

Smooth sailing in murky waters

Consolidated Pipe Carriers is riding on strong demand from Australasia and South America for revenue growth. Managing director Alvin Lim tells **JAMIE LEE** of the M&A opportunities that his company is eyeing today

MARINE transportation company Consolidated Pipe Carriers (CPC) expects at least a 10 per cent increase in revenue next year on the back of strong demand from parts of Australasia and South America, a senior executive told BT.

This comes as CPC – which delivers pipes used for construction of facilities used in the oil and gas sector – has put in tenders for projects worth at least US\$350 million over three years, said managing director Alvin Lim in a recent interview.

“Conservatively, we’ve put it at 10 per cent,” said Mr Lim, referring to the increase in sales next year.

“It’s more Australasia next year,” he added, noting that the government there is now impatient with oil majors delaying their projects and expects these companies to get the projects rolled out soon.

“We have tendered for jobs worth more than US\$350 million over the next three years,” Mr Lim added.

CPC said it differentiates itself by moving pipes using a hybrid system that merges the tug and barge, as well as the platform supply vessel system – two traditional methods that move pipes of different load sizes and at different speeds. This offers up to 20 per cent in cost savings for clients, Mr Lim said.

Customers include specialist underwater engineering firm Acergy, which hired CPC recently to transport pipes for a gas field of Brazil’s Petrobras.

The company, which was started in

2000 in Denmark, moved its headquarters to Singapore in 2004 with Mr Lim at the helm.

CPC – one of the Enterprise 50 Award winners this year – made \$105 million in sales in 2008, thanks to revenue growth from the Middle East. This market has contributed about half of total sales over the last two years, with the rest coming from the remaining key markets of South America, Australasia and India.

CPC expects to match its 2008 revenue figures, with this year’s sales likely to be just “off one to 2 per cent”, said Mr Lim.

He added that these sales would be from ongoing projects that came in before the financial crisis struck last year.

“There were a lot of suspensions but no cancellations,” he added. “We were fortunate because we had ongoing work to tide us through. We had a slight dip but we managed to ride it through, thankfully.”

CPC is also looking to buy distressed assets that could boost market share and drive down its operating costs, said Mr Lim.

“I told my shareholders that it’s time to go shopping. We are cautiously approaching that,” he said. These would be purchases in CPC’s key markets, though Mr Lim did not reveal any targets.

Over the last one year, CPC has already made a couple of distressed purchases, including buying a chartered vessel that the company uses to move pipes for its clients.

Under a typical agreement with clients, CPC will provide a certain number of vessels and guarantee that a fixed amount of offshore pipes is delivered daily for a certain duration.

This means that if CPC misses delivery deadlines, it has to compensate clients for the delay, making it important for proper control of the charter process.

“Charter hire cost is a big chunk of our project expense. By being able to own a certain percentage of our requirements, we were able to reduce the overall costs for one or two projects,” said Mr Lim. “You can imagine if you own these vessels, our costs will come down invariably.”

Despite this, the company expects to remain asset-light and currently owns fewer than 10 vessels. This is less than 30 per cent of the total number of chartered vessels during peak period, which stands at 60. “As long as our ratio is about 30 per cent, we should be able to have reasonable margins,” said Mr Lim.

While it might appear to be smooth sailing ahead, the company is conscious of the competition that could come from the very people they serve.

“Our clients are our biggest competitors because if they choose to go at it alone, then there’s no need for somebody to look at cost savings,” said Mr Lim.

With this in mind, the company is now developing a new hybrid transportation vessel to stay ahead of the curve and keep its competitors at bay.



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