

# Ekuiinas to acquire CPP tanker firm

BY KAMARUL AZHAR

Government-owned investment firm Ekuiti Nasional Bhd (Ekuiinas) is acquiring 100% of clean petroleum product (CPP) tanker company Orkim Sdn Bhd, according to sources privy to the deal.

The acquisition, which is going to be Ekuiinas' first for the financial year 2014 ending Dec 31, is believed to exceed the mandated amount that the firm is allowed to undertake for each investment.

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# Orkim profitable despite bearish global tanker market

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"Ekuiinas is going to acquire Orkim, which owns 11 CPP tankers servicing oil majors in Sarawak. They are looking at acquiring 100% of the company, which may cost more than RM300 million," says a source in the know about the deal, which is expected to be announced in the next few weeks.

"This investment is going to be the largest ever undertaken by Ekuiinas, even exceeding its previous acquisition of offshore support vessels from Tanjung Offshore Bhd."

A check with Companies Commission of Malaysia (CCM) reveals that Orkim had total assets of RM309.83 million and liabilities of RM213.68 million in FY2012 ended Dec 31. It posted a profit after tax (PAT) of RM16.28 million in that financial year.

Ekuiinas was set up by the federal government to promote equitable and sustainable bumiputera economic participation through the creation of Malaysia's next generation of leading companies. Since its inception in 2009, Ekuiinas has undertaken 24 investments worth RM1.8 billion.

The firm's mandate is to invest in companies with good operational and profit track record and are looking to the next stage of growth. Previously, the investments undertaken by Ekuiinas were between RM30 million and RM200 million per deal.

According to filings with CCM, Orkim's largest shareholder is GMV-Orkim Sdn Bhd, with a 91% stake. The latter is a wholly-owned subsidiary of Global Maritime Ventures Bhd (GMV), which is a subsidiary of Bank Pembangunan Malaysia Bhd.

According to its website, GMV is mandated to accelerate the development of the country's maritime industry through strategic alliances with local partners to jointly acquire vessels for domestic and international operations.



Orkim is the leading tanker operator for CPP sea transport in Malaysia

GMV manages the government's RM500 million Shipping Venture Fund, which was set up in 1993. It operates as a venture capital investment holding company and has partnered the likes of Jasa Merin (M) Sdn Bhd (a unit of Silk Holdings Bhd), Alam Maritim (M) Sdn Bhd and Global Carriers Bhd, among others.

While Orkim was profitable in FY2012, the CPP tanker industry's outlook is still challenging due to overcapacity and high fuel prices. A CPP tanker is used to transfer refined petroleum products from refineries to consuming markets.

According to the August OPEC Monthly Oil Market Report, the CPP tanker market sentiment was bearish in July on all reported routes. The market was uneventful, particularly for medium-range tankers with occasional short-lived freight rate gains in Middle East loadings.

However, the RM16.3 million PAT recorded in FY2012 shows that Orkim may somehow be insulated from

the bearish global tanker market. Its website states that the company has long-term contracts with Petronas and Shell for the domestic CPP sea transport.

"At present, Orkim is the leading tanker operator for CPP sea transport in Malaysia, which is estimated to account for nearly a third of Petronas and Shell's combined domestic requirements," the company says on its website.

However, it is unknown when these contracts will expire.

Efforts to reach Orkim for comments were unsuccessful and its owner GMV did not return calls for comments. Ekuiinas did not answer questions sent to them regarding its new investment.

## A merger with Semua Shipping to create industry leader

Sources say Ekuiinas plans to merge Orkim with another tanker operator, once the acquisition is completed. The name being bandied around is

Semua Shipping Sdn Bhd, which is owned by tycoon Tan Sri Halim Saad's Aliran Ketara Sdn Bhd.

The plan fits into Ekuiinas' strategy of nurturing the next generation of leading Malaysian companies. By merging Orkim and Semua Shipping, the new entity will have a fleet of 21 CPP vessels, which will give it a dominant presence in the domestic CPP sea transport segment.

"This strategy has been used by Ekuiinas before. Icon Offshore Bhd was the result of this strategy of buying a company and merging it with a competitor to create a bigger entity," says a source who was informed about the plan.

Icon Offshore was formed through the merger of Tanjung Kapal Services Sdn Bhd (previously a unit of Tanjung Offshore Bhd) and Omni Petromaritime Sdn Bhd. The group has 32 offshore support vessels in its fleet, making it one of the largest OSV players in South-east Asia.

Semua Shipping is owned by Semua International Sdn Bhd, which was previously a subsidiary of Sumatec Resources Bhd. Semua International was sold to Aliran Ketara in June 2012, pursuant to the group's regularisation plan in exchange for a collateralised loan obligation.

Under the CLO, RM91.7 million of Sumatec's debt was settled by Aliran Ketara through a series of debt restructuring, which included an arrangement with the creditors and issuance of Sumatec's shares to Aliran Ketara as well as settlement by cash.

The restructuring left Sumatec with RM448.8 million cash and a joint-investment agreement with Markmore Energy (Labuan) Ltd for hydrocarbon production of the Shelly oil and gas field in Kazakhstan.

A check with the CCM shows that Semua Shipping had total assets of RM334.75 million and liabilities of RM264.36 million in FY2012 ended Dec 31. It registered an after-tax loss of RM10.25 million in that financial year.

According to Semua Shipping's website, the company has 10 oil tankers, with seven of them under consecutive voyage charters or time charters to oil majors for periods between 1 and 10 years. However, it is unknown whether the charters have expired.

Semua Shipping could not be contacted for this story while its ultimate shareholder Halim declined to comment on the plan to merge the company with Orkim.

The loss at Semua Shipping reflects the challenging situation in the tanker market.

Global Carriers, a tanker operator listed on Bursa Malaysia, has been a Practice Note 17 company since March 2013 due to heavy losses and defaults on loans.