



Gamuda Bhd		Market Price:	RM3.24
		Market Cap:	RM6540.9mil
		Board:	Main
Stock Code/Name:	5398 / GAMUDA	Sector:	Construction
<i>Ambitious Klang Valley MRT plan</i>			

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PROPOSED PROJECT

As mentioned under the recently announced 10th Malaysia Plan (10MP), an ambitious MRT project for the Klang Valley has been identified to improve the city's public transport system. The project, estimated to cost RM36 billion (construction and tunnelling portion), will be the biggest infrastructure project in the country to date. The Klang Valley MRT project was proposed by the Gamuda-MMC JV Co. Nevertheless, final approval from the Malaysian Cabinet is still pending for this plan.

MRT LINE LAYOUT

Looking at the proposed plan layout, it involves 180km consisting of 3 rail lines – the Kepong-Cheras Line, Kota Damansara-Serdang and the Circle Line (City Loop). The Circle Line passes areas such as Matrade/Duta, Bangsar, Sungai Besi, Pandan, Setiawangsa and Sentul. There would be 12 interchanges between the MRT lines and also the existing rail lines in Kuala Lumpur. This proposal does not clash with Syarika Prasarana Negara Bhd's LRT extension plans on the Putra and Star lines (which will converge in Putra Heights). However, if the MRT plan is adopted, Prasarana's proposed Sungai Buloh-Cheras Line would have to be shelved, due to the similarity of the route-lines.

The proposed new lines would also service new major development areas such as Sungai Buloh (RRIM land)(by MRCB), Sungai Besi (airport land)(by 1Malaysia Development Bhd(1MDB)), Eco City (by SP Setia), Cochrane (by LTAT), Pasar Rakyat/Dataran Perdana (by 1MDB), Kampung Baru (by PNB) and Matrade (by Naza). Assuming all goes well, the project timeline comprises a start date of January 2011, 70% completion by 2015 and full completion by 2019.

RATIONALE FOR MRT

The MRT project is envisaged to facilitate 40% of the public (within the catchment area) to utilise public transport (the current usage is estimated at just 16%). The government had planned to reach a target of 30% by 2015. The MRT plan involves a capacity of 2 million passengers per day initially (compared to 400,000 existing rail passengers now), with a possibility of up to 4 million passengers per day eventually.



The aim of the project is not financial viability or profitability but rather economic viability i.e. for public service and for added-value to the economy via reduction in vehicle smoke emissions, traffic jams, fuel subsidies and also travelling time. If, and once Cabinet approval is given and the plan finalized, there would be public viewing and feedback sessions for the plan.

GAMUDA-MMC JV CO'S ROLE

Under the MRT proposal, the Gamuda-MMC JV Co is poised to be the “Chariot Master” i.e. the Project Manager. Gamuda-MMC has proposed that the federal government appoint a steering committee, independent consultants and auditors to oversee the project implementation. The JV Co did also submit an Integrated Public Transport Master Plan to the government, in addition to the MRT proposal. The JV Co does not intend to be the MRT operator, once the project is completed.

On its part, Gamuda-MMC JV Co would need to raise RM4.8 billion, consisting of RM3 billion for working capital and RM1.8 billion as the performance bond. Other than this, the project funding would likely be under a private or public sector SPV (special purpose vehicle) and guaranteed by the Malaysian government via the debt capital market. In addition to the RM36 billion construction cost (including tunnelling), there would be additional costs as well, such as the estimated RM2 billion for land acquisition, RM3 billion for the MRT carriages and RM2 billion for developing underground commercial spaces.

