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Deleum aims to maintain earnings

KUALA LUMPUR: Oil and gas services provider Deleum Bhd aims to focus on maintaining, rather than growing, its earnings this year as the sector defers projects on falling crude oil prices.

Group managing director Chandran Aloysius Rajadurai said as crude prices had now sustained at the US\$40 to US\$50 per barrel mark; that should give the company a focus on how to move forward.

"So everything being equal, yes we look forward to at least maintaining earnings this year," he said after the company AGM yesterday.

The company's revenue fell 36%, or RM241.6mil, in the financial year ended Dec 31 (FY08) due to the deferment of several projects to 2009, but it had managed to maintain profits largely due to support from its higher margin services business.

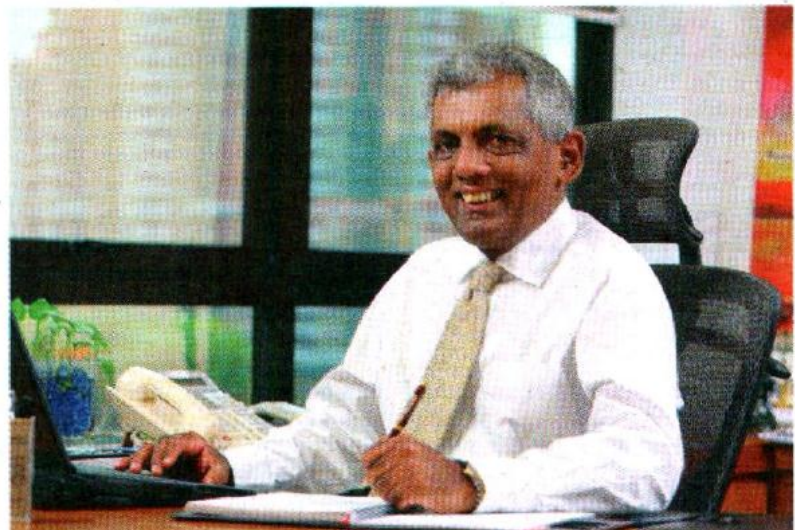
Services contracts contributed 55% of total revenue of RM423.8mil in FY08, while project contracts contributed the remaining 45%.

Generally, services contracts could fetch a margin of more than 10% compared with the margins on projects of 1% to 5%, but this could vary considerably on a case by case basis, Chandran said.

"This year we see the services sector contributing about 52% and the projects side contributing about 48% of our revenue," he added.

The sudden fall in crude oil prices, from a high of US\$145 per barrel in July last year to a low of about US\$33 per barrel, had also affected the tendering process.

"The oil price has come down very



Chandran Aloysius Rajadurai ... The oil price has come down very fast and people are reacting to it

fast and people are reacting to it. Personally, yes, we have seen deferment in some projects but they are not gone (cancelled)," Chandran said.

The crude oil price was hovering at US\$48.84 a barrel at press time yesterday.

Currently, Deleum is tendering for RM300mil to RM400mil worth of contracts. Deleum's revenue is almost all derived locally but Chandran does not dismiss expansion overseas, especially if its major client Petrolim Nasional Bhd was there.

Although the company is currently on the lookout for mergers and acquisitions, including regionally in Indonesia, Brunei and Vietnam, it is not in a hurry.

"In the current climate with financ-

ing being tighter and the deferment of projects in the sector, I think we can take our time.

"We are always on the lookout if a company is the right fit," Chandran said, adding that on a regional basis, a joint-venture project would be preferred.

On Aug 1, 2008, Deleum acquired 51% interest in provider of highly-engineered infrastructure products Penaga Dresser Sdn Bhd through 80%-owned subsidiary Delcom Holdings Sdn Bhd.

Including the six sen final dividend approved by shareholders yesterday, Deleum's net dividend for FY08 is 11 sen per share, consistent with net dividend of 11.05 sen per share paid in FY07.