Company Name	**:**	**Destini Berhad**
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A Changing Destini

Rozabil: History shows that when I took over Destini and managed to turn around the company within a year, I had run it as a businessman and not as a politician.

THAT a lack of corporate governance can lead to financial irregularities, and threaten the survival of a company, is something that Destini Bhd knows full well.

Having come a long way from a decade ago, when the integrated engineering solutions provider – then known as Satang Holdings Bhd – was embroiled in financial irregularities that almost brought the company down, Destini is now more determined than ever to have its business run in a transparent and accountable manner.

That's what Datuk Rozabil Abdul Rahman (pic), president and group chief executive officer of Destini, told reporters recently after the company's AGM over the week.

"I will make sure that the company will continue to be run professionally, as an entrepreneur, with adherence to corporate governance," he asserts.

Rozabil, who is the Arau Umno division vice-chief, controls Destini, a company that is mainly in the business of maintenance, repair and overhaul (MRO) of planes and patrol vessels.

He has a 4.16% direct stake, and an indirect interest of 21.05% in the company that is also in the oil and gas (O&G) business where it undertakes decommissioning of oil wells.

The second-largest shareholder in Destini is Aroma Teraju Sdn Bhd, a Finance Ministry-controlled entity, with a 17.3% stake.

Despite perception that Destini’s fortunes are tightly connected to the previous government under Barisan Nasional – by virtue of its heavy dependence on government contracts – Rozabil calls on investors to judge on its performance since he took over the company and the future plans that he has in store for it.

He further stresses that his political alignment is not a factor in determining the company’s fortunes.

“History shows that when I took over Destini and managed to turn around the company within a year, I had run it as a businessman and not as a politician,” Rozabil says.

“The result speaks for itself ... I cannot control people’s perception,” he adds.

Business turnaround

When Rozabil emerged in Destini in early 2011, his main purpose was to turn around the company, which was then still known as Satang.

Since taking over the helm, Rozabil has managed to grow the company’s business outside the Malaysian shores and the company has turned consistently profitable since 2012.

Among the restructuring initiatives undertaken is the strategic acquisitions of various companies to diversify Destini’s income stream.

These include Vanguard Composite Engineering Pte Ltd, a Singapore-based company involved in the manufacturing, servicing and maintenance of lifeboats, life rafts and davit systems; and Samudra Oil Services Sdn Bhd, which is involved in the provision of tubular handling services in the O&G sector and is a Petroliam Nasional Bhd licence holder.

Satang ran into trouble in 2008 after facing auditing issues, which revealed that its unaudited net profit for the financial year ended Sept 30, 2007 had been overstated by a staggering 631%. The company actually posted a net loss of RM26.71mil instead of a net profit of RM5.02mil as was previously stated in its unaudited financial results.

Satang slipped into the Practice Note 17 (PN17) status in May 2008 and had its stock suspended from trading for nearly three years from July 2009.

In 2011, the regulators publicly reprimanded Satang and fined the board of directors a total of RM180,000 for breaching Main Market listing requirements by failing to maintain an audit committee since Nov 1, 2010.

The company changed its name to Destini in September 2011. And following a regularisation plan, Destini was lifted out of PN17 category in April 2013.

Open tender

Destini’s shares have succumbed to heavy selling in recent weeks after the 14th General Election (GE14) that saw a change in government to Pakatan Harapan. This is because of the view that it is one of the politically-linked stocks with huge reliance on government contracts.

On that note, Rozabil says his focus remains on building up the business of Destini. He will not be distracted by the company’s recent share price performance.

“My focus is to build up the business, and let the company’s performance speak for itself,” he says.

“I’m here to manage the business to ensure that it consistently generates good profits and dividends to shareholders,” he adds, pointing to the company’s recently approved dividend policy of between 30% and 40% of net profit as a sign of its commitment to shareholders.

To reduce Destini’s reliance on government jobs, which contributed close to 80% of its revenue in 2012, Rozabil says the group will continue to seek more private commercial jobs and expand its reach geographically to fuel growth.

“Right now, our dependence on government contracts is still high but since last year, we have been quite active in seeking more commercial jobs,” Rozabil says.

He aims to change Destini’s revenue composition to 60% commercial projects and 40% government jobs within the next three years.

In addition, he expects overseas jobs to contribute around 30% to 40% of the group’s revenue, driven by O&G and marine fabrication works in Singapore, in the next two to three years.

Besides Malaysia, Destini has operations in Myanmar, Singapore, China, Australia, the United Kingdom and the Middle East.

Meanwhile, on Pakatan government’s open tender policy, Rozabil remains confident that Destini will stand to benefit.

“It is better to have an open tender exercise so that everybody can participate and whoever is the best in that industry will secure the contract.

“I believe we stand a better chance to secure contracts based on our financial strength and capabilities,” he adds.

Destini saw its net profit fall 22.9% to RM7.75mil in the first quarter ended March 31, 2018, from RM10.05mil in the corresponding period last year.

The decline in its earnings was mainly attributable to lower contribution from the aviation manufacturing services.

During the period in review, Destini's earnings per share fell to 0.67 sen from 0.87 sen in the previous corresponding period.

The group's revenue dropped 38.5% to RM137.57mil from RM223.72mil. The main contributor to the decreased in revenue was aviation manufacturing services.

According to CIMB Research, Destini is expected to recognise revenue from the sale of six helicopters to the Defence Ministry (Mindef) in the second quarter of this year. Valued at RM322mil, the helicopter contract is to be completed by August this year. Revenue from the contract should help boost Destini's earnings, the brokerage says.

"The company is expected to start MRO services from August 2019 onwards, after the one-year warranty expires for the six military helicopters to be delivered to Mindef by August 2018. We estimate the helicopter MRO business with Mindef could be worth RM40mil annually for Destini.

"We would not be surprised if the Government orders more military helicopters from Destini in the near future, providing a likely boost to Destini's MRO business," CIMB Research says in its recent report.

In general, the brokerage expects Destini to generate more than 80% of its revenue from the marine and aviation sectors in 2018.

"We expect the marine revenue to be driven by the construction of New Generation Patrol Craft and Offshore Patrol Vessels for the Marine Maritime Enforcement Agency, to be delivered by 2018 and 2020, respectively.

"We expect Destini to also bid for MRO contracts for these vessels upon the completion of their construction," CIMB Research says.

In addition, the brokerage says it does not expect Destini's business to be significantly affected by the election of Pakatan as the new government.

CIMB Research maintains its "add" rating on Destini, with a target price of 60 sen based on 17.6 times estimated earnings for 2019.

Destini's shares rose 2.5 sen yesterday to close at 26 sen. This compared with its last traded price of 43 sen on May 8, a day before GE14. Year-to-date, Destini's share price had fallen about 50%.