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New Indian job seen to boost IJM Corp's order book by 17%

IJM Corp Bhd
(Nov 23, RM3.12)

Maintain add with an unchanged target price (TP) of RM3.87: The National Highway Authority of India has awarded IJM Corp Bhd a highway concession under the National Highways Development Project (NHDP) Phase-III. The length of the highway is approximately 109.1km.

It comes with an estimated cost of 23.25 billion rupees (about RM1.5 billion). The highway authority will also provide a grant of 3.67 billion rupees (about RM235.9 million). Excluding the grant, the cost per kilometre should work out to RM13.7 million.

This tolled highway project includes a 20-year concession. The project will adopt a "design, build, finance, operate, transfer" model — similar to the highway concession model in Malaysia.

The estimated 30-month construction period is included in the concession period. According to news reports, work would start in mid-2018 with completion slated for 2021.

The project consists of widening the existing two-lane carriage-way of the Solapur-Bijapur section of India's National Highway. IJM will turn the portion of the highway to a four-lane standard replete with new flexible pavement, road intersections, railway

overbridge, and toll plazas.

It will serve as an alternative route to the North-South Corridor of the NHDP, connecting southern India with northern India.

Currently, IJM operates two tolled highways in India: i) the 246.8km Rewa Tollway, and ii) the 68.5km Chilkaluripet-Vijayawada Tollway. It also owns 30% of the Swarna Tollway.

Since March, IJM has been involved in a RM193.8 million project to widen and upgrade 19.8km of the Dewas Bypass road in Madhya Pradesh.

The Solapur-Bijapur highway is the single-largest contract for IJM year to date (YTD) and, arguably, its largest overseas highway contract. Based on our estimates, this contract would increase IJM's outstanding order book by 17% to RM10.2 billion.

The order book level is among the largest in the construction space. With this new Indian tollway contract, the total YTD contract wins have exceeded our forecast of RM2 billion for financial year 2018.

Apart from the construction order book, IJM will also benefit from the recurring income of the highway once it commences toll charges.

However, at this juncture there are limited details for us to work out the financial impact of the highway concession. We expect more details from the upcoming results briefing on Nov 28. — *CIMB Research, Nov 22*