

09 September 2021

Mitrajaya Holdings Bhd

Rocky Road Ahead

Lum Joe Shen | lumjs@kenanga.com.my

1HFY21 CNL of RM0.6m is considered within our FY21E CNL projection of RM14.1m as 2HFY21 should come in weaker on higher losses at its construction arm due to FMCO and elevated steel prices. Due to an overall lack of investor interest and challenging prospects, we are ceasing active coverage on MITRA. Consequently, the stock is assigned a Not Rated (from UNDERPERFORM) with our last TP of RM0.205.

Within expectations. 2QFY21 core net profit (CNP) of RM0.5m helped narrow 1HFY21 core net loss (CNL) to RM0.6m. We consider this within our FY21 loss projection of RM14.1m as we expect 2HFY21 to come in weaker on higher losses at its construction division due to FMCO and higher material costs. No dividends as expected.

Highlights. QoQ, 2QFY21 CNP of RM0.5m improved from a CNL of RM1.1m due to lower losses at its construction arm. YoY, 1HFY21 CNL of RM0.6m sunk into the red (from CNP of RM3.4m) due to weaker margin jobs being executed.

YTD, Mitra has won a building jobs worth RM200m against our RM350m target for FY21. This brings their **current outstanding order-book to RM518.5m** which we find underwhelming as we foresee 2HFY22/1HFY23 revenue to take a dip if Mitra does not secure more than our expected job replenishments of RM350m each year for FY21 and FY22.

Elevated steel prices will hit Mitra's bottom-line. The RM200m building contract secured in Feb 2021 (24-month tenure) is likely to sink the group into losses as steel prices remains elevated (i.e. RM3,100-3,250/tonne). Note that Mitra has tendered aggressively back in late-2020 to secure this fixed-price contract before the exponential rise in steel price. Huge steel requirement is anticipated at the mid-stage of this project i.e. 6-18 months into the job.

Property division remains weak with focus to clear completed inventories worth RM185m. While unbilled sales of RM44m, we note that a bulk of this (c.50%) is from its Wangsa 9 Phase 2 project which currently has poor take-up rates (8%) as sales have stagnated for the past two years. Hence, we do not expect progress billings from this project to be significant as we believe Mitra will keep construction pace minimal to avoid undesirable cash burns to its balance sheet. This would consequently lead to a delay in delivery for the existing buyers; hence, we expect Mitra to incur liquidated ascertained damages (LAD) for this development.

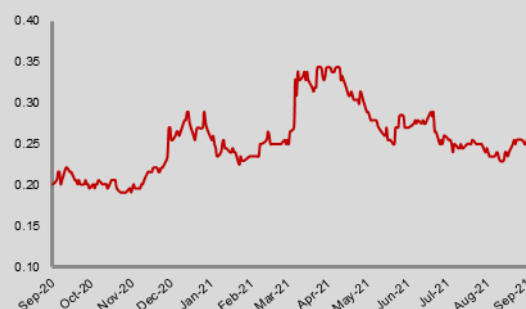
At this juncture, we find Mitra's current situation undesirable as they would either have to: (i) bid aggressively to secure jobs at the expense of thin margins (or potential losses) for job continuity to service operating/financing expenses or (ii) have its construction order-book dry up by 2HFY22/1HFY23 – dragging the group into losses.

All in, we cease active coverage on MITRA, given subdued investor interests and challenging prospects ahead. Consequently, the stock is assigned a Not Rated (from UNDERPERFORM) with our last TP of RM0.205 pegged to 0.25x PBV (-1.5SD below mean).

Not Rated

Price : RM0.260
Target Price : Not Rated

Share Price Performance



KLCI	1,597.63
YTD KLCI chg	-1.8%
YTD stock price chg	-5.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	213.9
Shares Outstanding	822.9
52-week range (H)	0.36
52-week range (L)	0.20
3-mth avg daily vol:	640,117
Free Float	40%
Beta	1.2

Major Shareholders

Tan Eng Piow	45.2%
Amanah Saham Bumiputera	3.7%
Amanah Saham Malaysia	3.7%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	358.5	280.5	251.5
EBIT	24.1	-10.7	2.3
PBT	18.0	-18.7	-5.8
Net Profit	10.4	-14.1	-4.3
Core PATAMI	10.4	-14.1	-4.3
Consensus (NP)	n.a.	n.a.	n.a.
Earnings Revision	n.a.	n.a.	n.a.
Core EPS (sen)	1.2	-1.6	-0.5
Core EPS growth (%)	-0.2	-1.4	0.3
NDPS (sen)	0.0	0.0	0.0
NTA per Share (RM)	0.84	0.83	0.82
Price to NTA (x)	0.3	0.3	0.3
PER (x)	22.2	-16.4	-53.6
Debt-to-Equity ratio (x)	0.1	0.1	0.1
Return on Asset (%)	1	-1	0
Return on Equity (%)	1	-2	-1
Net Div. Yield (%)	0	0	0

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Upside risks are: Higher-than-expected margins and construction jobs replenishment.

