

**Company Name** : **Alam Maritim Resources Bhd**  
**Date** : **16 November 2015**  
**Source** : **The Star**

## **MARC Downgrades Alam Maritim's Sukuk But Outlook Stable**

The rating firm explained on Monday the downgrade was driven by Alam Maritim's business risk profile due to the tough operating environment for offshore support vessel (OSV) providers.

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

As at end-June 2015, Alam Maritim's order book stood at RM745.5mil, a 18.6% lower from RM915.8mil as at end-2014.

MARC said 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%.

However, MARC reckoned that 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.

"The stable outlook reflects MARC's expectation that Alam Maritim will sustain its current financial profile and there will be no significant reduction in the order book from the current level.

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

It added that Alam Maritim's current rating and stable outlook also factors in the

group's healthier balance sheet after it pared down its debt to RM244.3mil as at end-June 2015 from RMRM315.5mil as at June 30, 2014 mainly through proceeds from a rights issue amounting to RM166.0 million.

Furthermore, Alam Maritim's debt-to-equity ratio reduced to 0.29 times as at end-June 2015 from 0.38 times end-2014.

The OSV segment accounted for 72% of the Alam Maritim's order book in the first half of this year, while the subsea and offshore installation and construction (OIC) segment accounted for the remaining 28%.

MARC notes Alam Maritim is expanding its subsea and OIC business through the acquisition of a new diving support vessel (DSV) to replace an existing leased vessel. The new DSV will allow for overall cost savings and therefore increased margins. The group will take delivery of the new DSV by end-2015.