

Primed for action



DAYA MATERIALS BERHAD

has equipped itself for a bright future in the oil and gas business.

BY PRISCILLA RAJAN



This is the story of a little company that has taken giant steps in less than a decade. Daya Materials Berhad began operations in 1994 with Daya Polymer Sdn Bhd, a joint venture initiative with Korean partners to form a small polymer manufacturing company. In 2001, the company expanded its polymer production and in 2003, Daya Materials Berhad was formed as a holding company. The company was listed on MESDAQ in 2005.

The company's transformational years were 2006 to 2010. In 2006 it ventured into oil and gas with the acquisition of Daya Secadyme, followed by Daya Clarimax, Daya CMT, Daya Proffscorp and Daya OCI.

"Building from scratch is certainly not the fastest way to get things done. It takes a longer time to grow individual companies and there are too many mistakes to learn from. Secondly, we wanted to realise a revenue stream almost immediately," says President and Group CEO Dato' Mazlin Junid.

Dato' Mazlin believes the company is well on its way to reaching a big milestone in the oil and gas industry with the formation of Daya Petroleum Ventures Sdn Bhd in 2012. His own work experience in the chemical industry has helped to equip his companies with the know-how to venture into oil and gas.

"My partner, Nathan Tham, is the managing director and his background is in banking. We have a good partnership...one comes up with the ideas and plans and the other sees that we can afford to do it," he says. "The oil and gas business it is not for any Tom, Dick and Harry to get into. It is a highly-technical business; your services and products, your whole value chain must be strong and has to be something that is needed by the industry. This is precisely what we are doing – building our value chain and acquiring partners for the business."

Certainly the pulse of company is oil and gas, and it is currently where roughly 70 percent of its 450 employees are concentrated, with sales last year reaching RM280 million. Daya Materials Berhad's share capital is 1.23 billion shares with market capitalisation at RM250 million as of June 2012.

ANCILLARY ACTIVITIES

"We are looking to grow our fabrication business," says Dato' Mazlin. "We have a minor fabrication licence but we are now going to work with a bigger group that has a major fabrication licence. We have available 500 acres of land in Pulau Indah that can be developed into a fabrication yard."

Daya Materials also dabbles in property development: "We have proposed to develop a thousand acres in Pengerang, Johor to support the RAPID project. We are quite confident that we will at least get a part of that because our specialty is in building industrial parks and industrial buildings." "We have 30 acres of land on a smaller scale in Kimanis, Sabah where we are building 20 units of industrial buildings that will be gated and managed by us. We will sell the units to people who want to do business with PETRONAS."

The company also has obtained service and supply contracts with major oil and gas players including Esso and Shell, and these involve service contracts for engineering and tank refurbishing work.



President and Group CEO Dato' Mazlin Junid



"I must say the sweetest achievement was when we won a chemical supply contract with Pertamina in our Indonesian ventures. We managed to win 50 percent of the Indonesian market for gas odorants," says Dato' Mazlin.

"Natural gas has no smell, therefore you have to provide a chemical that gives out a pungent smell that would indicate a leak. We currently have 100 percent of the Malaysian market and 50 percent of the Indonesian market. The Indonesian market is eight times bigger than Malaysia's so certainly that is a big score for us and makes up almost ten percent of our revenue. We have had this contract for about 15 years in Malaysia and for two years in Indonesia."

The future is certainly looking bright for Dato' Mazlin and his team, and they are keeping their fingers crossed when it comes to "landing a mega project" in the near future. "You could say we are waiting for the turning point. Right now we are pressing on in the game, but we haven't scored any goals yet. But I think we are getting closer to the goal post," he tells.

INTERNATIONAL VENTURES

In 2010, Daya Materials set up operations in Indonesia and Hong Kong, and the following year formed a partnership with Sheffield Offshore Services of Singapore.

"We are still relatively unknown but more people are now enquiring about us and wanting to meet us. The chairman of the Malaysian Kazakhstan Chamber of Commerce was here and invited us to his country to look for opportunities there. We are not going to turn that down as every venture is important to us as we build our brand and our business," says the Group CEO.

"I think the success of any company lies in not being afraid to venture into new areas, but of course it is important to do one's homework well...it has to be a calculated risk."

He further elaborates: "There are many international companies, especially service companies,



which are dying to get into South East Asia. For these European, American and Canadian companies the biggest thing is the platform (to venture in) and we can be their platform as we are a growing company with the ambition to be a notable oil and gas player. Therefore, these companies are more than welcome to jump on board."

Dato' Mazlin goes on to say that collective decision-making is crucial to the success of the company: "No single person in Daya has got all the answers. The more partners we have, the more smart answers we get. The common factor would be to deliver good work."

Daya Materials is also looking for support from banks for its ventures abroad.

"For example in Myanmar, we need the support of Japanese banks. Malaysian banks don't want to invest in Myanmar. For our business in Sri Lanka, there is an Indian bank that is willing to support us.

“Malaysia will always be our base and we are indebted to PETRONAS for giving us all the support, but we need to look beyond our shores to be a significant Malaysian-grown oil and gas company. And that means getting concessions abroad,” he says.

IN SUPPORT OF LOCAL COMMUNITIES

While Daya Materials looks for new opportunities, it has varied corporate social responsibility programmes that support old folks’ homes, schools and orphanages. Additionally, the company’s business involves Malaysians partners and resources as Dato’ Mazlin believes local involvement is necessary to a company’s growth.

“Malaysians have a good work regime, good work ethics and a desire to improve their lives. I believe each person has his or her own talent and it just has to be brought out...that is what we encourage our people to do.”

WHAT LIES AHEAD

The company is being shaped for the future with the formation of Daya Petroleum Ventures Sdn Bhd: “It will be involved in the acquisition of marginal fields and green and brown fields in the region. We have already made a bid for marginal fields in Malaysia, and we are making a bid for a PSC block in Myanmar and another one in Sri Lanka,” says Dato’ Mazlin.

To support this initiative, the company is working with senior people from Shell and ExxonMobil, and has roped in specialists from other regions to be part of the team.

“Our strategic map is to build on the strengths we already have, which includes 47 PETRONAS licences. We want to make full use of and capitalise on the licences that we inherited when we acquired these companies. That saves us a lot of time.”

The Daya Petroleum Ventures Group will be entrusted to get the blocks and find partners to support this initiative. “To date we already have partners for geology studies, logistics, welding, subsea and subsurface expertise. We are making full use of our spectrum of licences and signing joint ventures with well-established international companies that will support us in our upstream activities,” he adds.

Despite its fast-track route to success, Dato’ Mazlin insists that the company has its feet firmly planted on the ground. “We like to be seen as a leader among smaller oil and gas companies, but there is no such thing as suddenly becoming a big player or gaining a big government contract. That is a recipe for future disaster. We have to build a base step-by-step.”

He is optimistic about where the company is headed. “We are on track to achieving success. We are taking baby steps to make sure we don’t fall. We are not going to take risks that could adversely affect our shareholders.”

Still, he’s extremely proud of how far Daya has come in such a short time: “We are very lean at the top – there are six CEO’s who run the companies. I never force my ideas on them...instead I sell my ideas. When they don’t buy what I say, I modify and keep on selling!” he quips.

And Daya Materials is not done with its acquisitions either: “Our last was Daya OCI in 2010; if anything good comes our way that is related to our initiatives and is in the oil and gas business, we will give it a go.”

Not hard to see how this is a powerhouse in the making.

PRISCILLA RAJAN IS HAPPY TO WRITE ABOUT HOME-GROWN SUCCESS STORIES.

