

Better days ahead for niche building material makers

Mega projects like MRT and Pan Borneo Highway to boost sectoral order book by 19% to RM50 bil in Q1FY17

THE booming construction sector, boosted by more infrastructure-driven projects like the MRT, LRT extensions and Pan Borneo Highway, has generated huge demand for niche building materials.

Thus, the investing public could be attracted to some of the listed niche building material manufacturers, particularly undervalued stocks, given their positive business outlook.

TA Securities Holdings Bhd research analyst Ooi Beng Hooi tells *FocusM* that he expects the building material sector to benefit as demand for construction materials is expected to pick up. "We may start to see the positive impact in 2017 as the level of construction activities accelerates," he adds.

MIDF Investment Bank Bhd, in a recent report, expects the implementation of government policies for public intra- and inter-urban transport to continue to boost the sectoral order book by 19% to RM50 bil in Q1FY17. This is supported by the development in LRT 3, BRT, Kwasa Damansara, Tun Razak Exchange, KL118 Bukit Bintang City Centre, Penang Masterplan and the Refinery and Petrochemical Integrated Development project (Rapid) project by

Petronas.

Ooi, however, says some players, including those supplying cement, steel and structural products such as road guardrails for highways, would do well

with the increasing infrastructure-driven construction activities.

He cites recently-listed building material provider Chin Hin Group Bhd as a potential beneficiary. Chin Hin is the country's largest manufacturer of autoclaved aerated concrete AAC blocks.

The light-weight concrete block is positioned as an eco-friendly building material, and Chin Hin could leverage the government's effort to promote green building concepts and energy efficiency in the construction industry.

"We think the expansions (undertaken by Chin Hin) are at the right time given the demand for construction materials is expected to surge with the implementation of several mega projects such as MRT line 2 and Pan Borneo Highway, which will be the largest construction projects ever implemented in Malaysia.

"Other significant projects include LRT line 3, West Coast Expressway, civil works at Rapid Pengerang, TRX

development, SUKE (Sungai Besi-Ulu Kelang Elevated Expressway) and DASH (Damansara-Shah Alam Elevated Expressway)," he adds.

Affin Hwang Investment Bank Bhd says Chin Hin is ramping up its production capacity of its subsidiaries Starken AAC by 60% to 600,000 tonnes, and G-Cast Concrete by 50% to 67,500 tonnes. The group has a total manufacturing order book of RM177.6 mil.

Besides Chin Hin, other likely beneficiaries include OKA Corp Bhd, Hume Industries Bhd and Prestar Resources Bhd with the expected higher demand for arch bridge system, different forms of piles and pre-cast cement products.

"OKA and Hume Industries have delivered relatively well performance for FY15 and I believe the momentum of their financial growth will be higher once the activities start to accelerate in FY17," says another analyst.

She points out the potential demand is sufficient to provide the many small players with handsome order books.

"With all the players spreading across different areas, they can tap the project packages within their distinctive areas.

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