

WCT has **not** given up on Oman

Developer will continue to **pursue** opportunities there

by **Madiha Fuad**
FD@bizedge.com

KUALA LUMPUR: Despite the cancellation of a RM1 billion highway project in Oman, WCT Bhd has not given up hope on the Middle East market which has so far contrib-

uted over RM5 billion worth of job contracts.

In a filing with Bursa Malaysia yesterday, the company said it will continue to pursue job and business opportunities in Oman even though the country had decided not to proceed with

the RM1 billion project.

Two days ago, the company informed the exchange that the director of tenders and contracts department of Oman's ministry of transport and communications had decided not to proceed with the project to build the 44.75km

dual, four-lane expressway.

WCT had formed a 80:20 joint-venture (JV) with Oman Roads Engineering Co LLC to undertake a project, known as the Batinah Expressway-Package 2. The contract award was received by the JV

CONTINUES ON PAGE 4 >>

Project cancellation sparks mixed reaction

FROM PAGE 1 >>

company in August 2012 and the project was expected to be completed in 36 months.

In another filing with Bursa Malaysia yesterday, WCT said the remaining procedures to formalise the contract since receiving the tender award from Oman's ministry of transport and communications (the employer) had not been completed.

"Hence, the company did not receive any notification to commence work, and construction works for the project had, therefore, never commenced.

"The company was subsequently informed via a letter dated April 6, 2013 that the employer would not be proceeding with the project pursuant to this tender and that this tender had been cancelled.

"The employer did not inform the company as to whether the employer intend to still proceed with the project via any new tender or other procurement method," it added.

Before winning the expressway project, WCT had completed the RM586 million Bahrain F1 International Circuit in 2004 in a record time of 16 months. This was WCT's maiden project in the Middle East.

In 2009, it completed its second project — the Abu Dhabi F1 Grand Prix circuit — with a contract value of RM4.4 billion. WCT also completed the construction of the RM308 million Sepang F1 Circuit in a record time of 14 months in 1998.

News of the RM1 billion project cancellation in Oman resulted in several research houses downgrading the stock and viewing the situation negatively.

BIMB Securities downgraded the stock to a "neutral" call with a lower target price of RM2.34.

"Subsequent to the cancellation, we tweaked our 2013 financial year (FY13) and FY14 earnings forecast lower by 11.8% and 16.8% respectively after stripping the revenue contribution from this project," said the research house.

RHB Research downgraded WCT's FY13 and FY14 net profit forecast by 6% and 7% respectively, and maintained its "sell" call on the stock with a lower target price of RM1.65.

Alliance Research also reduced the developer's earnings estimate by 12.1% and 15.9% for FY13 and FY14 respectively, and gave the stock a "sell" call.

However, HwangDBS Vickers Research maintained its "buy" call on WCT, with a higher target price of RM3.35 due to its healthy order book.

"This upgrade was made despite the cancellation of its RM1 billion highway job in Oman.

"Its order book looks healthy with the possibility of the company winning the Kwasa Damansara Land civil works, Tun Razak Exchange as well as Petronas' Refinery and Petrochemical Integrated Development (Rapid) phase 2 civil works, to make up for the recent cancellation of the Batinah Expressway-Package 2 project in Oman," said HwangDBS.

It added that the revised target price took into account WCT's other land bank in Medini Iskandar, Kuala Lumpur and Rawang which would be developed more aggressively over the next two years.

Its share price decreased by 3.3% or 8 sen to RM2.37 yesterday from its recent high of RM2.46 last Friday.