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IJM Corp says construction can make up for property division slowdown

By [Kamarul Anwar](#) / theedgemarkets.com | August 24, 2016 : 9:21 PM MYT

SUBANG JAYA (Aug 24): With the outstanding order book at an all-time high and more infrastructure contracts being dished out, IJM Corp Bhd says its construction division can make up for the slowdown in the property business.

Chief executive officer and managing director Datuk Soam Heng Choon expressed confidence that the construction business will surpass its order book replenishment floor target value of RM2 billion for the current financial year ending March 31, 2017 (FY17).

"As it is, we already added roughly RM1.7 billion into our order book in the first three months of this financial year," he told reporters after IJM Corp's annual general meeting today.

"We have an annual churn target of RM2 billion to RM2.5 billion. So, yes, I think we can surpass the RM2 billion (target) easily this year," he said.

IJM Corp recently won a package for the second line of mass rapid transit (MRT 2) worth RM1.47 billion. It also will build the breakwater structure at Kuantan Port, valued at roughly RM198 million.

Both of these made up part of its RM8.6 billion current outstanding order book, a record high for IJM Corp.

Winning more construction jobs should be crucial for IJM Corp to recover from the slowdown in Malaysia's real estate sector, which had resulted in its property development business's pre-tax profit plummeting by 67.8% to RM159.29 million in FY16.

While IJM Corp is better known for its construction business, the property development division had been the biggest earnings contributor, until last year.

For the first quarter ended June 30, 2016 (1QFY17), IJM Corp's construction segment's pre-tax earnings jumped by 23.6% to RM50.11 million. Property development meanwhile fell by 60.22% to RM19.92 million.

Soam is also expecting the plantation division to fare better in the year, with crude palm oil (CPO) prices trending higher and normalising. Its fresh fruit bunch production is also growing despite the El Nino climate razing many planters' yields, because IJM Corp's Indonesian oil palm trees are only reaching their maturity.

CPO price averaged at RM2,100 a tonne in 1QFY17, said Soam. Currently, it is trading within the range of RM2,600.

IJM Corp closed unchanged at RM3.40 with 4.7 million shares traded, for a market capitalisation of RM12.25 billion.