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Good chance for TRC Synergy to bag MRT3 contract, says HLIB Research

By Azanis Shahila Aman - July 20, 2022 @ 9:35am



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KUALA LUMPUR: TRC Synergy Bhd is expected to be a key beneficiary of the upcoming Mass Rapid Transit 3 (MRT3) project due to its high Bumi ownership, extensive track record in mega railway projects spanning stations, viaducts and depots, and healthy balance sheet (net cash).

Hong Leong Investment Bank Bhd (HLIB Research) said that in the past, TRC Synergy secured bumper contracts worth RM1.32 billion and RM846.5 million from MRT Putrajaya and MRT Kajang lines, respectively.

"TRC Synergy's unbilled orderbook currently stands at an estimated 1.7 times cover, a thin cover ratio brought about by weak job flows in the past two years.

"Hence, the MRT3 is a critical job for the company either through turnkey or subsequent subcontracts," the bank-backed research firm said in a note today.

As for potential margin pressure, HLIB Research said most of TRC Synergy's existing jobs are in the later stage of construction, which mitigates such an impact.

The firm noted that the recent rolling over of steel prices and various commodities could provide some relief to this extent.

"A more material impact on execution would be labour shortage considering recent hiccups on intake from Bangladesh and Indonesia," the firm said.

Meanwhile, HLIB Research said TRC Synergy aims to deliver its [Perla@Ara](#) Sentral in the fourth quarter (Q4) of 2022, with construction virtually completed.

Going forward, the firm is forecasting a lacklustre financial year 2022 (FY22) and FY23 earnings before picking up by 31.8 per cent year-on-year (YoY) in FY24.

"This will primarily be driven by contract wins from the upcoming MRT3 project.

"We maintain our forecasts and Buy rating with an unchanged target price of 40 sen on the stock," it added.