

Company Name : Alam Maritim Resources Berhad
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Alam Maritim sukuk rating downgraded

MARC brings debt grade down to AIS with stable outlook

PETALING JAYA: Alam Maritim Resources Bhd's sukuk rating was downgraded a notch by Malaysian Rating Corp (MARC) Bhd on concerns over the tough operating conditions in the oil and gas industry.

The rating firm, however, said Alam Maritim's track record and steady financial profile limited its risk.

MARC lowered Alam Maritim's RM500mil sukuk ijarah medium-term notes rating to AIS from A+IS, with stable outlook.

The rating firm explained that 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 in a statement yesterday.

As at end-June 2015, Alam Maritim's order book stood at RM745.5mil, 18.6% lower

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Alam Maritim Resources

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 factored in the group's healthier balance sheet after it pared down its debt to RM244.3mil as at the end of June 2015 from the RM315.5mil as at June 30, 2014 mainly through proceeds from a rights issue amounting to RM166mil.

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

The OSV segment accounted for 72% of the Alam Maritim's order book in the first half of this year.

The subsea and offshore installation and construction (OIC) segment accounted for the remaining 28%.

MARC noted Alam Maritim was 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.