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# Serba Dinamik eyes African expansion this year

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SERBA Dinamik Holdings Bhd is on the verge of breaking into a new market as it navigates the geopolitical headwinds in the Middle East, a key region that accounted for over half its annual revenue last year.

Partnering the Jeddah, Saudi Arabia-based Islamic Development Bank (IDB), the energy services group expects to bag its maiden contract in Africa by the fourth quarter of financial year 2017 ending Dec 31 (4QFY2017), according to group managing director and CEO Datuk Dr Mohd Abdul Karim Abdullah.

If that materialises, “most probably we are looking at 1QFY2018 for the income from that to begin flowing in”, he says. “For FY2018, we are looking at possibly about 15% to 20% of total group revenue coming from Africa.”

While it is too early to tell what sort of financial impact the initial entry into the continent may have, it is likely to be a stepping stone for more contract wins moving forward.

That said, Mohd Abdul Karim stresses that Serba Dinamik is not pushing into Africa at the expense of its Middle Eastern presence. Rather, it is looking to retain its current operations while adding new engines of growth.

At present, Serba Dinamik has submitted bids totalling RM2 billion across Côte d’Ivoire and Tanzania, through both its operations and maintenance (O&M) as well as engineering, procurement, construction and commissioning divisions.

According to the CEO, the group had previously appointed IDB as its adviser in exploring the African market, given the bank’s long-standing presence in the continent of over 30 years.

“IDB will also become one of our lead financiers once we secure sizeable contracts over there,” he says.

“We have gone in and from the discussions we’ve had, the prospects are very good because quite a number of African countries have natural resources aplenty.

“These are also developing countries so they welcome foreign companies who can come in and support their growth with track record, technology and financial strength.”

He adds that the group had consciously begun to explore other regions some time ago to mitigate recurring geopolitical risk in the Middle East, where Serba Dinamik has been operating for over 15 years.

Its potential entry into Africa is perhaps timely amid the latest friction in the Middle East. Last week, diplomatic tensions erupted between Qatar and four Gulf neighbours — Saudi Arabia, Egypt, the United Arab Emirates and Bahrain — over accusations that Qatar is supporting terrorism.

Since then, the four countries — plus a number of others including Yemen, the eastern government of Libya, Maldives, Mauritius, Mauritania and Senegal — have cut diplomatic ties with Qatar. Sanctions and travel bans have followed.

The developments have sent Serba Dinamik’s shares tumbling given the group’s sizeable presence in Qatar, which accounted for 16% of total revenue in FY2016.

Despite a statement issued by the group last Tuesday saying its operations had not so far been impacted by the diplomatic row, the market jitters continued.

Serba Dinamik recorded RM2.17 billion revenue in FY2016 with profit after tax of RM245.8 million. Some 51.4% of that revenue came from the Middle East. The contribution from the region increased to 65% in 1QFY2017.

From a record high of RM2.25 at the close of Monday, June 5, the counter plunged 7.56% on Tuesday. By Thursday it has lost 12% of its market value over three trading days. Last Friday the share price rebounded by six sen to RM2.04

That still puts the counter below analyst target prices, which range from RM2.40 to RM2.90. All four analysts tracking the stock have “buy” ratings.

To recap, Serba Dinamik listed on Bursa Malaysia on Feb 8 at an initial public offering (IPO) price of RM1.50, valuing the group at RM2 billion and making it the biggest Malaysian IPO in 19 months at the time.

In an interview, Mohd Abdul Karim reiterated to The Edge that supply lines for Qatar's oil and gas exports remain open to its major purchasers via Oman and Iran.

By extension, its own O&M activities in Qatar have so far not been disrupted, he says. Short of the Malaysian government abandoning its neutral position and taking sides in the conflict, it is unlikely the group will be affected, he opines.

In fact, Serba Dinamik is preparing to capitalise on the potential exit from Qatar by O&M peers from nations involved in the tensions, which could mean more ad hoc jobs for the group.

"We are looking forward to that possibility," says Mohd Abdul Karim, adding that the company is ready to bring in more manpower if needed. "We believe we may be getting a bigger chunk of the job opportunities over there."

While it is too early to tell how significant the opportunities could be for Serba Dinamik, the group is already standing by to add another 50 personnel to its operations in Qatar if necessary. That would be a 20% increase to its current workforce of 250.

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