

MTU Services bags navy deal

RM537m contract will see savings as its engines can be serviced here instead of in Europe

PRIVATELY-HELD MTU Services (Malaysia) Sdn Bhd has bagged a RM537 million contract to supply spare parts, services and training to the Royal Malaysian Navy for five years.

MTU Services is controlled by Datuk Seri Mohd Fathil Mahmud.

The company is the locally

incorporated unit and the sole distributor of Germany's MTU GmbH, an engine maker, in Malaysia and Brunei.

In a statement yesterday, MTU Services said that it will service, repair, re-manufacture and replace MTU-made engines and parts used by a majority of

the navy's fleet and train local personnel.

The deal will see cost-savings by eliminating the need to send the engines to Europe for servicing.

MTU Services chairman Tan Sri Subhan Jasmon said the company was also looking at setting up its second service and maintenance

centre in either Sabah or Sarawak to service the increasing number of navy vessels there and to widen its services to Brunei. The first is in Perak.

Yesterday's signing was witnessed by Prime Minister and Defence Minister Datuk Seri Abdullah Ahmad Badawi.

Tougher market conditions expected to hurt Dreamgate Q4

DREAMGATE Corp Bhd, which makes casino slot machines, is expected to post weak fourth quarter numbers because of unfavourable market conditions, Maybank Investment Bank Bhd (MIB) says.

The factors include consolidation of the Cambodian gaming industry and stricter rules for Chinese citizens entering Macau.

Dreamgate's net profit in the nine months ended September 30 2008 fell 28.8 per cent to RM19.9 million from the same period in 2007.

A few months ago, the Cambodian government ordered all slot machines at entertainment clubs and shophouses to be removed within six months and that its citizens be banned from patronising slot machines.

"While Dreamgate may relocate some of its concession machines to 70 per cent-owned Mekong Hotel & Club and 60 per cent-owned Chateau De Bavet, it may incur costly relocation expenses. In essence, we understand that it will relocate some 1,500 of its concession machines to the Philippines and Macau.

"As at September 30 2008, Dreamgate had 4,826, or 76 per cent, of its concession machines installed in Cambodia, a significant risk to earnings," MIB said in a report. Furthermore, slot machine sales to Macau are expected to remain sluggish.

"The imposition of visa controls and easing tourist arrivals due to the global slowdown are forcing Macau casinos to dispose of non-performing slot machines.

"Until 2006, Macau was Dreamgate's largest market for slot machine sales under its sales and marketing segment.

"Slot machine sales to Macau were already declining before the slowdown and we believe that they will likely remain weak.

"There is unlikely to be a large slot machine replacement market in Macau in 2009 and 2010, assuming a five-year life span, as there were only 2,254 to 3,421 slot machines in 2004 and 2005," MIB said.

Although the Manila Bayshore, Marina Bay Sands and Resorts World Sentosa are nearing completion and expected to create a market of at least 6,000 slot machines to be delivered by early next year, MIB remained conservative in its forecasts.

"For now, we trim our assumptions on the average number of installed concession machines and the average revenue per machine.

"We do not discount the possibility of revenue per machine in Cambodia improving after the consolidation exercise, but we choose to err on the side of caution for now. The net impact reduces our 2008/10 earnings forecasts by 8 per cent to 35 per cent.

"Our forecasts conservatively impute installations of 800 concession machines a year. Meanwhile, Dreamgate is also confident of selling 2,500 slot machines this year on demand from the Manila Bayshore integrated resort.

"While this target is achievable if the integrated resort is completed by September as scheduled, we conservatively assume 1,000 units of slot machine sales in 2009 and 2,000 units in 2010 (on demand from the three integrated resorts)."

MIB has placed a "hold" call on Dreamgate stock, with a target price of 14 sen.

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Datuk Abdul Rahim Rahman, Executive chairman Rahim & Co



Interest rate cut may spur homeowners to refinance loans

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THE latest cut in interest rates by banks will encourage more homeowners to refinance their loans, a trend that should become visible in the market in the next three to six months.

Rahim & Co executive chairman Datuk Abdul Rahim Rahman expects the property market in the country to feel the full impact of the global financial crisis in the coming months and to recover in two years.

"Before it starts recovering, we have to face the worst. The property market is usually slower to recover than the economy," he told reporters in Kuala Lumpur yesterday.

Property prices have dropped by between 10 per cent and 15 per cent since late last year as prospective buyers adopt a wait-and-see attitude in committing towards purchases and banks become more cautious in extending loans.

"The situation today is definitely not as bad as during the 1997 Asian financial

Trend should become visible in the Malaysian market in the next three to six months

crisis when it took at least five years for the property market to recover," Abdul Rahim said.

He attributed this to the country's more sound economic situation and the RM7 billion economic stimulus package.

"In some ways, the decline in the property market helps to stabilise rental rates for some developments, such as the luxury condominium units located in the Kuala Lumpur City Centre (KLCC) vicinity."

Abdul Rahim said the average price of luxury condominiums rose as high as RM2,500 per sq ft last year, but has since fallen to between RM1,000 and RM1,500 per sq ft.

"Demand in the KLCC area is not as strong as before. As

a result, sellers are now becoming more flexible and willing to negotiate."

Asked whether KLCC property prices would return to previous levels once demand picked up, Abdul Rahim said it would depend on several factors.

"When the price fetched as high as it did last year, prices of oil and raw material were escalating. But as land area in KLCC is scarce, its property prices won't go down as much."

Savills Rahim & Co managing director Robert Ang pointed out that office space in KLCC were going for some RM8 per sq ft, indicating that the segment remained stable.

However, he expressed some concern over supply and demand for office space in the area come 2011 when another 8 million sq ft to 10 million sq ft of office space is available in the market.

"Although office rental rates are stable right now, the oversupply situation in two years will push rentals down by about 10-15 per cent," he said.

Toyochem owners to raise takeover offer price

THE owners of inkmaker Toyochem Corp Bhd, after failing to secure enough shareholder acceptance for a takeover, have asked for waiver of a rule so that they can raise the offer price.

The group, which includes Toyo Ink Mfg Co Ltd, needs to secure 90 per cent acceptance from shareholders for the deal to go through, but was short of 3.36 per cent as at February 11.

The deadline for the takeover was extended once, which lapsed at market close yesterday.

"The joint offerors intend to revise the offer price upwards from RM2.90 to a price to be agreed and announced later," MIMB Investment Bank Bhd, which acted on behalf of the joint offerors, said in a press release yesterday.

The revised price will be paid to all shareholders who accept the offer once the takeover becomes unconditional, it added.

Trading in Toyochem shares has been suspended since February 11.

The stock last closed at RM2.88.

The investment bank had written to the Securities Commission to ask for its consent to open the offer for another 14 days from the date of posting a written notice of the revised offer price, the press release said.

MIMB is also seeking the SC's approval to waive a rule which prevents takeover terms from being changed once the offer documents are posted for 46 days.

FTSE-Bursa indices available

THE FTSE-Bursa Malaysia (FBM) indices is now available, Bursa Malaysia Bhd said in a statement issued in Kuala Lumpur.

The bourse also confirmed that its information message processing is in order, after the interruption to the dissemination of equities and derivatives market data on Monday.