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CATEGORY : COMPANY
MEASUREMENT : 58.8CM²
TONE : NEUTRAL
REMARKS : NIL

Analyst reports



SERBA DINAMIK HOLDINGS BHD

By RHB Research

Buy

Target Price: RM3.96

SERBA Dinamik has entered into a memorandum of agreement (MoA) to acquire a 40% stake in several subsidiaries held by Maju Holdings Sdn Bhd that have been granted approval to develop hydropower plants with generating capacity totalling 60MW.

The terms are to be finalised within 30 days from the date of the MoA.

The power plants will be located within the

Temenggor and Belum Forest Reserves in Perak.

The purchase consideration is RM24.9mil and the cost to develop the power plants is not factored into it.

RHB Research views the deal as a positive development for Serba Dinamik, as it would bring in a recurring revenue stream for the company.

Additionally, having a 40% stake, Serba Dinamik would benefit from engineering, procurement, construction and commissioning (EPCC) revenue from the construction of the power plants and the operations and maintenance (O&M) revenue upon commencement of operations of the facilities.

RHB Research said the project's execution risk is low as Serba Dinamik has a track record from its current Kota Marudu power plant project in Sabah.

The EPCC work for the said project is targeted to be completed in the first quarter of this year.

The research house said the purchase consideration of RM24.9mil implied RM1mil per MW, which is "significantly" lower than Tenaga Nasional Bhd's solar power project in Kuala Langat, Selangor, which is worth RM339mil (RM6.9mil per MW).

It said the difference was due to the fact that the project development cost had not been factored into the project for Serba Dinamik's proposed deal, adding that it would be a larger value after the company has finalised the power plants' development plan.

RHB has upgraded Serba Dinamik's forecast earnings for financial year 2017-2018 by 12.2% and 20%, respectively, to account for higher EPCC and O&M revenue.

RHB has maintained a "buy" call on Serba Dinamik with higher target price of RM3.96 from RM3.10 previously.