Company Name **: Destini Berhad**
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Destini To Work Harder To Win Contracts

CGS-CIMB Research is forecasting that Destini will be profitable again in financial year 2021 (FY21)-FY22. That is on the assumption that there will be more contract flows in the aviation and oil and gas (O&G) sectors.

PETALING JAYA: Destini Bhd may have won two contracts recently but the jobs would not move the needle much even though it plans to work harder to win more contracts in the future, CGS-CIMB Research said in a note.

The research house is now forecasting that Destini will be profitable again in financial year 2021 (FY21)-FY22. That is on the assumption that there will be more contract flows in the aviation and oil and gas (O&G) sectors.

However, it remains mindful of Destini's operating cash-flow deficit risks. That prompted it to reiterate its "reduce'' call on the stock with a target price of 12 sen.

"We now reiterate our earlier optimism for Destini's O&G venture, which mainly provides tubular handling and offshore decommissioning services, '' the research house said.

It said the 2020 oil price crash may defer Petronas' plans for offshore decommissioning, instead of axing them altogether.

Most of the 300 oil platforms in Malaysian waters have been operating for more than 40 years and only a handful of those have been successfully decommissioned, the report said.

The research house added that "its FY21-FY22 earnings revision hinges on new contract wins.

Without them, Destini is likely to stay in the red. A possible snap election "may also put Destini's earnings in jeopardy".

This is so since 70% of its revenue comes from government-related contracts, and a change in government may bring policy changes that could affect Destini's financials.

"There is also the question of how Destini's cashflow would fare after its businesses were disrupted by the lockdowns in Malaysia and China.

"If Destini remains in an operating cash flow deficit after the first quarter, this could spell trouble for the group, '' the research house said.

On a positive note, it said the group relayed that its recent RM15.2mil proceeds after the share placement should be sufficient for its immediate working capital needs.

There is little room to trim operating cost but Destini has instituted aggressive salary reductions on a group-wide level and some workers in some operating units have had their salaries cut by as much as 50%.

This was done to help lighten the group's operating expenses, as its businesses were heavily affected by closures during the lockdown, the research house said.

Its two recent contract wins were a three-year sub-contract worth RM17.4mil to provide mechanical and electrical systems and a three-year contract for RM121mil to provide non-proprietary aircraft parts to the Royal Malaysian Air Force.