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3-pronged growth for Deleum

Power & machinery, oilfield services and MRO to drive company forward

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DELEUM Bhd is ready to move forward with its next phase of growth after a period of consolidation.

Group managing director Nan Yusri Nan Rahimy explains that the group, which has implemented a series of corporate exercises, is now ready to move forward.

"We took one step backward (in a consolidation exercise) and three to four steps forward. In 2012-2013, we were in a consolidation mode. We have also mobilised some contracts and we are now in the growth mode," he tells *StarBizWeek* in an interview.

Nan Yusri says its growth driver comes from three fronts.

The group currently has three core business segments - power and machinery, oilfield services and maintenance, repair and overhaul (MRO).

It provides a diverse range of specialised supporting products and services for the oil and gas industry. Basically, its business is divided into surface and sub-sea. Deleum also has offices and facility bases around the country.

Currently, the bulk of its revenue comes from its power and machinery division, which contributes 70.5% to sales while oilfield contributes 22.3%. The balance is from its MRO business.

Nan Yusri says its oilfield operations business, which now accounts for 22.3% of the group's revenue in the second quarter ended June 30 compared with 17.8% a year ago, is growing fast and has a lot of potential. "Oilfield



Nan Yusri: Deleum has the technical capabilities to operate slicklines.

Petronas will probably like to see more competition from other slickline operators.

Unfazed, Nan Yusri says Deleum has the technical capabilities to operate slicklines.

Deleum recently secured contracts from several parties including Petronas Carigali Sdn Bhd to provide slickline equipment.

"We started with 21 units and the numbers grew. Last year we bid for a renewal of our contract and not only we got to maintain the

ment) and that provides a market for us," he says. Deleum also has an integrated chemical solutions research unit in the oilfield segment and has developed several products. It has to commercialise these chemical solutions for local and overseas markets.

Nan Yusri says it would continue to explore new solutions for the industry and penetrate and expand the scope of applications in production enhancement for the industry.

would last the company through 2023.

Nan Yusri says there are opportunities in the country, especially in oil and gas exploration and production activities.

Deleum has worked on getting recognition to boost its chances of winning contracts. In January 2012, Deleum obtained its OPITO-Competence Management System Certification certificate (OPITO-CMS). It is the first wireline company in Asia to receive such

in Indonesia, Brunei, Bangladesh, the Philippines, Myanmar and Cambodia.

Without disclosing details, Nan Yusri says any potential acquisition would have to complement the core business of Deleum.

Deleum's strong net cash position would easily enable its growth through acquisitions. As at the end of its financial year ended Dec 31, 2013 (FY13), the company had net cash of about RM44mil. Asked if shareholders would stand to get higher dividends, Nan Yusri maintains that Deleum is committed to keeping its dividend policy of around 50% of its profits and that it has been paying consistent dividends.

Dividend plays

The company is one of the dividend plays among the oil and gas counters. For FY13, it declared a total payout of 17 sen per share. In FY12, it paid out 15 sen per share amounting to RM25.5mil.

"Hopefully it will hit another record. The board is committed to ensure we carry out our dividend policy," Nan Yusri says.

Year-to-date, Deleum shares have gained some 40% to RM2.31. In the first quarter, Nan Yusri explains that it is usually a quiet quarter. "It starts picking up in the second quarter and there will be lots of activities in the third and fourth quarter."

While the company may be conservative, as Nan Yusri says it does not want to grow too fast, its financial performance says otherwise. The company has been chalking up healthy growth year-on-year.

OFFSHORE AND SUB-SOIL. DELEUM ALSO has offices and facility bases around the country.

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Nan Yusri says its oilfield operations business, which now accounts for 22.3% of the group's revenue in the second quarter ended June 30 compared with 17.8% a year ago, is growing fast and has a lot of potential. "Oilfield will be where most of our growth will come from," he says, adding that it has not fully mobilised its 50 slickline units yet.

Once they are fully deployed, the group's earnings could be further enhanced. According to wikipedia, slickline is a single strand wire which is used to run tools into well-bore for several purposes.

"There's certainly opportunity to grow the total number of slicklines. At present, there are 80 to 100 slickline in Malaysia with half of them operated by Deleum," Nan Yusri notes.

Nevertheless, he believes that

Petronas will probably like to see more competition from other slickline operators.

Unfazed, Nan Yusri says Deleum has the technical capabilities to operate slicklines.

Deleum recently secured contracts from several parties including Petronas Carigali Sdn Bhd to provide slickline equipment.

"We started with 21 units and the numbers grew. Last year we bid for a renewal of our contract and not only we got to maintain the contract, we also increased it.

"I can't say what the revenue contribution would be from our slickline business but we have doubled the number of slicklines. Certainly, contribution from that business in 2015 will be significant," he beams.

Deleum is also making good progress with its asset integrated solutions (AIS) business under its oilfield service segment.

Nan Yusri says the AIS business is an exciting solution by company and its value is not in quantity.

"AIS has a niche area to serve. The big boys do not play (in this seg-

ment) and that provides a market for us," he says. Deleum also has an integrated chemical solutions research unit in the oilfield segment and has developed several products. It has to commercialise these chemical solutions for local and overseas markets.

Nan Yusri says it would continue to explore new solutions for the industry and penetrate and expand the scope of applications in production enhancement for the industry.

MRO business

Commenting on its MRO business, Nan Yusri says it is a challenge but it sees the intangible benefits of the business. "We have faith and are still confident it will take off."

For its second quarter ended June 30 results, the MRO division posted a loss of RM634,000 largely due to lower margin contribution in line with projects deferment and higher operating expenses.

The oil and gas equipment provider currently has an impressive orderbook worth RM4.04bil that

would last the company through 2023.

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Deleum has worked on getting recognition to boost its chances of winning contracts. In January 2012, Deleum obtained its OPITO-Competence Management System Certification certificate (OPITO-CMS). It is the first wireline company in Asia to receive such recognition and certification. The CMS is a set of standards defining the competencies which apply to particular job roles.

Deleum has a training well facility following its attainment of OPITO-CMS. The facility serves as a training platform providing simulated work environment.

Nan Yusri says the facility will also be made available for external parties.

Deleum is on the lookout for merger and acquisition (M&A) opportunities and is also looking to expand its presence regionally. The group has so far secured projects

to ensure we carry out our dividend policy," Nan Yusri says.

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While the company may be conservative, as Nan Yusri says it does not want to grow too fast, its financial performance says otherwise. The company has been chalking up healthy growth year-on-year.

"We have been registering very healthy growth in the past few years," Nan Yusri says, adding that its cash position is also at a very healthy position.

In the second quarter ended June 30, Deleum's net profit rose to RM13.9mil from RM13.8mil a year ago. Its revenue for the period surged 45% to RM163.4mil against RM112.4mil.

For the first six months, Deleum posted a net profit of RM25.7mil on RM265.5mil.

"Sustainability shouldn't be a challenge. Our challenge is to grow the business," Nan Yusri says.