

MARC revises outlook on Alam Maritim debt notes to negative



KUALA LUMPUR: Malaysian Rating Corporation (MARC) has revised its outlook on [Alam Maritim Resources Bhd](#)'s debt notes rating to negative from stable due to a fall in order book caused by the plunge in crude oil prices.

MARC said on Wednesday the negative outlook for the AIS Sukuk Ijarah Medium-Term Notes reflected the rating agency's increased concerns on Alam Maritim's weakening business prospects.

It cited the continued decline in its order book and the increasing challenges in winning new contracts in the current tough environment for offshore support vessel (OSV) providers in particular and for the oil and gas industry in general.

Alam Maritim is a sizeable domestic player in the OSV segment with 44 vessels and is also involved in the subsea and offshore installation and construction segment.

As at end-January 2016, Alam Maritim's order book stood at about RM500mil, significantly lower than RM745.5 million as at end-June 2015.

The company has a tender order book outstanding of about RM2bil as at end-2015, "but increased uncertainties on the timing of the contract awards as well as the prevailing keen competition in the segment could further reduce its near-term earnings visibility".

For 2015, Alam Maritim reported a lower consolidated revenue of RM350.2mil (2014: RM391.6mil) and loss before tax of RM19.8mil (2014: profit before tax of RM66.6mil) due in part to losses incurred at its joint ventures.

Cash flow from operations (CFO) fell sharply to RM49.1mil from RM223.7mil in the corresponding period last year, potentially increasing the repayment risk on the current outstanding of RM115mil under the rated Sukuk.

As for its next scheduled principal repayment of RM40mil at end-July 2016, Alam Maritim is continuing to build up its sinking fund account, which stood at RM22.8mil as at end-January 2015.

The final two principal payments of RM30mil and RM45mil are due in July 2017 and January 2018 respectively.

"Alam Maritim's liquidity position remains tight as its cash and cash equivalent of RM91.3mil is largely held at the subsidiary level.

"MARC will closely monitor Alam Maritim to take timely rating action, with particular regard to the company's adherence to the timeline of its sinking fund build-up.

"The rating on the sukuk could also be downgraded if there is no visible improvement in its liquidity position and/or if its financial position weakens further," it said.