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SERBA DINAMIK HOLDINGS BHD

By Kenanga Research

Outperform

Target price: RM3.80

SERBA Dinamik Holdings Bhd has proposed to issue up to 135 million new shares, representing 10% of its existing share at an issue price to be determined later.

The private placement does not require further approvals given that the general mandate was approved at the previous AGM convened on May 26 last year.

The placement may be implemented in one or more tranches and is expected to be completed by the first quarter.

Kenanga Research is positive on the proposed fund-raising exercise as the bulk of the proceeds would be used for the Pengerang project and the company's contracts in Tanzania.

It said the exercise would improve Serba Dinamik's liquidity and financial position.

The research house has upgraded its earnings forecast on Serba Dinamik's 2018 earnings by 14% on higher order book assumption of RM3bil, from RM2bil previously, based on its tender book of more than RM10bil.

Serba Dinamik's current order book stood at RM5.3bil, of which RM4bil are attributable to operation and maintenance works.

Kenanga has reiterated its outperform call on Serba Dinamik with target price of RM3.80, from RM3.65 post earnings upgrade.

The research outfit said the target price was based on an enlarged share base of 1.485 billion shares, pegged to unchanged FY18 estimates of price to earnings ratio of 15 times.