

# Analysts give oil and gas sector top marks

## Big opportunities seen in onshore and offshore developments

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**PETALING JAYA:** With oil and gas counters among the fastest recovering stocks in the market after the recent sell-down, the booming sector remains favourable to analysts.

OSK Securities analyst Chris Eng sees continued "big opportunities" in both onshore and offshore developments.

Offshore, he cites foreign oil-major Newfields' plan to drill 10 to 12 exploration wells in Malaysia this year.

Onshore, the Bintulu-Kimanis pipeline that will draw the deep-water gas offshore Sabah to the liquefied natural gas complex in Bintulu, Sarawak, is at the bidding stage.

The project was set to benefit companies such as Petronas Gas Bhd which would operate the pipeline and Sabah-based oil and gas civil works contractor Naim Cendera Holdings Bhd, Eng said.

The pipeline is tentatively scheduled for completion in 2010.

Eng also currently has a focus on



companies that own rigs and offshore vessels that are commanding high charter rates in the region.

OSK Securities likes Petronas Gas, KNM Group Bhd, Alam Maritim Resources Bhd and Tanjung Offshore Bhd.

An analyst at K&N Kenanga said he was positive on the sector in general but was targeting counters with international exposure.

He likes equipment fabricator KNM and pipe-coating expert Wah Seong Corp Bhd.



KNM was planning to expand its capacity by 52% within 2007 and by another 28% in 2008, he said.

"Considering the shortage of such capacity in the sector and together with its entry into higher margin items, this should contribute to growth in earnings," he said.

As for Wah Seong, this was a duopoly play with the company being only the other pipe-coating provider in the world after frontrunner, ShawCor Ltd of Canada, he said.

"We like the dynamics of the

international pipeline construction industry, with the number of pipelines in planning or construction growing 12% for the 12 months to August 2006 and a forecast 30% growth for the 12 months to August 2007," he said.

Wah Seong also recently posted strong quarter-on-quarter results, he said.

Aseambankers oil and gas analyst T.J. Liaw is "very positive" on the sector.

"The service providers to the industry are set to benefit from the continued strong domestic and global investment spending in the sector," he said.

The industry was also overdue for new and replacement rigs and vessels, Liaw said, adding that some rigs dated back to the 1970s.

"We expect a large number of rig contracts to be announced in Malaysia very soon," he said.

Aseambankers has "buy" calls on KNM, Tanjung Offshore, Alam Maritim, Eastern Pacific Industrial Corp Bhd, Dialog Group Bhd, Petronas Gas, Wah Seong and UMW Holdings Bhd.