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KUALA LUMPUR: Malaysia's oil & gas services and equipment (OGSE) industry is showing a gradual recovery following headwinds of recent years, but efforts are needed to ensure OGSE companies are positioned for long-term growth.

In its eighth annual OGSE100 publication released yesterday, Malaysia Petroleum Resources Corporation (MPRC) said that the local OGSE industry returned to the black in fiscal year 2021 (FY2021), recording profit before tax (PBT) of RM4.2 billion after posting a loss before tax of RM3.7 billion the year before.

68% of the OGSE industry reported profits in FY2021, with the OGSE100, consisting of Malaysia's top OGSE companies by revenue, accounting for 90% of industry profits. For FY2021, the OGSE100 reported PBT of RM3.7 billion from losses of RM3.5 billion in FY2020.

In a statement, MPRC president/CEO Mohd Yazid Ja'afar said, "Findings from the FY2021 OGSE100, which typically lag by one year due to the availability of private company information from the Companies Commission of Malaysia, show that the performance of the OGSE industry reached a turning point in 2021. This was in tandem with improving economic and business conditions following the recovery from the Covid-19 crisis."

He added that some of the improved performance in the OGSE industry could be attributed to a larger population of 2,376 companies accounted for in FY2021, against a population of 1,328 in FY2020. The lower population in FY2020 was mainly due to the exclusion of companies that submitted their FY2020 accounts late following the Covid-19 crisis.

Notwithstanding the larger industry population, financial results of public-listed OGSE companies for FY2022 as reported in filings to Bursa Malaysia Securities Bhd also indicated business recovery as the reason for their improved earnings.

"Positive newsflow has also emerged on the award of new contracts and expectations for higher rates, which augur well for OGSE companies," added Mohd Yazid.

He also said OGSE100 FY2021 showed other positive indicators on the health of the OGSE industry and these include growth in industry total fixed assets (TFA) to RM112 billion, which ended a downtrend that started in 2016. However, while the OGSE100 owned 96% of industry TFA in FY2021, the highest year-on-year (y-o-y) growth in industry TFA was contributed by small and medium-sized enterprises which accounted for a 121% y-o-y growth in TFA to RM2.7 billion.