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# IJM Corp bags its largest Indian project

## It wins a RM1.5b contract to develop Solapur-Bijapur tollway

BY SAMANTHA HO

KUALA LUMPUR: IJM Corp Bhd has bagged a RM1.5 billion contract to develop the Solapur-Bijapur section of the new National Highway 52 between the states of Maharashtra and Karnataka in India.

At RM1.5 billion, the four-lane, 109.08km tollway will be the largest Indian project undertaken by IJM in value.

While analysts are buoyed by IJM's latest win, they are keeping to their current forecast earnings for now as the project will serve as long-term growth drivers. Work on the tollway is expected to begin in mid-2018 and scheduled for completion in 2021.

AllianceDBS Research analyst Chong Tjen San said he is positively surprised, adding that the size of the award is unprecedented, although IJM had previously indicated interest in expanding its Indian operations.

"The magnitude and location of the contract took me by surprise," he told *The Edge Financial Daily* yesterday.

In a statement yesterday, IJM said it has accepted the letter of award from the National Highways Authority of India (NHAI) for the project on a design, build, finance, operate and transfer basis.

"NHAI will provide a grant of about RM235.86 million for the project. The concession is for 20 years, including a construction period of 30 months," it added.

According to IJM, the project will

involve the rehabilitation, upgrading and widening of the existing two-lane carriageway to four-lane standards with bypasses, and the construction of flyovers, bridges, road intersections, railway over-bridge as well as the operation and maintenance of two toll plazas.

Connecting southern India with northern India, the tollway will serve as an alternative route to the North-South Corridor of the National Highways Development Programme (NHDP).

The development of this highway with bypasses at Solapur and Bijapur, and the construction of six flyovers will help reduce time and cost of travel, as well as expedite the improvement of infrastructure in Maharashtra and Karnataka.

IJM chief executive officer and managing director Datuk Soam Heng Choon said the group has delivered 16 major road projects totalling 1,378km in India since 1998.

"The project is expected to contribute positively to the group's future earnings," it said.

Chong said while the new project adds a sizeable amount to IJM's existing order book of about RM8.6 billion, the enlarged size will not be out of line with the management's RM3 billion replenishment target for the 2018 financial year.

Chong is leaving the research firm's earnings forecast and target price (TP) of RM3.50 unchanged for now, with a "hold" call on IJM's stock following the group's acquisition of a 100% stake in Fairview Valley Sdn Bhd, which will be build-

ing the RM500 million Prudential Tower in the Tun Razak Exchange here.

Affin Hwang Capital Research analyst Leong Chee Wai said the immediate impact on IJM from the tollway contract "would not be that significant" although the stock's prospects remain good due to its acquisition of Fairview Valley.

He had upgraded the stock to a "buy" rating from "hold" on Nov 15, with a TP of RM3.75, and noted the stock has gained slightly since its RM3.03 closing price back then.

"Gains are likely to be substantial only when the tollway is completed," he said, noting the latest project is an "opportune investment" that will generate long-term income for the group.

He added that the contract is also reflective of IJM's continued commitment to its operations in India.

Since March this year, IJM's wholly-owned subsidiary Dewas Bypass Tollway Pte Ltd has been involved in a RM193.8 million project to widen and upgrade 19.8km of the Dewas Bypass road in Madhya Pradesh, India.

IJM's infrastructure division currently operates two tolled highways in India — the 246.8km Rewa Tollway and the 68.5km Chikaluripet-Vijayawada Tollway — and owns 30% of Swarna Tollway.

IJM shares closed down two sen or 0.65% at RM3.05 yesterday, with a market capitalisation of RM11.07 billion. Year to date, the share price has fallen 8% from RM3.32 on Jan 5.