



## MEDIA COVERAGE

<b>MEDIA : The Edge Markets</b>	<b>TITLE : Weak ringgit no cause of concern to rail-hungry Scomi Engineering</b>
<b>COMPANY : Scomi Engineering Bhd</b>	<b>DATE : 8 September 2015</b>

### **Weak ringgit no cause of concern to rail-hungry Scomi Engineering**

KUALA LUMPUR (Sept 7): Scomi Engineering Bhd (SEB) said the weakening ringgit is not a cause for concern to the company as it has faced currency devaluation problems before during the height of the 2008 global financial crisis and learnt much from it.

Hence, SEB (fundamental: 0.15; valuation: 0.9) chief executive officer Kanesan Velupillai characterised the latest rounds of currency devaluations recently as not a “new problem”, especially in light of the company’s future projects, from which they will receive payment in US dollars.

“In terms of our future projects, we are paid in US dollars. So we already have a natural hedge. To us, this (currency devaluation) is not a problem. This is a problem we have faced in 2008, for example during the Indian currency devaluation.

“So, we are quite experienced in handling [such] currency fluctuations,” said Kanesan.

Additionally, SEB has, in recent years, stopped sourcing for the bulk of their materials and components outside the market they service, but to source them locally instead.

“We only have about three to four Malaysians in our India operations. The rest of our staff, 300 to 400 of them, are Indian nationals. Facing currency devaluation (in the past) has made us more aware about how to structure our projects as we go forward,” Kanesan explained.

This policy is reflected in their plans to have 60% local content for the new Bandar Utama-Klang light rail transit line (LRT3) and the Sungai Buloh-Serdang-Putrajaya mass rapid transit (MRT2) — two projects which it is bidding for in partnership with Czech transportation company, Skoda Transportation.

For both projects, the Malaysian government has only mandated for at least 30% local content.

Construction work for the 36km LRT3 is slated to begin in 2016 and is expected to be completed in 2020.

The MRT2, meanwhile, is expected to be up for tender by year-end and the contract awarded by the first or second quarter of 2016, with Phase 1 ready by May 2021 and Phase 2 by July 2022.

Kanesan said he is confident about the Scomi-Skoda partnership despite the current risks of market volatility. The partnership was announced a week ago, under which they intend to participate in the global LRT and MRT projects.

Besides the LRT3, MRT2 and another LRT project in Penang here, the Scomi-Skoda partnership will also be tendering for four other similar projects in India, three in Indonesia and another one in Bangkok.

“It is important to note that we will not be heavily investing in the new projects. It will require the same skillset and the same plant building for the MRT and the LRT. It’s a product extension and enlargement without major investment.

"We have the capacity, the people, the talent and we have done our risk assessments as well. The risk will be the same as running any other project, though the key risk is the forex (foreign exchange). However, with our partner Skoda, I believe we will be able to mitigate and assemble (our parts) locally.

"This gives us a natural hedge against currency (volatility) and this natural hedge is something we can pass on to the project," said Kanesan.