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Malaysian firms in Qatar doing fine

- **Economist** says too soon to predict the impact of the Qatar lockdown on Malaysian companies there.
- **Despite** neutral sentiments, the impact of the souring relationship between Qatar and its neighbours could affect oil and gas companies



by
F Saad

SHARE prices of companies with business interests in Qatar took a hit when news of geopolitical tensions broke.

Among the listed companies affected were Muhibbah Engineering (M) Bhd, Malaysia Airports Holdings Bhd, Eversendai Corp Bhd, Serba Dinamik Holdings Bhd and WCT Holdings Bhd.

Of them, Muhibbah, WCT and Serba Dinamik alone saw RM400 mil in market capitalisation wiped out in a single day on June 6.

All the companies downplayed

the impact of the Qatar lockdown with a consensus that it is business as usual.

An economist says it is too soon to predict how deep the impact of the Qatar lockdown will be on Malaysian companies there.

"There will be some impact if the businesses rely heavily on manpower from neighbouring countries or cross-border shipping. We do not know much of what is happening there at the moment," he says.

Muhibbah says its RM438.1 mil infrastructure project in Qatar is progressing as planned.

A company spokesperson tells **FocusM** it does not expect any delays to the project.

Muhibbah has a 49% interest in Muhibbah Engineering Middle East LLC, which has

been contracted by the Qatari government to construct roads and infrastructure works at the Um Alhoul Economic Zone.

"We have received progress and advance payments for the project as per schedule. We are not too concerned with anything going wrong as the contract is with the Qatari government, so we are safe," says the spokesperson.

CIMB Research says the project is Muhibbah's only exposure to Qatar and makes up 10% of its RM2.1 bil outstanding order book.

Eversendai executive chairman and group managing director Tan Sri A K Nathan says the situation is a blessing for the company as it is receiving orders from affected parties.

"We are not affected by what is going on between Qatar and neighbouring countries as our operations are localised," he says.

He says previously, if there was a lack of capacity, equipment could be imported from neighbouring countries. Now, the company can ship it in from India or even Malaysia.

Turnkey contractor Eversendai has targeted RM2 bil in

revenue for this year. About RM150 mil of this is from its Qatar fabrication business.

WCT's Qatar exposure is via a joint venture with Qatar-based Al-Ali Projects Co where it secured a 1.22 bil riyal (RM1.21 bil) real estate construction project from Lusail Real Estate Development Co in March 2015.

CIMB Research says the Lusail development project is the only Qatar-based one for WCT.

"The outstanding RM545 mil value accounts for 11% of the group's RM4.8 billion outstanding order book and is targeted for completion by year-end.

Airport operator, Malaysia Airport Holdings Bhd also has a presence in Qatar via its 49% interest in a joint venture to manage Hamad International Airport in Doha.

In August last year, it won a US\$45 mil (RM192 mil) contract extension to manage the Hamad airport. Qatar's Watad Group holds the 51% stake in the JV.

An analyst believes as MMB is in a partnership with a local company, its interests should not be affected.

The original contract was inked in July 2013, covering facilities maintenance, security services, and other services for the airport and ancillary buildings. The extension is until 2019.

Hamad expects to handle 50 million passengers this year from 30 million, but this could drop, after several airlines cancelled flight routes to and from the

airport, says the analyst.

Despite the neutral sentiments, the impact of the souring relationship between Qatar and its neighbours could have an indirect impact on companies in the oil and gas sector, says a senior executive of one.

"Geopolitical tensions will impact oil prices to some extent, and we will see some impact further down the road as commodity prices reflect this. Even if prices increases, it will be marginal," says the senior executive.

Serba Dinamik has one of the largest exposures in Qatar. Its business there contributes 16% of the group's revenue.

It is involved in operations and maintenance (O&M) work such as providing topside maintenance services, and maintenance, repair and overhaul of pressure testing and crude oil transfer pumps.

Its CEO Datuk Karim Abdullah says the group's operations in Qatar remain active.

"We provide O&M services and are unaffected by the situation. In fact, we are gearing up for opportunities to provide support to gas producers as contractors pulling out of Qatar," he says.

On June 4, oil-rich Qatar found itself shut out by neighbours based on allegations that the Qatari monarchy was too cosy with Iran and supported Islamist terrorism.

The move by the Arab nations to block Qatar followed US President Donald Trump's recent visit to the Middle East. [FocusM](#)