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Surprise omission of Scomi Energy

Firm not mentioned in TNB's RM2.3bil coal-freight jobs

By CECILIA KOK
cecilia_kok@thestar.com.my

PETALING JAYA: That Scomi Energy Services Bhd has been conspicuously left out of the RM2.3bil coal-freight jobs offered by Tenaga Nasional Bhd (TNB) has caught some market observers by surprise.

This is because the oilfield and marine services provider, which is a subsidiary of Scomi Group Bhd, has always had a longstanding business relationship with TNB – specifically with the latter's wholly owned subsidiary TNB Fuel Services Sdn Bhd (TNBF) which is the principal awarder of contracts of affreightment (COA) for coal in Malaysia.

In fact, Scomi Energy has been on TNBF's vendor list since 2005.

"Being left out of such massive jobs is a big deal... more so for Scomi Energy, which all along is known to have a close working relationship with TNBF, and had in the past three years won two COA contracts from the group," said a fund manager, who is attached to a local investment firm.

"So, it is very noticeable to the investing community when Scomi Energy did not get anything this time around," he told *StarBiz*.

TNBF is the nominated coal and fuel supplier to TNB and local independent power producers that have power purchase agreements with the national utility company.

Last week, it signed five long-term COA with four local companies, namely, Malaysian Bulk Carriers Bhd (Maybulk), PNSL Bhd, Prima Shipping Sdn Bhd and Duta Marine Sdn Bhd, for the shipment of coal from Indonesia.

The contracts came with a combined value of US$537mil or RM2.3bil, and they were awarded according to vessel type – a 10-year term for second-hand vessels and a 15-year term for a newbuilding vessel.

Maybulk was the only company that took home a 15-year-term contract, and its win was valued at US$143.1mil for the shipment of 1.5 million tonnes per annum (mtpa) of coal.

But the biggest winner was PNSL, which is a wholly owned subsidiary of Konsortium Logistik Bhd, which in turn, is an indirect wholly owned subsidiary of DRB-Hicom Bhd. The group won two 10-year contracts, worth a combined US$194.4mil, for the shipment of a total of three mtpa of coal.

Meanwhile, Prima Shipping, which is a wholly owned subsidiary of Halim Mazmin Bhd – a company taken private in 2009 by its founder Tan Sri Halim Mohammad – was given a 10-year deal worth US$99mil for the shipment of 1.5 mtpa of coal. Duta Marine also secured a 10-year contract for the shipment of 1.5 mtpa of coal, with its win valued at US$100.5mil.

"It did surprise us that Scomi Energy has failed to secure anything in this round of COA award," an analyst pointed out.

"Winning something would have given the much-needed boost to the company, which still has many vessels lying idle," he said, adding that Scomi Energy needs to win more big jobs to revive its under-performing marine business.

In an analysts' briefing last month, Scomi Energy conceded that the lack of jobs in the market has rendered many of its vessels idle.

While it is unclear to many as to why Scomi Energy did not win anything from the recent COA award by TNBF, some analysts speculate the likely reason to be the company's failure to meet certain specifications as required by the national utility company.

"We understand that the company has submitted bids for several projects for its marine business... but so far, there is not much encouraging news coming from that segment," an analyst noted.

In rationalising the award of the jobs over the week, TNBF said the long-term COA was planned for shipments of coal from Indonesia because almost 60% of the coal procured by TNBF were from the country before being sent to the three main discharge ports, namely, Lekir Bulk Terminal in Manjung, Perak; Jimah Power Plant in Negri Sembilan and Tanjung Bin Power Plant in Johor.

TNB said in a statement that the award of the long-term COA was in line to meet its coal requirements, which is expected to increase to 40 mtpa from 27 mtpa.

"As the long-term COA commences, the total allocated 7.5 mtpa is actually less than 30% of the total shipping services required by TNBF in 2016, that is, 27 mtpa.

"By 2019, when the coal requirement is anticipated to be around 40 mtpa, the long-term COA will contribute to about 18.75% of the total shipping services," TNB said.

Scomi Energy had in the past won two COA from TNBF.

The first, worth RM159mil, was secured in July 2013. The two-year deal, commencing on Sept 1 that year, came with an option to extend for another year. The job was to transport three mtpa of coal to and from various locations.

Scomi Energy bagged a second COA from TNBF last January. That deal, worth RM175mil for a three-year duration with effect from May 1, 2015, was to transport 1.2 mtpa of coal.

Besides the COA from TNBF last year, Scomi Energy in August announced its marine division had also managed to bag RM140mil worth of contracts for the transportation of coal and provision of offshore support vessel services to its other clients in Indonesia, Thailand and Malaysia.

Scomi Energy's order book is valued at US$1.1bil, while its tender book is estimated at US$833.8mil, focusing mainly on oil and gas projects in the Middle East.

For the nine months ended Dec 31, 2015, Scomi Energy saw its net profit fall 44% to RM34.5mil, or 1.47 sen per share, from RM61.6mil, or 2.63 sen per share, in the corresponding period in the preceding year. The group attributed its lower earnings to a drop in its revenue, as a result of lower activity level in both drilling and marine services; and allowance for inventories and doubtful debts.

During the period in review, Scomi Energy's revenue fell 19% to RM952.7mil from RM1.12bil in the previous corresponding period.

At the close of 23.5 sen on Friday, Scomi Energy's shares had lost about 6% year-to-date.