THE EDGE MARKETS
MAKE BETTER DECISIONS

Daya Materials in talks for rail jobs after exiting offshore subsea biz

theedgemarkets.com
September 20, 2017 17:28 pm MYT

KUALA LUMPUR (Sept 20): Daya Materials Bhd, which has exited the offshore subsea construction business following the sale of Siem Daya 1, said it is now channelling its resources into infrastructure, especially rail-related jobs.

It shared this in a statement today, announcing the completion of the disposal of Siem Daya 1, its offshore subsea construction vessel, for US$100 million (equivalent to about RM418.5 million).

"This is the beginning of our turnaround plan and we are both optimistic and excited about the group's future. Our exit from the offshore subsea business will allow us to focus on our core and profitable businesses and our financial results will no longer be dragged down by this loss-making business.

"We are now channelling the group's resources into infrastructure, especially rail-related projects, and are in the midst of negotiating with relevant parties to secure contracts relating to rail engineering," its group chief executive officer Datuk TS Lim said.

Lim said the successful completion of those talks and implementation of those contracts will contribute positively to the group's earnings over the next few years.

The group sold Siem Daya 1 via the disposal of its wholly-owned unit Daya Global 1 Pte Ltd to Siem OCV Pte Ltd, which was also to strengthen Daya Materials' financial position, as the sale will reduce the group's debts by about 62%, the statement read.

That means a reduction of some RM406.9 million from its debt pile of RM660 million — as at Dec 31, 2016 — to RM253.1 million.

The sale will also relieve the group's interest expense of about RM19 million per year. Furthermore, Daya Materials said all vessel-related operating expenses and depreciation — which amounted to RM35 million in its last financial year 2016 — will be eliminated.

Meanwhile, Lim updated that the group had inked a memorandum of understanding with a unit of MIMOS Bhd to collaborate in the provision of a crowd management and passenger system for rail or non-rail services systems on Sept 15.

"Going forward, we foresee the group's earnings drivers to be coming from the infrastructure, construction and downstream oil and gas segments.

"We will be looking to further strengthen our position in the construction sector, which has been a profitable segment of the group. We are also expecting our downstream oil and gas business to continue to perform well, given its positive contribution to the group's profitability, on the back of our established performance track record and market presence," Lim added.