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Alam Maritim hit by debt woes

BY S. PUSPADEVI





It aims to restructure financing facilities amidst challenging oil and gas industry

ALAM Maritim Bhd, which saw around RM74mil wiped out from its value over this week alone, has a plan to get itself out of the sticky situation it is in.

Recall that a week ago, Alam Maritim said it received a letter from the Corporate Debt Restructuring Committee (CDRC), a unit of Bank Negara, approving its application to come up with a proposed debt restructuring scheme in 60 days.

CDRC will act as a mediator between Alam Maritim and its financiers and bond holders. Alam Maritim said the aim of this is to restructure its financing facilities amidst the challenging conditions in the oil and gas industry.

That gave a clear indication to the market that the offshore support vessels provider is facing some problems with servicing its bonds.

A few days later, Malaysian Rating Corp Bhd (MARC) placed Alam Maritim's sukuk programme on its negative watch list due to "increased risk of missed payments".

Alam Maritim had issued a total of RM600mil in sukuk bonds in the third quarter of 2007, after it obtained the approval from Securities Commission via a letter dated May 28, 2007.

The company had paid off RM100mil tranche three years ago, but of the RM500mil sukuk ijarah medium-term note programme, the current outstanding amount is RM75mil, of which RM30mil is due in July 2017. It has to settle the balance RM45mil in January 2018.

This is not the first time MARC had a negative rating on Alam Maritim.

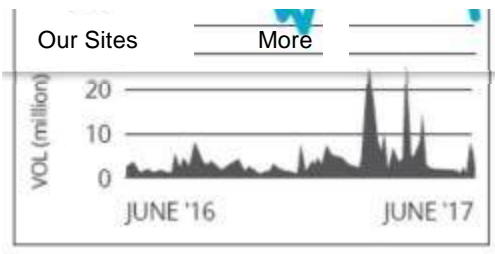
The rating agency has been keeping a negative outlook on Alam Maritim since March 2016 in view of the firm's declining liquidity buffer and slow replenishment of order book.

Although the order book has shown some improvement in recent months, weak cashflow generation has continued to weigh on its financial performance, MARC noted.

Meanwhile, Kenanga Research in a June 1 report pointed out that it was dubious that Alam Maritim could make the first maturing sukuk this July.

The research house's uncertainty came about since Alam Maritim's cash and bank balances stood at RM37.5mil, while its sinking fund had depleted from RM28.4mil to RM11.7mil as at the fourth quarter of 2016.





at 20 sen on June 3.

However, the company's managing director and chief executive officer Datuk Azmi Ahmad says it is working with a financial adviser to come up with a proposed debt repayment scheme to rationalise its RM75mil debt.

"We are expected to hand over the proposed debt restructuring scheme to CDRC by July 25.

"If we get everything done within 60 days, this is well and good. Otherwise, we may have to ask for an extension from CDRC if we fail to meet the deadline," Azmi says.

Given the lacklustre oil market, Azmi says Alam Maritim is also appealing for Bank Negara's assistance to find a solution to stretch the loan repayment term.

"This will help reduce the principal further and have a positive impact on our cash position," he explains, considering some of Alam Maritim's assets are not generating income.

"As it is with the current utilisation rate of about 50%, it is insufficient to cross subsidise vessels that are not working," he notes.

Azmi says the outlook for Alam Maritim is very much influenced by oil major's capital expenditure (capex) spend, which is in line with the volume of exploration and production activities.

Based on Petronas' recent Activity Outlook report for 2017-2019, the average domestic capex is expected to be invested mainly in upstream activities, but at a lower proportion.

Therefore, Azmi says the company's strategy, going forward, include tendering for more contracts this year, looking into cost optimisation to improve margins and disposing of some of its assets that are not productive.

"With new tenders being rolled out, hopefully it will help us weather the storm. We may carry out fund-raising activities that include, among others, a private placement exercise to pay off the debt.

"That said, vessels that are not able to secure contracts will be placed under a lay-up programme – which means they will be laid off to reduce operating expenditure," Azmi notes.

Alam Maritim has a fleet of 43 vessels and is now looking to dispose of about five vessels that are more than 12 years old.

So when can Alam Maritim see a turnaround?

"A turnaround is not possible in the immediate term, given the current oil price level. Also, Opec's move in extending its oil production cuts last week has resulted in a plunge in oil price.

"Nevertheless, we are looking at a time horizon of about three years for some earnings recovery, but it is still uncertain if oil price will go up to US\$120 to US\$130 per barrel," Azmi notes.

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to RM11.89mil from net loss of RM19.19mil, a year ago. Revenue, however, declined by 58% to RM20.22mil during the period, from a year ago.

Alam Maritim's current order book stands at RM360mil, which will last for the next five years. It has an outstanding tender book of about RM1bil.

Alam Maritim said in its filing with Bursa Malaysia that profits from its offshore support vessels segment was impacted by 35.4% due to losses suffered by associates and jointly controlled entities. Also, revenue from the group's subsea services/offshore installation and construction (OIC) segment shrank by 69% from the previous year due to lower contributions from OIC projects.

On when it can expect to breakeven, Azmi says the group will be bidding for Petronas Integrated Logistic Control Tower project and actively participate in OIC sector in Brunei, Indonesia and Qatar.

"We are optimistic of securing some of these contracts," Azmi notes.

He says Alam Maritim plans to build up its sinking fund account by securing more contracts, disposing of assets and capital-raising exercises.

Alam Maritim's gearing level now stands at about 0.22 times, notes Azmi.

It had total debts of close to RM150mil and cash amounting to RM37.5mil as at March 31.

Azmi and group chief operating officer Shaharuddin Warno @ Ramad control around 35.76% via their vehicle SAR Venture Holdings (M) Sdn Bhd, while pilgrim fund Lembaga Tabung Haji holds 10.13%.

In 2014, before the oil price crash, Alam Maritim made news when Tan Sri Quek Leng Chan and his associate Paul Poh, via their vehicles Associated Land Sdn Bhd and Caprice Capital International Ltd, emerged with a 15.35% stake in the company at a cost of RM1.35 per share.

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