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Banking on technology

Scomi Energy hopes to maintain gross profit margins

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Looking ahead: Wan Ruzlan and Vickneswaran (right) in front of their office in Petaling Jaya.

PETALING JAYA: A subdued outlook in oil prices is not a problem to Scomi Energy Services Bhd's goals as the company is confident of maintaining its gross profit margins in the double-digit figure range.

President for market units Wan Ruzlan Iskandar told *StarBiz* it was rolling out a new product under its drilling fluids segment that would help it sustain margins amid the more challenging operating environment.

"We hope to sustain or maybe expand our margins given the operating environment of oil prices remaining at the lower end," Wan Ruzlan said.

Scomi Energy had managed to maintain gross profit margins at the 20%-and-above level in the past financial year while bottom line was not heavily impacted from the low oil prices in the second half of last year as its contracts are long term in nature.

For financial year 2015 ended March 31, the company reported 5.8% lower net profit to RM77.1mil while revenue rose 10.2% to RM1.56bil from a year ago.

The company is in the midst of rolling out the technology called the Plat-Drill, Confi Graph Lube and Hype Graph Lube which are lubricants that are improved with graphene nanotechnology to enhance the inner workings of a driller.

"We are positioning this product to grow our business namely in the drilling fluids business segment. We think this segment will drive future growth in the company," Scomi Energy's head of fluids and chemicals system Vickneswaran Veloo said.

"This lubricant, based on graphene nanotechnology, helps to prolong the lifespan of the diamond drillbit. Drillbits are expensive. So this product improves on the efficiency of the drilling process and reduces maintenance cost for our customers," Vickneswaran added.

Scomi Energy has patented this technology with its partners and is in the process of rolling it out to its customers in financial year 2016.

The company believes this product can cut costs for its customers which includes the major oil players, amid the prospects of a maturing oil and gas industry.

"The technology is owned by us and our partners and we believe we have the first mover advantage when we market this product. We want to market this product to enable cost synergies for the oil producers to reduce cost per barrel by 1%-5% depending on ground conditions," Wan Ruzlan said.

"Most of our revenue is derived from overseas and our customer profiles are varied. We do not derive more than 18% of our revenue from a single customer. The nature of how our company operates allows us to ride through the volatility and there is still money to be made here," he said.

The company's order book of RM3.9bil is expected to last it for the next 18 months.

"We have submitted bids of RM2.1bil and we have won about RM425mil so far while we are waiting for results from the rest," Wan Ruzlan said.

Moving forward, the company foresees revenue growth will come from India and the Middle East regions where drilling activities are still high and ongoing.

India imposes anti-dumping duty on some steel from China, Malaysia

NEW DELHI: India's finance ministry has imposed anti-dumping duties ranging from US$180 to US$316 per tonne for some industrial-grade stainless steel imported from China, Malaysia and South Korea in a bid to stem surging imports and protect the domestic industry.

The move comes after India's trade ministry said in March the domestic industry was suffering "material injury due to such dumped imports" and that a definitive measure was required to stop it.

The anti-dumping duties will be effective for a period of five years, the finance ministry said in a statement late on Friday.

"It's a welcome move and a necessary one to save the domestic industry which (is) at the suffering end," said N.C. Mathur, president of the Indian Stainless Steel Development Association.

India consumes about one million tonnes of this type of stainless steel and more than 40% of that is imported, mainly from China.

Steelmakers from Asia to Europe are facing increasing pressure from a rise in cheap imports as Russia and Ukraine, armed with weaker currencies, join China in pushing surplus output on to world markets.

Many steel companies in India, such as Tata Steel, JSW Steel and Kalyani Steels, have seen profits come under pressure. – Reuters