

Think Big Strategy of SerbaDinamik Holdings Berhad: An Analysis

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ABSTRACT: *SerbaDinamik Holdings Bhd is a Malaysia-based investment holding company, which manages SerbaDinamik group. The Group is providing information technology (IT) solutions and energy service and engineering solutions mainly to the Oil and Gas (O&G) and power generation industries.*

KEY WORD: *SerbaDinamik, O&M, EPCC, O&G, Marketing, Consumer Market, Business Market, Market Segment and Targets, Brand Positioning, Brand Equity*

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I. INTRODUCTION AND LITERATURE REVIEW

SerbaDinamik Holdings Berhad (Serba), a publicly diversified traded Malaysian holding company was incorporated as a private limited company, under the name of SerbaDinamik Holdings SdnBhd on 2 December 2015, and was subsequently converted into a public limited company on 13 May 2016. Established in 1993, SerbaDinamik Holdings, through its subsidiaries, is an international energy services group providing integrated engineering solutions to the Oil & Gas (O&G), Petrochemical, Power Generation Industries, Water & Waste Water and Utilities.

Its main business is in operations and maintenance (O&M), and engineering, procurement, construction and commissioning (EPCC), IT Solutions and Education & Training. SerbaDinamik Holdings has operational offices in Malaysia, Indonesia, UAE, Bahrain, Qatar, Singapore, India and UK. Through its wholly-owned subsidiaries had acquired significant shares of local and international companies in order to enlarge its footprint into various segments and countries where the acquisition has a presence, but which Serba does not.

Its humble journey begins in 1993, on a 0.4 hectares piece of land as a small engineering workshop providing Maintenance, Repair and Overhaul (MRO) services for rotating equipment in Bintulu, Sarawak for the O&G industry. In 1997 the Serba became PETRONAS vendor and selected into PETRONAS vendor development program. With the advancement of expertise and trained workforce, Serba was awarded its first overseas MRO contract for an LNG Plant in Qatar in 2001. Due to growing demand, Serba has opened a second service centre in Paka, Terengganu in 2004 and trained up to 3000 people and more.

Looking at the vast opportunities globally, Serba has established itself in Indonesia in 2005. In 2013 Serba continues to drive forward with establishing an office in London and Bahrain to serve the customers in United Kingdom and Middle East. Now, Serba has its international presence in America, United Kingdom, Middle East, Turkmenistan and India, Tanzania, Malaysia, Indonesia and Australia.

With a solid business foundation, in February 2017 the Serba was listed in the Kuala Lumpur Stock Exchange (KLSE) with Initial Public Offering (IPO) at RM1.50 per IPO share comprise of a total 389.4mil shares. Up to date, Serba has been successfully securing major contracts globally and is on track to meet its RM10bil orderbook target by the end of Financial Year 2019 (“FY19F”). Market analysts firms such as Affin Hwang Capital considering SerbaDinamik Holdings will continue growing.

II. BUSINESS MARKETS

Since the beginning of this year, the RM1.7bil contracts, which have been announced to date, account for 44% of the group’s FY19F revenue. These have raised company’s outstanding order book by 8% Quarter on Quarter (QoQ) to RM9bil currently – on track to the year-end target of RM10bil. For the quarter ended 30 June 2019 (“Q2FY19”), the group recorded revenue of RM1,138.6mil which was 41.6% higher than corresponding quarter of the preceding year (“Q2FY18”) due to strong activities from O&M. More than 75% group’s revenue is from the provision of O&M services.

As the global integrated engineering services provider has been focusing on its core competency, which is maintenance, repair and overhaul (MRO) of rotating equipment, Serba also participate into business that have connection with their core business. Besides Operation and Maintenance (O&M) services, there are 5 other areas that Serba has to offer their expertise on. It has the capabilities in Engineering, Procurement, Construction

and Commissioning (EPCC), Education dan Training, Information Technology (IT) Solutions, System Integration (SI) and Global Trading.

Continuing growth is the key to business sustainability. As Serba expand its market globally, it need to engage with customer to better meet their need and expectation. Most of customers are among O&G operators, gas processing and oil refineries, petrochemical manufacturer, engineering companies and contractors and independent power producer.

Serba is able to capitalise on its experience and proven track record in both local and international markets to expand its business by undertaking larger size projects with higher technical complexity. Despite the challenging environment within the O&G upstream segment in the past four years due to spending cut by oil majors, Serba has managed to achieve commendable growth via several geographical expansions. Recall that prior to the plunge in oil prices, the O&M services were dominated by foreign established players. The fall in oil prices starting in mid-2014 prompted oil operators to embark on aggressive cost cutting. One of the options is to switch to services providers with better pricing and Serba capitalised on this opportunity to grab market share from foreign players. Additionally, being an independent MRO service provider, Serba is able to provide maintenance services on products of different brands rather than just one designated brand, allowing the company to capture a wider range of target markets. With these advantages, Serba has established strong relationship with some of its major clients for many years.

Serba has managed to market its services globally as they earned recognition through excellent track record and performance. Within these 25 years of business, Serba had received tens of award and achievement locally and internationally. It's also got various support from government agencies such as The Bumiputera Agenda Steering Unit (TERAJU) and Ministry of International Trade and Industry (MITI) to facilitate in term of new market entry and capital.

III. MARKET SEGMENTS AND TARGETS

Serba's niche segment of maintenance (O&M) services especially rotating equipment has high barriers of entry. This is due to the high precision and detailed engineering required for rotating equipment maintenance. As an independent maintenance provider, Serba is not restricted to servicing any specific brand of equipment. With its niche service offering, Serba has a wider scope of business opportunities and is not restricted to a single or a small number of clients. This segment contributed RM2.93bil in revenue in 2018.

Focusing on second major segment that have connection with their core competency is EPCC segment. EPCC is a general term referring to the responsibility to deliver an entire defined project. Serba carry out EPCC of plants, facilities, road infrastructure and buildings. This includes small hydropower plants, CNG plant, chloralkaline plant, biogas power plant, water treatment plants, microturbine generators, steel structures, piping system and firefighting system. Additionally, Serba recently entered into agreements to carry out EPCC works for mid-scale LNG facilities which includes an LNG terminal, regasification plant and road works. This segment contributed RM346.81mil in revenue in 2018.

The third segment that contributed RM7.81mil in revenue in 2018 comprise of activities such as process control and instrumentation, technical education and training, ICT services, supply of products and parts, as well as provision of logistics services. This segment is mentioned as other segment.

IV. BRAND POSITIONING AND BRAND EQUITY

SerbaDinamik strong performance in mostly high maintenance activities in Malaysia and Middle East has become a rising star in KLSE. Since listed in 2017, most of market analyst in Malaysia has made Serba as their recommendation to buy and several times classify the stock as outperform which is the expected total return is 10%. Having one of the best earning track record within the O&G industry, coupled with its outstanding management and best-in-class ROE against sector peers has made Serba as new corporate leader.

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