

KERATAN AKHBAR

TARIKH : 9 SEPTEMBER 2025

AKHBAR : THE STAR

MUKA : 7
SURAT

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PETALING JAYA: Contractors are poised for potential new contracts after the industry recorded RM43.9bil in total value of work done in the second quarter of 2025 (2Q25), says RHB Research.

The 13th Malaysia Plan (13MP), from 2026 until 2030, had earmarked record-high development expenditure worth RM430bil, which could pave the way for more infrastructure projects.

RHB Research's top stock picks include Gamuda Bhd, Sunway Construction Group Bhd, and Binastra Corp Bhd.

It said out of the nine companies under its coverage that reported financial results, four exceeded expectations, with stalwarts like Sunway Construction and Kerjaya Prospek Group Bhd among them, while five missed projections.

It has an "overweight" call on the construction sector.

The Bursa Malaysia Construction Index (BMCI) is trading at a forward price-to-earnings ratio (PER) of 18.3 times.

It viewed such valuation to have headroom to go higher as the BMCI was trading

at a PER of about 15 times to 16 times during the 2017 construction upcycle, in the absence of the data centre (DC) prospects, which it envisaged to remain commendable.

The key downside risks cited to its sector call include unexpected slowdown in job rollouts, labour shortage, and scale down of DC investments in Malaysia.

Tenaga Nasional Bhd has signed five electricity supply agreements for seven DC projects in the country with a combined electricity demand of 733MW for year-to-date 2025 (between Jan 1 and Aug 15).

Assuming a conservative power usage effectiveness ratio of 1.4, the maximum electricity demand of 733MW by DCs should translate to around 524MW of DC capacity, which could be worth RM10.5bil of job value, based on a RM20mil construction cost per MW benchmark.

It added that Johor alone has about 1,473MW of committed DC capacity while Kuala Lumpur has 960MW of planned.

Additionally, it expected the 389-acre land earmarked for DC development in

Port Dickson acquired by Pearl Computing Malaysia to likely accommodate 500MW to 1GW of DC capacity.

The total planned capacity of between 2,933MW and 3,433MW in the three areas could translate into a construction value of RM58.7bil to RM68.7bil.

There are also many non-DC projects ahead.

Awards related to the elevated Automated Rapid Transit system (estimated cost: RM6bil to RM7bil) in Johor are expected to be announced by year-end.

Three consortiums are believed to have submitted proposals to the government's public private partnership unit.

Other key projects include tenders related to the Penang Light Rail Transit (LRT) system works (estimated at RM3bil to RM4bil), which are likely to be announced in the second half of 2025.

Segment two of the Penang LRT connecting Komtar and Penang Sentral (estimated at RM5bil to 6bil) could see tenders being advertised in October, the research house added.