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Several firms relying on oil and gas sector for bulk of earnings

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GEORGE TOWN: Asia's growing oil and gas (O&G) drilling and exploration activities will spearhead the growth of local companies providing services to the O&G industry. [Daya Materials Bhd](#) and [Metech Kenzai Sdn Bhd](#), for instance, are expecting the O&G industry to generate the bulk of their revenue and profits in 2013, while [Dufu Technology Corp Bhd](#) is enlarging its involvement in the sector to reduce dependency on its hard disk drive (HDD) component business.

Daya Materials, with an approximate RM1.6bil contract in hand, expects its services in the O&G industry to generate about 70% of its 2013 profits, compared with about 65% in 2012.

"Over RM500mil of the RM1.6bil is generated from the O&G industry," group [chairman Datuk Mazlin Junid](#) said in an interview.

The company also expects its chartered vessel from Siem Offshore, a Norwegian company specialising in marine vessels for offshore construction projects, to contribute significantly to its growth this year and beyond.

"This is one of the most advanced DPDSV (dynamic positioning dive support vessel) in the world and will enable us to undertake major offshore construction works on a long-term basis in the North Sea, Asia Pacific and South America.

"The vessel, Siem Daya 1, will be launched in August 2013 and we are currently in negotiations with several European engineering, procurement, construction and commissioning companies who are keen to lease this vessel, which includes our engineering and installation services.

He said the group was working closely with an international oil company to pursue risk-sharing contracts (RSCs) with Petronas in the development of marginal fields as well as the enhanced oil recovery of brownfields.

"The funding to embark on these ventures will be raised from internal sources as well as via the capital market. Our capital expenditure (capex) for 2013 will be skewed to whether we win an RSC. With an RSC, obviously our expenditure for the next two years will be very significant. If not, our expenditure will be around RM30mil to RM50mil this year," Mazlin said.

Daya Materials is expected to be one of the beneficiaries of Petronas' massive capex of RM300bil over the next five years.

According to Infield Systems' Offshore Asia Oil and Gas Market Report To 2017, Asia is expected to be the second-highest investor in offshore capex for oil exploration and production activities after Africa over the next five years.

"This is why we invested in state-of-the-art equipment to enable us to improve on our services. The O&G business in Asia will be driven by the demand for equipment to be used for subsea, floating production, and pipeline control system in India, Malaysia, China, Vietnam and Indonesia," Mazlin said.

According to the report, going forward to 2017, some 30 deepwater gas fields are expected to come onstream.

Metech Kenzai, a blast resistance steel door and roller shutter manufacturing specialist, expects its revenue from the O&G industry to generate about 60% of its 2013 revenue, projected to be over RM15mil.

Its general manager, Chris Sin Kok Yii, said the company currently had some RM9mil worth of doors and shutters, which are British Standards certified, to deliver to O&G companies doing onshore and offshore oil drilling both in the country and overseas.

"We are presently engaged in projects in Bintulu, Papua New Guinea, Brunei and Singapore," he said. "For the past 12 months we have completed projects for major oil and gas players such as ExxonMobil, Chevron, Shell, Petronas and Singapore Olefine."

Depending on the size of the site, a normal petrochemical facility usually requires between 20 and 100 doors.

Sin said the company invested about RM15mil over the last two years to enhance its blast resistance steel door and roller shutter manufacturing capacity.

Metech Kenzai manufactures from a 7,000 sq m site in Seberang Prai, employing some 100 engineers and technicians. It exports its products to Singapore, Vietnam, Thailand, Bangladesh, Sri Lanka, the Middle East and Africa, and are used in the oil and gas sector, airports and light rail transit projects.

The opportunities in O&G activities are also drawing Dufu to leverage on its precision tooling capabilities to produce enclosures, control and sensor components used in the O&G and automotive industries.

"We are enlarging our involvement in the O&G business and other areas such as the automotive sector to reduce dependency on the HDD component business.

"The contribution of the O&G and automotive segments should increase to 35% this year from 30% in 2012. We are investing RM4mil this year to increase the production of

enclosures, control and sensor components,” group [chief executive officer PY Yong](#) said.

On the group's core business, Yong expects the production of HDD components to drop by about 10% this year from 150 million units in 2012.

“The drop is due to the weakening demand for desktop and laptop computers. In time of global economic challenges, it is necessary to spread out our investments so that we are not dependent solely on the HDD component business,” he said.