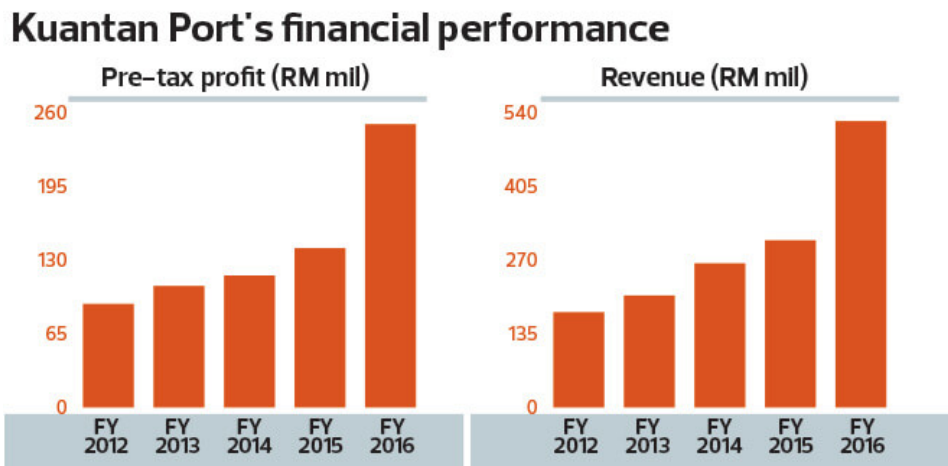


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Kuantan Port - IJM's next growth catalyst

By [Tan Siew Mung](#) / The Edge Malaysia | September 21, 2016 : 6:00 PM MYT

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WHEN IJM Corp Bhd bought over its rival Road Builder (M) Bhd nearly a decade ago, Kuantan Port was probably not the main reason for the acquisition.

Road Builder fully owned Kuantan Port Sdn Bhd, which operates the east coast port, when IJM Corp acquired the group. The new owner then sold a 40% stake in the port to Guangxi Beibu International Port Group.

Now, with the Malaysia-China Kuantan Industrial Park (MCKIP) beginning to attract more investments from China, Kuantan Port could be a growth catalyst and recurring income source for IJM going forward.

"Kuantan Port operated beyond its full capacity of 25 million tonnes last year because of the bauxite exports ... the volume was so large that we had to find ways to cope with it. The port actually handled 30 million tonnes.

"But honestly, this won't be the new norm for us," says IJM managing director and CEO Datuk Soam Heng Choon.

In its financial year ended March 31, 2016, Kuantan Port generated a pre-tax profit of RM250.5 million, a big jump from RM140.9 million the year before.

Soam points out that Kuantan Port's growth potential lies in MCKIP's investors who need a deepwater port to import raw materials and export finished goods.

To Soam, that is the future of Kuantan Port with growing throughput volume, and container shipments.

Currently, the port does up to 95% bulk cargo. Its container business is relatively small and only dominated by car components from Pekan.

To cater for the expected increase in shipment volume, Kuantan Port Consortium Sdn Bhd (KPC), in which IJM holds a 60% stake, will be investing close to RM3 billion in doubling the port's capacity and upgrading its infrastructure.

Capacity will be more than 50 million freight weight tonnes in five years from about 25 million now while shipments will be increased to up to 200,000 deadweight tonnage from 50,000 DWT.

Soam sees the need to expand Kuantan Port's capacity as its business has been growing over the last 15 years.

When Alliance Steel starts operations at end-2017, the port can expect about seven million tonnes of cargo, including 3.5 million tonnes coming in as raw materials and another 3.5 million tonnes going out as exports. The volume is expected to be ramped up in later years.

KPC has a concession agreement to operate and develop Kuantan Port for 30 years until 2045. After the expiry, there is another 30-year agreement until 2075, subject to the government's approval.

Fund managers and analysts are generally positive about the financial impact of MCKIP and Kuantan Port's expansion on IJM Corp. "More foreign direct investment to set up new plants in MCKIP will see land sale gains and property development earnings for IJM Corp in the short term while generating higher cargo throughput for the port in the long term," Affin Hwang Capital Research analyst Loong Chee Wei tells The Edge in an email.

He expects IJM Corp's revenue and earnings to achieve strong growth when the port's expansion and new plants, such as Alliance Steel's, are completed in two to three years.