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IGB Corp confirms getting offer for Renaissance KL

Maybulk optimises capital structure in rough waters

BY BILLY TOH

KUALA LUMPUR: The current year will remain challenging for Malaysian Bulk Carriers Bhd (Maybulk). However, the group sees a ray of hope that higher scrapping rates, reduced order books and more lay-up would eventually ease the overcapacity situation, which has depressed chartered rates for years.

Maybulk announced a net loss of RM24.1 million for the first quarter ended March 31, 2016 — its seventh consecutive quarter of losses — despite a 3.4% rise in revenue to RM53.5 million from RM51.7 million a year ago.

"The overall fleet chartered rates resulted in the group reporting a net loss," said its chief executive officer Kuok Khoon Kuan.

Speaking at the results briefing yesterday, Kuok was cautious that the cutback in coal imports in China and global economic slowdown would be headwinds for the shipping industry. "The IMF's (International Monetary Fund) projection of the economic growth to be modest at 3.2% and China's cutback in coal imports to bring significant downside, although the rise in Indian imports has filled some of the gaps," said Kuok, when commenting on the demand.

In positioning itself for the eventual upcycles, Maybulk has made efforts to optimise its capital structure, including selective sale of older vessels to raise its cash position for a fleet renewal programme.

Maybulk chairman Datuk Capt Ahmad Sufian said: "We have sold two vessels so far. If we get a good offer, we may consider selling."

As of March 2016, there were 23 fleets vessels, with 20 of it being bulk carriers and another three tankers. Post-first quarter, the group announced the disposal of the post-Panamax *MV Alam Pesona* for US$6.9 million (RM28.43 million).

Besides, Maybulk has delayed the delivery of newbuilds in the current weak market to conserve capital.

"The group has negotiated to defer a portion of the charter-in costs for its long-term chartered fleet to manage cash flows more efficiently," Kuok said.

In April, Maybulk won a 15-year contract with TNB Fuel Services Sdn Bhd to transport coal to Malaysia.

"The charter will commence this September, and contribute positively to earnings and net assets for the group over its duration. One of the new deliveries was to meet the 15-year long-term consecutive voyage charter contract with TNB Fuel," Kuok said.

On the group's net gearing, Kuok said that it is at a comfortable level despite an increase to 0.49 times as at end-March, compared with 0.19 a year ago. "Our gearing limit is at around 50%, compared to other players in the industry, with net gearing as low as 18% to as high as 200%. We think that the important thing is that we can service the interest and manage our cash flows," Kuok said.