



DELEUM

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Deleum leverages on maintenance and opportunities in EOR for growth

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Deleum is leveraging on the supply and maintenance of gas turbines as well as the opportunities for EOR to sustain its earnings. — Reuters photo

KUCHING: Deleum Bhd (Deleum) is leveraging on the supply and maintenance of gas turbines as well as the opportunities for enhanced oil recovery (EOR) to sustain its earnings.

The research arm of TA Securities Holdings Bhd (TA Research) in a report yesterday said the oil and gas (O&G) services company could potentially benefit from more gas turbines maintenance services contracts in the near future.

It believed that Petroliam Nasional Bhd (Petronas) would not compromise on health, safety and environmental standards and will continue to dish out contracts for maintenance services despite announcing an operating expenditure cut of 30 per cent.

The research firm also believes that Petronas will at least sustain or enhancing the production of existing brownfields to reverse the slowing production rates.

Meanwhile, TA Research observed that Deleum currently has an outstanding orderbook of RM3.6 billion, comprising long term contracts with tenures stretching until 2023.

It noted that the group's outstanding orderbook amount is equivalent to more than five years of the company's historical sales.

Following a conversation with the company, TA Research said the company is confident of maintaining a strong orderbook for next year.

At present, TA Research said Deleum has a tenderbook of RM500 million to RM600 million consisting of long term contracts that could potentially be awarded this year.

Additionally, TA Research said Deleum's brownfield exposure is expanding through the set up of a new business known as Asset Integrated Solutions (AIS) under its oilfield services division in the third quarter of 2014 (3Q14).

It noted that AIS provides EOR solutions to rejuvenate production at brownfields.

TA Research believed that there are abundant EOR opportunities for Deleum as Petronas has identified EOR as one of the three core emphasis areas.

Furthermore, the research firm noted that the oil major's cutback in greenfield investments will provide more resources towards brownfield production.

As for Deleum's maintenance, repair and overhaul (MRO) division, TA Research said the company is targeting a turnaround in financial year 2015 (FY15) or FY16 supported by higher demand.