

Company Name : Alam Maritim Resources Berhad
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AmResearch Maintains Hold On Alam Maritim

KUALA LUMPUR: AmResearch is maintaining its Hold rating on Alam Maritim (Alam) with an unchanged fair value of 40 sen a share, which is pegged to an FY15F PE of seven times.

It said on Thursday its recent meeting with Alam's management, it understood that the offshore support vessels (OSV) market remains in a lull, where contract awards have been slow against the backdrop of a slowdown in upstream activities.

"However, the group indicated that it is relatively less impacted as most of its vessels service the production platforms which are insulated from capex cuts," it said.

AmResearch said Alam is also looking into participating more in the Middle East market where activity appears to be more robust. Alam has two vessels in Middle East on long-term contracts.

The group also recently won a third contract to provide its multipurpose tug vessel, MV Setia Emas, to a United Arab Emirates client for a fixed period of three years with an extension of another two years for RM41mil.

Petronas Carigali has yet to have any call-out for vessels for its umbrella contract. To recap, Petronas Carigali has earlier awarded an umbrella contract for the provision of spot charter for marine vessels, for which Alam was awarded seven of the eight packages.

"We have not factored this into our earnings as the contract value is not fixed and will depend on the actual number of days the vessels are on hire, based on a call-out basis by Petronas Carigali

"Overall, Alam has faced a daily charter rate (DCR) reduction of 3%-10% for eight of its vessels with existing contracts, as requested by Petronas," it said.

AmResearch said Alam has yet to take delivery of the diving support vessel (DSV), pending the approval of a US dollar loan.

"This would replace the currently chartered-in vessel, which would subsequently improve margins. The group expects about two DSV contracts to be awarded in 2HFY15.

"We expect a pick-up in earnings in the OIC division in 2HFY15, upon the execution

of the remainder of the transport and installation contract secured with MMHE and Technip.

Furthermore, the segment would also see revenue kicking-in in 3QFY15 from the recently won OIC contracts such as the subcontract works for Petronas' floating LNG, subsea pipeline replacement for Chevron's Prai terminal and Petronas Carigali's splash zone structural repair and maintenance works," it said.