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MISC expected to secure more overseas contracts

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MALAYSIA International Shipping Corp Bhd (MISC) is expected to secure more foreign deals this year to reduce its dependency on liquefied natural gas (LNG) transportation contracts from parent company Petroliam Nasional Bhd (Petronas).

Sectoral analysts said MISC's aggressive marketing efforts at international level, commendable track record and ability to offer competitive rates through the use of refurbished vessels will be key factors to assist the company in securing new contracts abroad.

The third-party contracts are likely to include LNG transportation as well as shipment of petrochemicals which may come from Europe and West Asia, among others, they said.

"MISC is now becoming more aggressive overseas... it really helps that the company already has the platform to do this via Petronas' vast international network," said an analyst from a local brokerage.

On Sunday, MISC moved a step further in its global expansion plan when it signed a 50-50 deal with Saudi Arabia's Bakri Navigation Co Ltd (BNC) to set up a joint venture company.

The joint venture company will be involved in the ownership, management, marketing and operation of maritime transportation and shipping related businesses, MISC had said in a statement.

"It will enable MISC to seek opportunities to secure long-term shipping contracts with major oil, gas and petrochemical producers and traders in the region," the company said.

The joint venture will also see the setting up of MISC's regional office in Bahrain to spearhead further expansions in the energy-related transportation sector. The regional office will be located at Petronas' newly-opened office in Bahrain.

"MISC's move into the West Asia is part of its on-going efforts to expand its business worldwide in line with its vision to become the preferred provider of world-class maritime transportation and integrated logistics services," the company said.

For a start, the joint venture firm will construct, own and operate chemical carriers to service a leading West Asian petrochemical producer on a long-term charter. The vessels, currently under construction in South Korea, are expected to be in service next year.

MISC did not mention the value of the deal.

"The joint venture company is currently pursuing business opportunities for more chemical carriers," MISC said.

An analyst from a local brokerage said the West Asian chemical shipment contract is likely to cause a minimal impact to the group's future earnings since the segment only contribute about 10 to 20 per cent to the group's profit currently. In comparison, LNG transportation contribute about 60 per cent to MISC's pre-tax profit.

However, another analyst pointed out that the shipment rate for chemicals is much higher than that for containers and this will provide greater margins for MISC. "In terms of return, the profitability is much better for chemical shipment," he said.

The agreement between MISC and BNC was signed in the Bahrain capital, Manama, during a visit by a Petronas team accompanying visiting Prime Minister Datuk Seri Dr Mahathir Mohamad.

It was one of two documents signed in the presence of the prime

minister. The second was a memorandum of cooperation between Malaysia Shipyard and Engineering Sdn Bhd (MSE), an associate company of MISC, and Bakri International Energy Co.

"The memorandum will serve as a platform for the two parties to explore synergistic business opportunities in shipyard activities and oil and gas heavy engineering business in the West Asia and the Far East," MISC said.

The Bakri group of companies is a privately-owned Saudi-based group with principal activities including supply, shipping, ship repair and port operations. Apart from Saudi Arabia, the group's activities are spread over Egypt, Sudan, Jordan, Kuwait, United Arab Emirates, Pakistan, India and China, among others.

The West Asian agreements supercede MISC's recent success in securing a 3+1 year contract with foreign utility firm Gaz de France for the time charter of its refurbished LNG tanker Tenaga Satu.

The deal marks a major milestone in the company's history as this is the first time MISC has secured an LNG transportation contract outside of Petronas group.

MISC said the contract augurs well for its plan to move into and cater for the European and Atlantic LNG transportation business, and the company will set up an LNG office in Europe for this purpose.

Earlier this month, it was reported that MISC was interested to carry out a due diligence on the proposed sales of a stake in Shipping Corp of India Ltd and was then waiting for the invitation to embark on the exercise.

MISC is the world's largest owner-operator of LNG tankers, owning 13 vessels and having ordered another six. The 13 tankers, which account for 10 per cent of the world's capacity, are currently operating between Bintulu and Japan, South Korea and Taiwan.

Tenaga Satu is one of five LNG ships built in 1979 in France by MISC to perform contracts for MLNG Sdn Bhd to carry LNG from Bintulu to utility companies in Japan under a 20-year agreement.

Currently, MISC was said to be seeking for new shipment contracts using its other refurbished tankers including Tenaga Dua and Tenaga Tiga.

"By using second-hand ships instead of new ones, MISC will be able to bid for contracts at a lower price, thus increasing its attractiveness in the international shipping arena," an analyst said.

Yesterday, MISC shares closed 5 sen higher at RM7.25 with 122 lots traded.

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