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Shareholders of Daya give greenlight to vessel buy

KUALA LUMPUR: Daya Materials Bhd shareholders have approved the planned purchase of subsea offshore vessel *Siem Daya 1* (SD1) despite earlier concerns that this would lead to big exposure amid the softer oil price environment.

The company is keeping its options open on whether or not it would go ahead and buy the second subsea offshore vessel *Siem Daya 2* (SD2). Although SD2 was part of the earlier planned acquisition, Daya scrapped it in efforts to be more "prudent". "I think buying or not buying is secondary for now because we still have a five-year charter contract with them. The decision to buy or not to buy will eventually fall back on what the price will be.

"For example, SD1 when we agreed two years ago was US$140mil. But when the market came down, we renegotiated to US$120mil. As far as we are concerned now, SD2 still stays at US$140mil. But knowing in 2017 there'll be a shortage of vessels, the price could be higher. If it is higher, then we will try to raise funds to secure the vessel," said group chief executive officer Datuk Lim Thean Shiang.

However, if the market has not yet recovered by the 18 months it has to buy the vessel, Daya might renegotiate SD2's price tag.

Lim is confident of the company returning to the black this financial year on efforts to increase its utilisation rate of both vessels and by bringing down operational costs.

"By buying SD1, we will save almost US$10mil a year. Once we complete the purchase in one to two months' time, we will reduce the cost to US$40,000 per day from US$67,000 per day. The maintenance and upgrades are included," he said after the company's EGM yesterday.

Daya is buying SD1 from Siem Offshore Rederi via US$90mil cash and the issuance of ringgit-denominated bonds equivalent to US$30mil. It secured US$80mil in borrowings to finance the majority of the purchase, which will bring its net gearing to about 1.8 times from less than 0.3 times.


Lim: 'By buying SD1, we will save almost US$10mil a year'.

Daya now charters SD1 and SD2 from Norway-based Siem Offshore Inc for five years, with options to purchase. The vessels are deployed mostly in the North Sea but under the company's new management, they are chartered elsewhere in the winter months.

"During winter in December and January, we have to move our vessels down south, which is the African region. It's a new achievement for us in Nigeria and Qatar last year. We delivered two projects.

"Everyday costs money. Whether we use it or not, we have to pay the charter rates," Lim said.

As part of its turnaround strategy, Daya is renegotiating some of its old contracts. "Some of these contracts had lopsided terms, so we had to work hard to renegotiate with the contract parties," he said.

Daya is also streamlining its focus on the oil and gas industry by disposing up to a 50% equity interest in its 70%-owned construction arm Daya CMT Sdn Bhd.