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Deleum Q3 profit soars

But company is cautious about prospects amid low oil prices

KUALA LUMPUR: Deleum Bhd's net profit jumped 17.2% to RM16.8mil in the third quarter ended Sept 30 from RM14.3mil, but the company said it is "cautious" about its prospects amid plunging oil prices in the international market.

Brent crude oil futures, the benchmark price for products in Europe and Asia, have slumped 32% from a recent peak in June, on account of higher production and softer demand.

Japan, the world's third-largest consumer of oil, fell into a recession yesterday, heightening concerns that demand would continue to falter. At US\$78.54 per barrel yesterday, Brent crude oil is trading at its lowest since September 2010. The slump in oil prices is already taking a toll on sentiment towards the oil and gas (O&G) industry.

Group managing director Nan Yusri Nan Rahimy said the downward pressure on the oil price is expected to continue.

"This trend is having an effect on the level of activities of the O&G producers and contractors in Malaysia," Nan Yusri said in a statement yesterday.

"Nevertheless, we do not expect these developments to materially affect the level of activities of our group for the financial year ending Dec 31, 2014, but we continue to remain cautious," he added.

Shares in Deleum tumbled 35% from a recent peak of RM2.59 to RM1.69 yesterday. The stock, however, remains in positive territory for the year, at 2% higher from where it was in early January.

Deleum is a provider of a diverse range of supporting specialised products and services to the O&G industry.

The company said its revenue jumped 73%



Deleum's revenue from its power and machinery segment rose 76.7%.

to RM188.3mil in the third quarter against RM108.8mil a year ago boosted by improvements in all three divisions, namely power and machinery, oilfield services, and maintenance, repair and overhaul (MRO).

During the quarter, revenue from its power and machinery segment rose 76.7% to RM148.5mil, while oilfield services' revenue increased 78.8% to RM33.8mil.

Revenue from MRO rose marginally to RM5.9mil in the said quarter.

Meanwhile, for the nine months to Sept 30, Deleum's net profit stood at RM42.5mil, up 21.5% from the RM34.9mil achieved in the same period last year. Its revenue rose to RM453.8mil against RM307.7mil last year.

Earnings per share for the period stood at 10.63 sen compared with 8.75 sen previously.

But the cheapest crude oil prices in four

years are already attracting bets from fund managers that prices may rebound soon.

According to a Bloomberg report, speculators have become more bullish on US crude oil futures for the first time in three weeks, judging that a slump in prices will force the Organisation of the Petroleum Exporting Countries to act.

The net-long position in the New York contract rose 8.7% in the week ended Nov 11. US Commodity Futures Trading Commission data showed. Long holdings rebounded from the lowest level in 17 months while short bets contracted.

Hedge funds and other money managers raised bullish bets on Brent for a third week, increasing by 9,783 contracts in the week ended Nov 11, the exchange said in its weekly *Commitments of Traders* report.