

20/04/2004

Scomi acquisition seen enhancing group earnings

By SADNA SAIFUDDIN

SCOMI Group Bhd's acquisition of marine vessels is expected to enhance the group's net earnings by 3.3 per cent in the financial year ending 2005, a research report by TA Securities Bhd said.

Scomi's subsidiary, Wira Kukuh Sdn Bhd, recently entered into an agreement with Singapore-based Britoil Offshore Service Pte Ltd to buy two ships for RM27.3 million cash to diversify operations.

Wira Kukuh, a 60:40 per cent joint-venture company between Scomi and Crest Petroleum Bhd, was set up to provide marine vessel transportation services.

Scomi forecasts its marine transportation to contribute 10 per cent of total revenue in future.

There is a trend among local oil and gas players to diversify into marine transportation services following Petroliam Nasional Bhd's (Petronas) emphasis to localise these services, the research house said.

Former Prime Minister Tun Dr Mahathir Mohamad, when tabling Budget 2004 on September 12 last year, said a new consortium would be formed to drill for oil in remote areas - a task currently undertaken only by state-owned Petronas.

TA Securities expects Scomi to benefit from the high chartering rate and the prospect of an increase in demand after the new oil discovery and upstream development.

Each vessel is estimated to generate a turnover of between RM4 million and RM10 million a year.

"We reiterate our fair value for Scomi of RM13.30, which gives an upside potential of 11.7 per cent," the research house said.

The acquisition of the vessels is expected to be completed by the end of next month.

Last month, Scomi said it was selling its transport-related business to Prestar Resources Bhd for RM42.5 million, which would enable it to divest its non-core businesses and to focus on oil and gas.

For the financial year ended December 31 2003, Scomi made a net profit of RM14 million on the back of a revenue of RM162.4 million.

Scomi is principally an investment holding company with its subsidiary and associate companies segregated into three distinct business divisions: oil and gas, transportation engineering and fleet management.

Its share price dropped 30 sen to close at RM11.60 yesterday.

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