



By Shuhail Kassar

WZ Satu Bhd executive chairman and group CEO Tengku Datuk Seri Uzir Ubaiddillah is confident the transformation plan he started for the ailing steel manufacturer is on track despite

falling oil prices and the moratorium on bauxite production.

Although the plan he conceived to turn around the group has evolved over the years to suit market conditions, Uzir says key milestones have still been achieved.

Formerly known as Weng Zheng Resources Bhd or WZ Steel Bhd, the group's core operations have been shifted from manufacturing and trading of precision cold drawn steel bars, to civil engineering and construction, oil and gas and bauxite mining in the last few years.

Besides new core operations, Uzir says he is also examining other existing businesses to explore ways to enhance shareholders' value.

The group has posted much better results in the last two years. Turnover jumped four-fold to RM351 mil last year from RM87 mil in 2013. Net profit rose to RM20.4 mil from RM2.7 mil, and shareholders' fund grew to RM247 mil from RM72.4 mil.

The results, says Uzir, speak for themselves and testify to WZ Satu's continuous positive momentum.

However, he says the current global market conditions for the oil and gas (O&G) industry, coupled with the bauxite production moratorium, are areas of concern for shareholders.

Double whammy

The decline in global crude oil prices is an old tune, but fresh concerns were sparked earlier this year after prices fell to below US\$30 per barrel, following increased production in the US and the lifting of sanctions blocking Iran from importing Western oil field technology and equipment. At press time, Brent ice was trading at US\$33.79 per barrel.

The depressed oil market has put O&G players in a difficult position, but Uzir sees the downturn as an opportunity to reposition the group and improve its operational efficiencies to remain competitive.

"Misi Setia is in a slightly better position compared to upstream players, since we cater mainly to the downstream segment of the industry. We have managed to secure some work in Rapid (Refinery and Petrochemical Integrated Development) project, so we believe Misi Setia will still be profitable," he says.

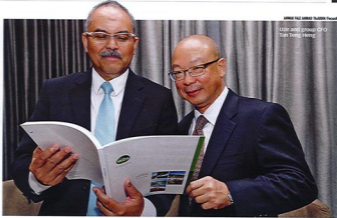
However, he admits the O&G division's gross margins have declined by at least 50%.

The Rapid project in Pengerang, Johor, carried out by Petrolim Nasional Bhd (Petronas), will include a crude oil refinery and petrochemical complex capable of processing 300,000 barrels per day.

Despite slashing its capital and operating expenditure by as much as RM30 bil over the next five years, Petronas has indicated there will be no slowdown in its implementation of Rapid, which is expected to be completed by 2019.

Although WZ Satu's bauxite mining division has ceased production, Uzir is nevertheless positive as the government still allows the accumulated bauxite ore stockpile at Kuantan Port to be exported.

As the group's stockpile is about



Uzir and group CEO Tan Teng Heng

WZ Satu well-positioned to weather setbacks

Chairman says transformation plan on track despite falling oil prices, moratorium on bauxite production

100,000 tonnes, he says the moratorium will impact it only for the short term.

"Once we are allowed to continue with our production and sales in April, I hope we can actually make up for lost time by increasing production. Once those illegal or non-conforming miners have been weeded out, there is a vacuum that can easily be filled, not just by us but also other players," says Uzir.

He adds that his larger concern is the potential drop in commodity prices, but believes the group will be slightly sheltered from this as bauxite exports are transacted in US dollars.

The journey thus far

Not much was known of Uzir before he emerged as WZ Satu's substantial shareholder in August 2013, with an initial equity interest of 11.04% or 10.9 mil shares. In a previous interview with FocusM, Uzir said he had been an investor in the group for some time.

Once he had built up a substantial stake, he appealed to WZ Satu's founder and largest stakeholder then, Tan Ching Kee, to allow him to undertake a business diversification plan as the steel business did not create extra value for the company.

At that time, Uzir said both the construction and O&G industries were "places to be" to lift WZ Satu out of the doldrums.

Subsequently, he embarked on an aggressive acquisition trail beginning with a 49% stake in SE Satu Sdn Bhd for RM490,000 on Dec 3 2013, which he saw as an opportunity to tap China's rising demand for bauxite ore.

SE Satu secured a 36-month exclusive bauxite ore mining contract in January

2014 from Tanah Makmur Bhd, which Uzir has a 6.6% stake.

On Jan 10, 2014, WZ Satu acquired KenKeong Sdn Bhd for RM27.5 M. The company, now known as WZS KenKeong Sdn Bhd, is a civil and engineering contractor specialising in infrastructure development projects.

In July that year, WZ Satu proposed to acquire Misi Setia Oil & Gas Sdn Bhd for RM27 mil, which came with an average guaranteed profit of RM4 mil per annum

from 2015 to 2017.

Misi Setia is involved mainly in the design, procurement, fabrication, installation and commissioning of skid packages, onshore O&G pipeline transmission systems and plant terminal projects. It is also into O&G product trading and providing after-sales services.

Uzir does not dismiss the possibility of acquiring another asset for the O&G division, but says the group is selective.

Light at the end of the tunnel

The main driver for the group this year will still be its bauxite mining division, says Uzir.

"My aim this year is to match the RM18.5 mil in profit for this division that we saw in 2015. Overall, bauxite mining will probably generate about 55% of this year's profit [to the group]," he says.

At the same time, he also foresees higher contribution from the civil engineering and construction division.

The group was awarded a RM499 mil job for the West Coast Expressway project last year, but intends to compete for more packages.

It has also been prequalified for eight packages in Projek Lintasan Kota Holdings Sdn Bhd's Sungai Besi-Ulu Kelang Elevated Expressway and the Damansara-Shah Alam Elevated Expressway.

WZ Satu can bank on its collaboration with UEM Group Bhd for the Central Spine project, comprising road development from Manjalis, Palsang to Kota Bharu, Kelantan.

It also wants to be the project lead for the Pan Borneo highway project, for which it has signed a letter of collaboration with Konsortium PKMM Bina Sdn Bhd to collaborate on the prequalification for development and upgrading the highway.

For the current financial year ending Aug 31, Uzir says he anticipates a 30-40% jump in group revenue from higher contributions from civil engineering and construction activities.

WZ Satu has a tender book of about RM3 bil bid and order book of RM680 mil, which is expected to sustain it for the next two to three years. It aims to increase this to RM1 bil by end-FY16.

For its manufacturing business, Uzir says he is in talks with a prospective overseas buyer to sell its Indonesian operations and hopes to conclude the sale next month.

WZ SATU BHD

KEY BOARD MEMBERS AND MANAGEMENT

TENGGU DATUK SERI UZIR TENGGU UBAIDILLAH
(executive chairman/CEO)

DATUK WILLIAM TAN CHEE KEENG
(senior executive director/CDO)

TAN TENG HENG (executive director/COO)

MAJOR SHAREHOLDERS

Tengku Datuk Seri Uzir Tengku Ubaiddillah	23.9%
Tan Ching Kee	15.37%
Lembaga Tabung Haji	6.82%
ONG Lai Weng	5.4%

MARKET CAP (As at 10)	RM206.0m
SHARE PRICE (As at 10)	RM1.03
SE-NSEK HIGH (April 30, 2015)	RM1.03
SE-NSEK LOW (Jan 26, 2010)	RM1.02

FINANCIAL RESULTS (Q1 ended Feb 28, 2015)	
REVENUE	RM102.0m
NET PROFIT	RM4.4m