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Serba Dinamik sees minimal impact from low oil prices

by DASHVEENJIT KAUR

DEMANDS for Serba Dinamik Holdings Bhd's maintenance and service works from oil and gas (O&G) companies have not suffered despite the uncertainties in global oil prices.

Group CEO Datuk Mohd Abdul Karim Abdullah said the O&G operations and maintenance sector (OMS) had not seen any severe impact despite the erratic movements of the global oil prices.

He said irrespective whether oil prices rose or fell, oil production activities would still require regular maintenance for their equipment.

"The weak oil prices do not have any major impact on our performance as our core business is in equipment maintenance. There will still be demands for jobs in the OMS area," said Mohd Abdul Karim after Serba Dinamik's AGM in Kuala Lumpur last Friday.

Serba Dinamik — which was listed on Bursa Malaysia in February this year — is primarily involved in the maintenance, repair and overhaul of rotating equipment, and the inspection, repair and maintenance of static machinery.

The group serves about 125 OMS contracts, valued at an estimated RM4 billion, which will last the company until 2021.

Its share price had risen to a high of RM2.30 as investors continued to bet on OMS players such as Serba Dinamik. Other O&G service providers like fabricators owners and vessel operators are suffering due to the drop in demands and low rates.

Oil companies had also slashed their capital expenditure to rein in their cost and keep them profitable.

"There are no doubts that asset owners have tightened their budgets for maintenance works due to the tough economy, but we are a domestic and international player.

"When revenue from one market [is not satisfying], we will strengthen our foothold in other countries and diversify our earnings sources," he said.

Mohd Abdul Karim also remained bullish on the future prospect of the O&G sector and believed the downcycle for the sector would eventually end.

"There are challenges in terms of getting the oil prices higher, which are now in the region of US$50 (RM213.50) per barrel. But this kind of price is not necessarily unfavourable.

"If you look at the Middle East, most of the exploration, extraction and production activities are done onshore, and you are looking at a production cost of between US$8 and US$15 per barrel — and if you are selling at US$50 to US$55 per barrel, there is still profit," he said.

Moreover, 65% of the company's revenue is derived from its operation abroad, while the remaining 35% is contributed locally.

Mohd Abdul Karim said the group is in talks with firms in Europe, the US and the Middle East for possible mergers and acquisitions (M&A).

"We want to enhance the company's ability in the field of technology and parts manufacturing.

"Some of these talks are still ongoing and some of them are almost at the conclusion. We will make a major M&A announcement in a month," he said.

Meanwhile, group CFO Syed Nazim Syed Faisal said the company has allocated RM40 million for these strategic acquisitions, which would reduce operation costs and enable the company to manufacture its own parts.

He said the M&A would allow the company to bring these technologies to Malaysia and position the company as an integrated player.

For the year ended Dec 31, 2016, the group posted a net profit of RM156.15 million and revenue of RM1.4 billion.