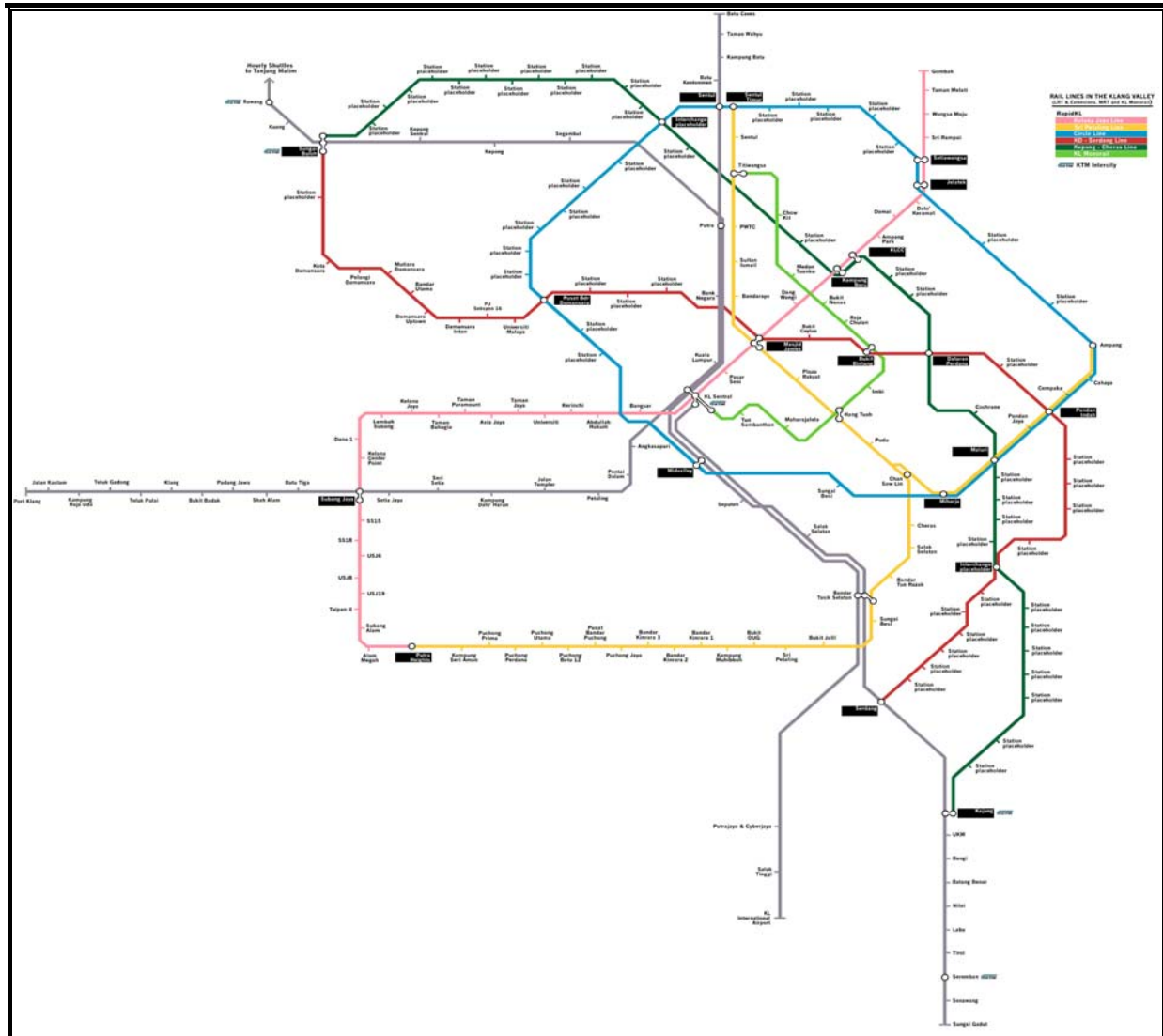
The JV Co would not bid for any part of the project other than tunnelling, which would cost about RM10.8 billion (30% of the total project construction cost). Gamuda-MMC is also ready to accept any “Swiss Challenge” i.e. bids from any other party that could match its project pricing. Due to the size of this project, the JV Co is not likely to bid for any of Prasarana’s LRT Line Extension packages (which are outside the scope of the MRT project). Prasarana’s line extension is scheduled to start in November 2010 and to be completed within 3 years.

Gamuda-MMC JV Co does have the relevant experience and expertise for the MRT project, given its track record with the SMART Tunnel project in Kuala Lumpur and also the KTM Double-Tracking project (Northern portion) that stretches 329km from Ipoh to Padang Besar. Gamuda was also previously involved in the Kaohsiung Metropolitan MRT project (some of the tunnelling, track laying and stations) in Taiwan.

Since the plan was announced in the media recently, there are many concerns and views from the public and various parties over the ambitious MRT project – such as the cost, size, design, structure, layout, bureaucratic delays and parties involved. Meanwhile, let us wait and observe.



KLANG VALLEY RAIL TRANSPORT



Source: Transitmy.org (approximate MRT line layout)

*Chart shows the KTM, Putra/Star (including proposed extensions), Monorail and MRT (proposed) lines

*Chart is **NOT from Gamuda Bhd** and thus we are not able to verify the accuracy of the proposed lines/stations