



Business News [Home](#) > [Business](#) > [Business News](#)

Saturday, 19 December 2015

Daya Materials expanding in Vietnam

[Our Sites](#)

[Share](#)

[More](#)

UPDATED EVERY 5 MINUTES

 FACEBOOK

 TWITTER

 GOOGLE+

 LINKEDIN



Lim: 'We are looking at close collaboration with the Vietnamese. We have the products, services and people, and they have the local know-how. We have already sent a lot of tenders through.'

Group has formed tie-up in downstream and upstream chemicals, downstream services as well as offshore marine services

DAYA Materials Bhd is aggressively expanding its reach in the Vietnamese market following its collaboration with a subsidiary of PetroVietnam, Vietnam's national oil and gas company.

This collaboration would allow for easier access into the Vietnamese market, and hence lead to Daya bidding for, and likely winning more projects there.

Earlier this month, Daya announced that it has entered into a memorandum of understanding (MoU) with Vietnamese firm Petroleum Trading Joint Stock Company (Petechem JSC) to provide products and services to the Vietnamese oil and gas market.

Expand

ADVERTISEMENT

"We are looking at close collaboration with the Vietnamese. We have the products, services and people, and they have the local know-how. We have already sent a lot of tenders through," says group chief executive officer Lim Thean Shiang.

Daya is an oil and gas player with interest in the upstream and downstream segments.

Petechem is a subsidiary of PetroVietnam Oil Corp. Petechem specialises in trading petroleum products and acts to link the petroleum industry with the supply and consumer markets from the upstream to downstream sectors.

Daya's collaboration with Petechem would be in the downstream and upstream chemicals, downstream services as well as offshore marine services.

In its earlier filing with Bursa Malaysia, the company said the purpose of the MoU is to record the two parties' intentions to combine their expertise, know-how, industry connections and resources in providing products and services to the Vietnamese oil and gas markets.

Separately, the company is planning to raise RM75mil in new equity so it is able to acquire more assets next year.

"We are building a strategic war chest to prepare ourselves for future opportunities that may arise next year.

"As a result of the decline in oil prices, there has been an overcapacity in the industry, resulting in lower valuations for assets," says Lim.

Although he expects the current challenging oil and gas environment to continue, this also means Daya may get opportunities to acquire assets at cheaper prices.

Late last month, Daya proposed to undertake a private placement of new ordinary shares of 10 sen each of up to 10% of the issued and paid-up capital of RM165.2mil or 1.7 billion shares as at Nov 24, 2015.

Daya said it would place out up to 173.6 million placement shares, translating to more than 10% of its enlarged share capital.

“The private placement is share price dilutive. However, in the longer term it would be earnings accretive as the fund is earmarked to be utilised as working capital for its projects,” says PublicInvest Research in an earlier note.

The research house assumes that Daya’s enlarged share capital is RM200mil comprising 1.9 billion shares. This is after taking into account the remaining 84.2 million shares placed out in the previous placement exercise.

PublicInvest says it understands that Daya is continuously identifying long-term contracts within its divisions to ensure earnings visibility and sustainability of its performance, amid a cautious year ahead.

The group on Thursday completed its previous placement exercise, raising gross proceeds of about RM51.82mil via the placement of 347.2 million placement shares in four tranches.

The proceeds from this placement was partly used to finance its purchase of the Siem Daya 1 (SD1) vessel.

After more than a year since proposing to acquire offshore subsea construction vessel SD1 from Norway-based Siem Offshore Rederi AS, Daya completed the deal on Thursday.

It paid a total of US\$120mil through a combination of US\$90mil in cash and the remainder US\$30mil in the issuance of ringgit-denominated four-years redeemable convertible secured bonds.

Dynamic Positioning

SD1 is designed and equipped with Dynamic Positioning technology, used primarily for offshore operations, including construction, installation, inspection repair and maintenance.

It is capable of providing a wide range of subsea solutions and is able to support any type of subsea work or diving operations from shallow water to deep-water fields, including high sea conditions, such as the North Sea.

“The acquisition of SD1 is expected to improve our future profitability as the operating cost structure of the vessel will be reduced hence enhancing our profit margins,” Lim said in a statement earlier.

PublicInvest Research understands that the acquisition would allow Daya to enhance its margins on the contract through cost savings on better management of the cost structure for the vessel.

However, as the research house is still uncertain of the long-term management capability of the vessel, it has not accounted for the cost savings effect.

Daya still has the option to buy the second subsea offshore vessel Siem Daya 2 (SD2). Although SD2 was part of the earlier planned acquisition, Daya scrapped it to be more “prudent”.

PublicInvest anticipates lower visibility on the performance of SD1 and SD2 as the vessels will be experiencing wintering months for their long-term charter with Technip in the North Sea and thus will take on spot charters but at lower rates from the weaker offshore sentiments.

Lim says Daya has secured almost RM510mil in new contracts this year, mainly from large multinational companies such as Technip. The company’s tender book now stands at RM1.5bil, of which it hopes to strike some very soon.

“There were some project delays caused by oil companies holding back due to the current oil and gas environment,” he says.

Daya is also in ongoing talks with foreign partners on starting engineering, procurement, construction and commissioning downstream projects likely worth between RM3bil and RM4bil in Pengerang, Johor.

Daya recently posted its third quarter results ended Sept 30, 2015, bringing its nine-month earnings 27% higher year-on-year to RM18.5mil, boosted by improved contribution from the oil and gas segment.

Revenue for the nine months came in 19.9% higher at RM578.13mil against RM482.1mil in the previous year.

Better contribution from the oil and gas segment was due to an increase in sales on downstream chemicals and contributions from the subsea business in North Sea. Also, Daya recorded higher vessel utilisation during the period.

It also recorded higher revenue in the polymer and technical services segments.

“Daya’s longer-term performance will be supported by its RM2.3bil orderbook comprising of O&G and technical services jobs to execute,” PublicInvest says.

TAGS / KEYWORDS:

[Business](#) , [Daya Materials](#) , [PetroVietnam](#) , [Petechim](#) , [oil and gas](#) , [Siem Daya](#)

