

Headline	Serba Dinamik will not stray from core business		
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Serba Dinamik will not stray from core business



by Lim Cian Yai

- **Company's** foray into technology and property development has puzzled investors
- **It** won a healthcare-related project last November, which is expected to provide revenue of RM100 mil over the next five years
- **Company** is also developing a mixed residential and commercial complex in Pengerang, Johor with a GDV of RM1.4 bil

Serba Dinamik Holdings Bhd

TRADING/SERVICES

KEY BOARD MEMBERS AND MANAGEMENT

Datuk Mohamed Nor Abu Bakar (chairman)
Datuk Mohd Abdul Karim Abdullah (Group MD, Group CEO & ED)
Datuk Awang Daud Awang Putera (Deputy Group MD & ED)

MAJOR SHAREHOLDERS

Datuk Mohd Abdul Karim Abdullah

22.89%

Abdul Kader Sahib

18.88%

Datuk Awang Daud Awang Putera

11.71%

Kumpulan Wang Persaraan (Diperbadankan)

7.7%

Employees Provident Fund

5.23%

MARKET CAP (Feb 13)

RM5.14b

Share price on Feb 13

RM3.50

52-week high (Jan 26, 2018)

RM3.66

52-week low (Feb 13, 2017)

RM1.52

FINANCIAL RESULTS

Revenue (9M ended Sept 30, 2017)

RM1.91b

Net profit (9M ended Sept 30, 2017)

RM229.51m

ANALYST CALL

Buy (5), Outperform (2), TP: RM3.60 - RM4.20

One-year price chart



SERBA Dinamik Holding Bhd's entry into the property development and technology sector is causing some investors to wonder if it is venturing too far from its core business focus. However, the company has moved to allay fears, saying it will remain focused on its core oil and gas services.

"Whatever exercise we go into, we will always stick to our core capabilities. In fact, we have mentioned it in (our) prospectus that the three components (of our business) are operations and maintenance (O&M); engineering, procurement, construction and commissioning (EPCC); and other products and services (which consists of IT services, education and training), and that they will continue to be our focus," Serba Dinamik's group managing director and group CEO Datuk Mohd Abdul Karim Abdullah tells *FocusM*.

Since its listing on the Main Market on Feb 8, 2017, shareholders of Serba Dinamik have made significant gains from their investment in the company. Its share price rose from the IPO price of RM1.50 to RM3.52 on Feb 5 this year, marking a market capitalisation of RM5.17 bil. Not bad for a newly-listed oil and gas services company at a time when the general market sentiments have largely been pessimistic.

Abdul Karim says that venturing into the technology and property development sectors should not be seen as departing from its business focus. He adds that oilfield and infrastructure asset owners like Petrolim Nasional Bhd (Petronas), Exxon-Mobil, Shell and Tenaga Nasional Bhd are constantly looking at ways to run their operations efficiently and reduce plant downtime.

Hence, developing Serba Dinamik's IT capability is crucial to ensure the sustainability of the company, especially with the emergence of industrial revolution 4.0. Industry 4.0 is the management and running of company operations using the confluence of cyber-physical systems, Internet of Things and cloud computing to improve productivity.

The company's in-house IT arm - Serba Dinamik IT Solutions Sdn Bhd (SDIT) - is capable of serving the needs of asset owners and developing specialised software to better execute and manage Serba Dinamik's day-to-day O&M and EPCC activities.

"Customers would not want someone who can just perform repair work. They want entities that can also help them to improve the condition of plant and equipment," Abdul Karim points out.

"It is true that we might be losing revenue if less maintenance work is carried out. But if we do not move up the value chain, we will not be relevant in the years to come," he explains. To meet the rising demands from its customers, Serba Dinamik says it has no choice but to strengthen its own IT capabilities.

"If we do not move up the value chain, we will not be relevant in the years to come."
- Abdul Karim

For any factory and plant to run efficiently, it requires pre-planning and early detection. To do that, it requires extensive data collection, study and analysis. The company is benchmarking itself against conglomerates like General Electric and Siemens AG. Ultimately it wants to be one of the top 10 preferred multinational corporations within five years in the area of O&M and EPCC.

Branching out into healthcare technology

Beyond oil and gas services, Abdul Karim wants to groom the technology business into a standalone and self-sustaining division. This requires the monetisation of its in-house capability to serve public needs and bring in additional revenue for the company.

Last November, Serba Dinamik clinched a deal with Malaysian Islamic Doctors



Abdul Karim says venturing into the technology and property sectors does not mean the company is departing from its core business

Organisation (Perdim) to launch an app-based online management system for clinics dubbed as Malaysia Third Party Administrator (MyTPA). MyTPA is expected to generate RM100 mil in revenue over a three-to-five-year period.

Although the earnings from its IT division are still minimal compared with the O&M and EPCC, Abdul Karim is optimistic and wants to develop the business potential further.

MyTPA regulates payment claims made by panel clinics, as well as provides an online depository of integrated records. Serba Dinamik functions as an intermediary, establishing tripartite agreements with the panel clinic and companies who use the clinic as its panel.

Under the agreement, participating clinics are assured that they will be paid within 30 days, while companies who default on payments will be subject to penalties. As a result, clinics get fast payments for the treatment and services rendered, without having to wait for the usual slow claims process.

Diversifying into real estate

Serba Dinamik's move into the property segment is another surprise for investors. Last August, it announced a mixed commercial and residential project with a combined gross development value (GDV) of RM1.4 bil in Pengerang, Johor, to be undertaken in three phases over a five-year period.

The development encompasses Pengerang Eco-Industrial Park (PeIP), Pengerang International Commercial Centre (PICC) and Pengerang Northshore Residence (PNR). PeIP will consist of Malaysia's first Global Centre of Excellence (GCE) and a plant turnaround village to carry out the maintenance, repair and overhaul (MRO) and inspection, repair and maintenance (IRM) works for oil and gas companies located in the Refinery and Petrochemical Integrated Development project (Rapid), Pengerang.

"The GCE will be a service

centre where investors place their hardware, latest technology equipment to carry out MRO. Currently, when equipment breaks down, asset owners send them to Singapore or UK for repair works. We would like to see these machines being sent over to GCE instead," says Abdul Karim.

On the real estate development project, he points out that commercial and residential development is necessary to complement the housing and lifestyle needs of the workforce in PeIP. To this end, Serba Dinamik is exploring potential tie-ups with local and foreign developers to jointly develop the commercial and residential projects, he says.

With the rising number of projects, the company is hoping to achieve a 10-20% year-on-year growth in revenue and profit in FY18.

For the nine months ended Sept 30, 2017, revenue surged 188% to RM1.91 bil, from RM661.46 mil in the previous corresponding period. In the same period, the company's net profit increased almost four times to RM229.51 mil, as compared with RM58.6 mil earlier.

The strong topline performance was supported by higher contributions from both O&M and EPCC segments. The Middle East region continues to be the highest contributor by revenue, contributing 60.93% of overall revenue for the period with growth seen across all the six Middle Eastern countries it has a presence in.

Despite venturing into technology and property development, the company wants to show that it is still acting to ensure its core business stays active. On Feb 5, Serba Dinamik had proposed to acquire 40% stake in three renewable energy companies owned by Maju Holdings Sdn Bhd for a sum of RM24.85 mil.

The three companies are Maju Renewable Energy Sdn Bhd, Maju RE (Talang) Sdn Bhd and Maju RE (Temenggor) Sdn Bhd, which Serba Dinamik says will provide new opportunities to win EPCC power plant projects. **FocusM**