

Company Name : Alam Maritim Resources Berhad
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Alam Maritim's sukuk outlook revised to stable, ratings downgraded

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KUALA LUMPUR: Malaysian Rating Corp Bhd (MARC) has revised its outlook for Alam Maritim Resources Bhd's RM500 million sukuk to stable from negative, but downgraded its rating to AIS from A+IS.

The downgrade reflects Alam Maritim's weakened business risk profile arising from a tough operating environment for offshore support vessel (OSV) providers, said the local rating agency.

"The group's operating performance has been affected by a decline in contract order book and lower charter rates for its vessels," said MARC in a statement yesterday.

It added that the rating action affects RM115 million of outstanding sukuk issued under the rated programme.

The stable outlook reflects MARC's expectation that Alam Maritim (valuation: 1.5; fundamental: 1.4) will sustain its current financial profile and there will be no significant reduction in the order book from the current level.

As at end-June 2015, Alam Maritim's order book stood at RM745.5 million, about 18.6% lower from RM915.8 million as at end-2014. Charter rates have also come under pressure, with rates for existing contracts renegotiated lower by between 3% and 10% and for new contracts by up to 20%.

"These factors notwithstanding, MARC views Alam Maritim's established position in the OSV segment, with a lengthy operating track record and sizeable fleet of 44 vessels to be supportive of the group's ability to weather the prevailing challenging conditions in the oil and gas sector," said MARC.

"Alam Maritim remains focused on the Malaysian market,

with Petronas Carigali Sdn Bhd accounting for 44% of the group's total outstanding order book value.

"Nonetheless, no major significant contracts are expected to be awarded by oil majors over the near term and contract renewals have shorter tenures of about six months," the rating agency added.

It also noted that for the first half of 2015 (1H15), Alam Maritim's average utilisation rate fell, from 70% to 57% in 2014, in part due to the idling of three vessels which passed the maximum allowable vessel life for Petronas projects, while another seven vessels were dry-docked for maintenance.

The lower utilisation rate contributed to a sharp decline in operating revenue and pre-tax profit to RM153.2 million and RM19.5 million respectively in 1H15.

MARC views that demand for Alam Maritim's services will continue to be supported by the existing production activities of the oil and gas sector.

Alam Maritim shares closed down 3.16% to 46 sen yesterday, for a market capitalisation of RM425.25 million.

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