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Destined for bigger things

Destini secures maiden rail job and aims to be a billion-dollar company

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Datuk Rozabil Abdul Rahman, the major shareholder and head honcho of Destini Bhd, has been keeping a hectic schedule and travelling quite a bit of late.

But this is nothing unusual for the 44-year-old, who wants to build the company into a billion-dollar one and increase its reach.

This week was especially a meaningful one.

The engineering specialist company that caters to the aviation, marine, and oil and gas (O&G) sectors clinched its maiden rail job worth RM62mil, marking its diversification into a sector that is a key focus of the Government's transportation policy.

The contract from the Transport Ministry is for the design, manufacture, supply, delivery, testing and commissioning of new motor trolley and road rail vehicles for national railway operator, Keretapi Tanah Melayu Bhd.

The contract is expected to last for two years till July 2018.

The fast pace does not seem to have weighed down on him either.

"We want to be a billion-dollar company and we believe that we can achieve it in the near future, hopefully in three years.

"Our dream is to be known as a home-grown multinational.

"There are still a lot of opportunities out there and we don't want to be late in seizing them ... sometimes I think that 24 hours in a day is not enough for us," quips the affable group managing director.

The stock's market capitalisation stood at RM552mil based on the price of 56 sen a share at last look.

With the latest award, the group's order book now stands at RM730mil, while it has tendered for over RM1bil worth of jobs, including those in the rail sector.

Rozabil: 'We want to be a billion-dollar company and we believe that we can achieve it in the near future, hopefully in three years.'

3-year plan

He says the company has initiated a three-year plan to strengthen its core business, while seeking to expand its scope of work into other areas within the rail sector.

It has submitted tenders for rail maintenance, repair and overhaul (MRO) and manufacturing projects and hopes to bag more deals within this year.

It plans to expand into the overseas rail sector once it has established itself here.

According to Rozabil, the diversification is a culmination of one year's effort and synergistic, given the group's capabilities in engineering MRO.

An analyst says that if Destini succeeds in clinching rail MRO jobs, then it stands to reap recurring income over a period of time.

For now, Rozabil declines to reveal how big rail will feature in the scheme of things, saying "it will be significant in the future".

Marine and aviation make up the bulk of its revenue at 58% and 31%, respectively, while O&G contributes 10%.

In the first quarter ended March 31, 2016 (Q1'16), it made a net profit of RM7.17mil from RM853,000 in the same period before due to higher demand for MRO services and marine manufacturing services.

Turnover for that period was up to RM81.75mil from RM37.95mil previously.

For the financial year ended Dec 31, 2015 (FY15), net profit came in at RM21.08mil, up from RM16.57mil before.

Destini is now a different corporate entity since the days it was known as Satang Holdings Bhd - a Practice Note 17 (PN17) stock in May 2008..

In 2011, Rozabil came on board to turn around the company and it came out of the PN17 category two years later.

Oil and gas

Following a series of acquisitions over the years, it ventured into new businesses, namely, O&G services, marine MRO services and lifeboat manufacturing, launching it into the commercial playing field.

The company had traditionally been reliant on Government aviation MRO work related to the defence sector.

With this, it now has presence in Asia, Europe, the Middle East, North America, Oceania and Africa.

Earnings-wise, it has been growing at a compounded annual growth rate of 17% in the last three years.

The stock's transformation has not escaped the eye of some institutional investors.

It counts Norway's Norges Bank Investment Management, the world's biggest wealth fund, as a shareholder, albeit with a small stake of 1.58%.

Other notable shareholders are the Ministry of Finance Inc with 20,5%, while Destination Marine Services has 11.64%.

Rozabil is Destini's single largest shareholder with a 25.24% interest, held through BHP Capital Sdn Bhd.

AirAsia tie-up

In July last year, Destini inked a strategic outsourcing exercise with AirAsia Bhd to handle the latter's aircraft MRO.

Under this agreement, the airline would outsource in stages its technical handling, component MRO and hangar-based MRO services for four airports, namely, Kota Kinabalu, Kuching, Penang and Langkawi, to Destini's aviation unit.

Based on an expected 60,000 turnarounds (of planes) by 2018 from the 5,000 it does now, these services would contribute about RM100mil per year to revenue based on the average US$400 charge per turnaround, notes UOB Kay Hian Research in a recent report.

One game-changer, according to the research firm, is if Destini is able to secure a sizeable aviation MRO contract from the United Arab Emirates (UAE), where the company is in the final stages of signing a definitive agreement with the Advanced Military Maintenance, Repair and Overhaul Center LLC (AMMROC).

The tie-up, once sealed, could pave the way for Destini to expand its aviation MRO services from AMMROC's upcoming state-of-the-art facility in Al Ain, Abu Dhabi in the UAE. The 1.2 million-square-feet facility is slated to be the world's largest dedicated MRO military centre.

The company's O&G division was not spared the impact of subdued crude oil prices. However, the division has since been restructured involving the resizing of manpower and a rig shutdown that has resulted in a turnaround in Q1'16 after an RM4.24mil net loss in FY15.

Rozabil says the company will exercise prudence in the way it runs its business, having learnt its lessons from the Satang episode a few years ago.

As at the end of March, Destini's net gearing level stood at 7%. Long-term borrowings stood at RM28mil, while short-term ones totalled RM20.47mil.

Its cash, meanwhile, stood at RM11mil.