Results Highlight								
FYE Dec (RM m)	2Q21	1Q21	QoQ	2Q20	YoY	1H21	1H20	YoY
Turnover	62.9	81.0	-22%	45.6	38%	143.9	144.6	0%
EBITDA	4.8	2.2	122%	9.4	-49%	6.9	13.3	-48%
Depreciation	-2.6	-1.7	51%	-1.9	35%	-4.4	-4.5	-2%
EBIT	2.1	0.4	416%	7.5	-71%	2.6	8.8	-71%
Interest inc/(exp)	-1.0	-1.0	-2%	-1.5	-31%	-2.1	-3.5	-40%
Associates/JV	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Exceptional items	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Forex gain/(loss)	0.3	0.2	116%	0.2	49%	0.5	-1.0	149%
Pretax profit	1.5	-0.5	404%	6.2	n.m.	1.0	4.4	n.m.
Taxation	-0.7	-0.6	7%	-1.8	-63%	-1.3	-2.7	-51%
Deferred tax	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Profit after tax	0.8	-1.1	170%	4.4	n.m.	-0.3	1.7	n.m.
Minority interest	0.0	-0.2	-98%	-0.3	n.m.	-0.2	-0.7	n.m.
PATAMI	0.8	-0.9	186%	4.7	n.m.	-0.1	2.4	n.m.
Core PATAMI	0.5	-1.1	143%	4.5	n.m.	-0.6	3.4	n.m.
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	3%	1%		16%		2%	6%	
Pretax margin	2%	-1%		14%		1%	3%	
PAT margin	1%	-1%		10%		0%	1%	
CNP margin	1%	-1%		10%		0%	2%	
EPS (sen)	0.1	-0.1		0.5		0.0	0.3	
Core EPS(sen)	0.1	-0.1		0.5		-0.1	0.4	
BV/share (RM)	0.9	0.9		0.8		0.9	0.8	
Net gearing (x)	0.12	0.13		0.2		0.1	0.2	
Effective tax	47%	-132%		30%		135%	61%	

Source: Company, Kenanga Research

Segmental Breakdown								
External Revenue	2Q21	1Q21	QoQ	2Q20	YoY	1H21	1H20	YoY
Construction	50.9	71.3	-29%	38.3	33%	122.2	121.2	1%
Property development	10.7	8.3	29%	6.9	54%	19.0	22.0	-14%
South Africa	1.2	1.2	5%	0.2	411%	2.4	1.3	81%
Pre-tax Segmentation								
Construction	-0.6	-1.7	-67%	4.9	n.m.	-2.2	2.8	n.m.
Property development	1.5	1.3	13%	1.4	6%	2.9	3.0	-4%
South Africa	0.5	0.1	698%	-0.1	n.m.	0.5	-1.5	n.m.
Pre-tax margins								
Construction	-1%	-2%		13%		-2%	2%	
Property development	14%	16%		21%		15%	13%	
South Africa	39%	5%		-51%		23%	-113%	

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%)	Target Price	Rating
					Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
STOCKS UNDER COVERAGE														
GAMUDA BHD	3.20	8,043.3	Y	07/2021	15.2	17.0	13.3	0.9	0.9	5.4%	0.0%	3.75	OP	
HOCK SENG LEE BERHAD	0.965	530.3	Y	12/2021	16.6	15.8	10.1	0.6	0.6	4.0%	1.6%	0.950	MP	
IJM CORP BHD	1.94	6,962.6	Y	03/2022	19.2	30.8	24.0	0.7	0.7	10.5%	10.8%	2.05	OP	
KERJAYA PROSPEK GROUP BHD	1.24	1,534.3	Y	12/2021	16.9	16.3	9.7	1.6	1.4	9.1%	2.2%	1.50	OP	
KIMLUN CORP BHD	0.840	296.8	Y	12/2021	18.8	10.4	6.5	0.4	0.4	4.1%	2.0%	1.15	OP	
MITRAJAYA HOLDINGS BHD	0.260	213.9	Y	12/2021	22.2	N.A.	N.A.	0.3	0.3	-1.8%	0.0%	NOT RATED	UP	
MUHIBBAH ENGINEERING (M) BHD	0.960	464.1	Y	12/2021	N.A.	N.A.	19.2	0.4	0.4	-1.7%	1.0%	1.25	OP	
SUNWAY CONSTRUCTION GROUP BHD	1.69	2,179.0	Y	12/2021	26.4	37.6	17.1	3.4	3.2	8.9%	2.4%	1.52	MP	
WCT HOLDINGS BHD	0.580	822.0	Y	12/2021	N.A.	12.6	6.3	0.3	0.3	3.6%	0.0%	0.640	OP	
Simple Average					19.3	20.1	13.3	1.0	0.9	4.7%	2.2%			

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

