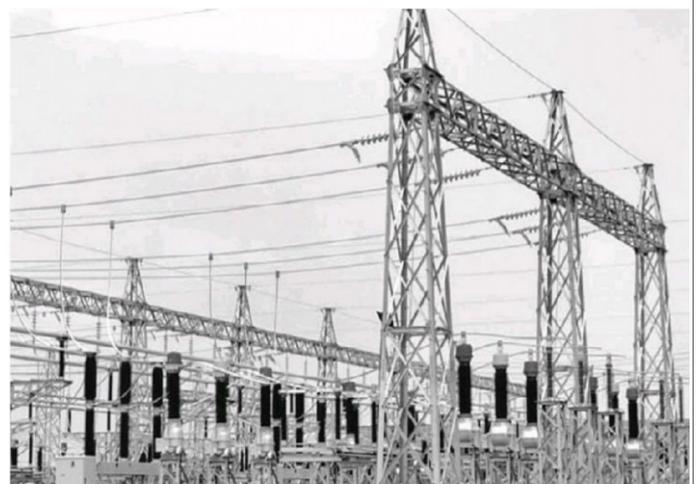
of securing the two major contracts, which could bring its earnings to a new high if the group succeed in the tenders.

As a result, the research firm noted Pestech's first quarter of financial year 2017 (1QFY17) results ended September 2016 has receivables amounted to RM240 million for amount due from contract customers as of Sep 2016.

On the other hand, the research firm gathered that the supplier SPECO also gave Pestech a long credit term of two years with first payment starting in early 2018 that matches receivable payment from the state-owned utility Electricite du Cambodge (EdC) for the Alex Corp's job.

With this new upgraded contract, payment terms for both to Alex Corp and from SPECO were amended accordingly to the new contract, for instance both first payments were now delayed to end of 2019 when the project is completed.

As such, the research firm noted the receivables at Pestech's end will eventually be equivalent to US\$143.9 million by the end of 2019.



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