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PRG Holdings eyes more affordable housing projects to diversify revenue stream

BY ADAM AZIZ

KUALA LUMPUR: PRG Holdings Bhd has teamed up with Syarikat Perumahan Negara Bhd (SPNB) to explore business and/or investment opportunities in housing development projects.

PRG yesterday signed a memorandum of understanding (MoU) with SPNB's wholly-owned subsidiary SPNB Aspirasi Sdn Bhd (SASB) and project management consultant Mimbar Nusantara Holdings Sdn Bhd to collaborate in and jointly venture into housing development projects, focusing on the Klang Valley, Johor and possibly Sabah and Sarawak.

The gross value of the projects identified by SASB is estimated at RM5 billion.

PRG group managing director Datuk Lua Choon Han (*pic*) said under the MoU, PRG will be involved in the construction and development of the proposed projects, while Mimbar Nusantara — which has participated in several affordable housing projects with SPNB — will focus on project coordination and consultation.

"We have done a few feasibility studies on several [of SPNB's] projects and we will conduct due diligence [on them]," he told reporters after the MoU signing yesterday.

"We have reached a consensus on the big picture; now, it is just an issue of timing [before a more detailed announcement]."

The collaboration with SPNB, said Lua, is in line with PRG's strategy to venture into more affordable housing projects and provide a good opportunity to diversify the group's revenue stream. The manufacturing company began diversifying into construction and property development in 2014 by building apartments such as Picasso Residences, which cater to the luxury segment.

SHAHRIN YAHYA

"Today, we are getting closer to making it (the venture into affordable housing) happen. We are looking at a gross development value (GDV) of RM5 billion in total, which we need a little bit of time to digest. Going forward, affordable housing development is our main focus," said Lua.

For the financial year ended Dec 31, 2016 (FY16), PRG's net profit fell 29.9% to RM4.26 million from RM6.08 million in FY15. Revenue rose by a marginal 2.1% to RM132.06 million from RM129.32 million in the first quarter of 2016 (1QFY16).

For 1QFY17, net profit dropped 43.3% year-on-year to RM891,000 from RM1.57 million. Its manufacturing business was the sole contributor to its net profit in the quarter under review, while the property arm made losses of RM969,000.

Lua said PRG does not expect strong financial results in 2QFY17, and it only sees a rebound in the second half of 2017 where 50% of its net profit is expected to come from the property and construction business.

"At that time, we will see better results on the back of the property and construction business," said Lua, adding that the uptick will be mainly contributed by sales of Picasso Residences.

The group is also involved in a joint venture of a 650-unit apartment in Subang Bestari Seksyen U5, Selangor. "It is now going through the approval phases. Hopefully by late this year, if not early next year, we will start to launch that project," said Lua.