



Published on *theSundaily* (<http://www.thesundaily.my>)

Century set to stem profit decline this year

Posted on 9 December 2013 - 05:37am

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PORT KLANG (Dec 9, 2013): Century Logistics Holdings Bhd expects to stem the decline in net profit this year and surpass its financial performance in 2012, driven by its contract logistics services segment, said its deputy managing director Dr Mohamed Amin Kassim (*pix*).

The total logistics solutions provider reported a 41% decline in its net profit to RM17.61 million for the financial year ended Dec 31, 2012 (FY12) from RM30.06 million the previous year, due mainly to the declining activities from its ship-to-ship (STS) oil transfer operations or oil and gas logistics business and narrower margin from its haulage business.

STS operations typically involve the transfer of oil and oil products from one tanker to another.

"We are confident we'll do better than the RM17.6 million (net profit) in the last financial year. The group's first nine months net profit was already RM12.68 million," he told *SunBiz* in an interview.

The group saw its third-quarter net profit improved 41% to RM5.6 million from RM3.97 million a year ago, on higher revenue of RM70.75 million from RM61.1 million.

Between 2008 and 2011, Century was a darling stock that had showed impressive year-on-year growth in its profits and revenue, boosted by rapid growth in its ship-to-ship oil transfer operations.

"We were not the first to do STS operations, but we were the first logistics company that brought in and promoted the STS activities within Malaysian waters. There were already one or two local companies doing similar operations, but in international waters," said Amin.

At its peak, Century operated nine floating storage units (FSUs) off Pasir Gudang in Johor.

However, its fortunes turned when the Port Authority of Johor issued a directive forbidding any FSUs from operating off Pasir Gudang, mainly to improve access to major projects there such as Petroliam Nasional Bhd's RM60 billion Refinery and Petrochemical Integrated Development (Rapid) project in Pengerang, Johor.

Amin said Century's total FSU operations are now down to three.

Nevertheless, the group has not given up just yet and is awaiting to obtaining new STS operating licences from the government.

"We have asked for new slots (locations off Johor). We can do an additional nine to 12 slots, depending on vessel size. We have identified certain areas that are safe to conduct these STS activities, but we have not received the green light from the federal government yet.

"In the meantime, we are improving our other areas of services, namely contract logistics (to offset losses from its STS operations)," he said.

"The part I found a bit disappointing was that there are some quarters in the government who think that FSUs or STS operations are a thing of the past. They believe that everything must be shore-based, that people must come in and dump huge investments on land. But that is not necessarily so," lamented Amin.

"I have pointed out to the Performance Management & Delivery Unit (Pemandu) that this isn't true because the world has seen these STS operations being carried out like in the Gulf of Mexico, Houston and the Persian Gulf for so many years and will continue to go on. And they (Pemandu) were convinced. So now they have to bring this (matter) up to the right quarters to reverse the directive that put a stop to such activities in Johor waters," he said.

"Our ship-to-ship oil transfer operations have generated almost RM1 billion in contribution to the ports and other services sector (in Johor) since we started.

"Our idea was to promote this service and slowly we will have more value-added services established around it. But we didn't have time to develop it," he added.

Amin's main concern is that if Malaysia were to terminate STS activities in Johor waters totally, it may lose out to neighbouring Singapore and Indonesia in this market which has potential to grow much more based on requirements from China and other developing Asean nations.

"There have already been some negotiations and agreements between Singapore and Indonesia to create and develop these sort of harbour activities. And once they are entrenched in these areas and the business has moved on, it will be difficult to bring it back," he warned.

Amin noted that Johor has several inherent advantages over Singapore and Indonesia.

"Firstly, the Strait of Malacca is one of the world's busiest shipping channels and diverting the cargo from the straits to one of the slots in Johor waters takes little diversion time.

"Secondly, Johor waters are sheltered from strong winds and rough seas. So, it is a safe haven for this STS operations," he said.

Meanwhile, Century remains on the lookout for possible acquisitions to expand its business and meet growth targets.

As at Sept 30, 2013, its cash position stood at RM39.35 million.

"We are talking to about two local parties and a few foreign companies, but they are still in their early stages... the 'dating' stage," said Amin.

He also said next year, Century will spend more than the RM32.8 million allocation for capital expenditure (capex) in FY13.

"The capex will be for fleet expansion, to upgrade our technology and possible M&As."

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