

Total Forms Joint Venture With Eye on Saudi Arabia

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Private construction company PT Total Bangun Persada said on Monday it plans to form a joint venture with a Saudi Arabian company with the intention of targeting projects in that country.

Total said it had agreed to pay Rp 1.3 billion (\$137,800) for a 10 percent stake in a joint venture to be named Saudi Mosa Total. Mosa Abdulaziz Almosa Establishment for Construction (Almosa) will own 83 percent, while PT Kanz Sapta Niaga will hold the remaining 7 percent.

"We think there are many prospective projects in Saudi Arabia and we will go where there are potential profits, although we will do it cautiously," said Arif Suhartojo, a director at Total.

The joint venture firm will be officially established by the end of the year. Arif said it expects to begin entering bids for projects in Saudi Arabia next year.

"In light of problems suffered by another Indonesian construction company in the region, we're

entering the market cautiously," he said.

State-owned construction company PT Adhi Karya has been embroiled in a multi-million dollar dispute with Dubai-based Al Habtoor Engineering over payment for a hotel project in Doha initially worth about \$70 million.

One analyst said working via a joint venture with a privately owned counterpart might help Total avoid such disputes.

To boost profit growth, Total will be selective about the projects it takes on, Arif said.

"We'll take projects that promise higher margins — around 9 percent — rather than lower-margin projects, unless it's to grab a new customer," he said.

As of last month, Total had secured Rp 1.4 trillion in contracts this year, 82 percent of its full-year target of Rp 1.7 trillion. Currently, it's bidding for projects worth Rp 3.5 trillion.

In the first nine months of the year, Total posted a net profit of Rp 38 billion, up 68 percent from a year earlier. Sales totaled Rp 1.34 trillion, down 6.5 percent.