

The Star

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Big plans for new venture

Oilcorp Bhd has been keeping relatively silent since its listing on Bursa Malaysia in 2003.

With the company now leading the fishing consortium, managing director Sunny Ng Huat Tian was in an ebullient mood when he met up with StarBiz deputy news editor JAGDEV SINGH SIDHU and journalist SHILING WOON for an interview last week. Below are excerpts of the interview.

HOW did you get the fishing consortium business?

It was an open tender where 21 tenders were submitted. Our proposal was creative and unique. The other members of the consortium are privately held companies, and they were selected based on their expertise.

You said your proposal for the fishing consortium was creative. In what way was it?

We had several people from Safma Fishing Sdn Bhd help us write the business proposal. The CEO and GM are now with us.

Our proposal was very simple in comparison. We came up with a 10-year programme and looked at the macro view rather than looking at certain locations.

In the second phase, we can do some mergers and acquisitions (M&As) with some Indonesian companies or go to the Mauritius or Maldives. The proposal will also mesh with our plans for a hotel in Pulau Indah, which will be built over the next three to five years.

In terms of deep-sea fishing, there's a huge amount of logistics involved from the time you catch the fish until it is in the market. How do you plan to address that?

When you're talking about fish trawling and purse seining, there is a difference. Trawling will mean catching everything but with purse seining, it is close to the surface to catch fish for the dining table.

Purse seining and trawling would only take a day or two before the fish is brought back to land.

The fish will be fresh and the meat is tougher compared with fresh water fish where the meat is soft. Either trawling or purse seining, it's 30 nautical miles going out and coming back, and in Kuantan, the fishermen there who do trawling and purse seining don't even have to go out 30 nautical miles to return with a boat full of fish.

Tuna fishing at this moment is carried out by foreigners, mainly Taiwanese and Thais. First grade fresh tuna – where it is sold less than a month after being caught – is sold in Japan. One kg of fresh tuna can fetch around RM50.

The second and third grade may fetch RM2 to RM3 per kg. If you go into loin or tuna steak, you can sell for RM8 to RM10 per kg. After that, canning comes in.

In terms of logistics for catching tuna, you can have a logistics boat where it can hold and process the fish caught by 10 smaller boats.

The first-grade fish can be sent to Japan or the US. Assuming that 10kg of tuna are caught, 5kg will be fresh and the rest are second and third grades.

And from the second and third grades, tuna loin and steak can be cut and exported. We are looking forward to doing that with tuna fishing.

What about demand for fish in Malaysia?

Malaysians are the fourth or fifth biggest consumers of fish in the world. You are talking about a RM4bil industry and if we capture 25% of that, then it is RM1bil.

What is the margin in fishing?

It depends on how fresh the fish is and the demand. For tuna, the price of first-grade loin or steak is very good.

The recovery period we are looking at is based on an assumption of between three and five years. There are not many businesses that have such a short recovery period.

With fishing, it's about taking boats out to the deep sea and fish. If there is any damage to a vessel, it's only one boat. The risk is spread out.

Our second and third phases, about five years down the road, will be very huge. If we are able to replace the 300 chartered vessels, we would easily have a turnover of RM500mil to RM1bil. That is as good as a blue-chip stock.

How are you going to penetrate the market and are there barriers of entry?

With the Malaysian and Singapore markets, we can be price competitive and the market is very big. Malaysia is a net importer of fish.

When are you going to start?

Within this year, you will be able to see something. Whether it is purse seining, trawling or tuna fishing, whichever comes first, we will do.

For purse seining and tuna fishing, we are trying to make the vessels from fibreboard rather than from steel or wood to save cost. For trawling, we have to use steel because it is heavy work.

How would you penetrate the domestic market?

Any fish we catch, if it can be exported, we will do that. Otherwise, we will sell the fish to a one-stop centre distributor.

We will only get into factories when our catch gets larger.

Will it be easy to get fishermen to work?

The problem is getting workers. Nobody wants to be a fisherman but we are trying to work with agencies to overcome this by training locals. The first markets we are going to tap for labour are Indonesia and Thailand. For captains, it will be Malaysians.

The problem will be for tuna fishing where fishermen are required to stay at sea much longer than those conducting purse seining.

How is Oilcorp going to fund this activity with gearing level at around 80% and cash at just over RM1mil?

For projects, we go for project financing. KPNB in the long run will need financial assistance, and we can raise cash by selling bonds. We have started talks and the reaction so far is favourable.

Is the business capital intensive?

Capital expenditure is not big. When we build vessels, they will be used to catch fish, and with the profits from that, investments into new boats can be made.