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Tax incentive extension and widening fleet bolster Orkim's outlook

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BIMB Securities Research retained its existing forecasts pending further management details and the third-quarter results.

PETALING JAYA: The extension of the shipping tax exemption under Budget 2027 provides greater clarity on Orkim Bhd's tax outlook and removes any uncertainty surrounding the continuation of the incentive, according to RHB Research.

The research house expects Orkim's effective tax rate to remain around 2%, subject to continued compliance with eligibility requirements.

"This should support after-tax earnings visibility and reduce uncertainty surrounding our tax assumptions," it said.

RHB Research maintained its "buy" recommendation and RM1.14 target price, based on 12 times forecast financial year 2027 earnings.

It also highlighted the early delivery of MT Orkim Jade, the group's 21st vessel, which increased total fleet capacity by 5.4% to 281,534 deadweight tonnes (DWT).

"The vessel is expected to commence commercial operations this month, supported by a long-term consecutive voyage charter with Shell Malaysia.

"The early delivery is positive, bringing forward earnings contributions and providing greater earnings visibility," RHB Research said.

RHB Research said fleet renewal would continue, with five additional vessels planned between 2027 and 2029 alongside disposals of older tankers.

"Overall, we view the programme positively as it should enhance fleet quality, operational efficiency, and long-term competitiveness, with no change to our earnings forecasts," it said.

Meanwhile, BIMB Securities Research maintained its "buy" call and RM1.05 target price following Orkim's contracts for two additional 9,000-DWT product oil tankers.

The research house said the contracts with Fujian Southeast Shipbuilding Co Ltd and Fujian Mawei Shipbuilding Ltd totalled approximately RM153.6mil, with deliveries scheduled for Dec 2028 and Dec 2029.

"We view the latest orders as a continuation of Orkim's disciplined fleet renewal strategy," it said.

"Additionally, adding new vessels should help maintain a relatively young fleet profile, improve operating efficiency and reduce the risk of rising maintenance expenditure given the technologically advanced tonnage," it added.

BIMB Securities Research said the vessels could also secure charter rates that better reflected prevailing market conditions. It estimated annual revenue of RM36.3mil and earnings before interest, tax, depreciation and amortisation of RM18.9mil at normalised full-year operations, with annual profit after tax ranging from RM3.4mil to RM12.2mil.

However, BIMB Securities Research retained its existing forecasts pending further management details and the third-quarter results.

"The latest expansion reinforces Orkim's commitment to fleet rejuvenation, increases its capacity to capture chartering opportunities and should support earnings growth," the research house added.

"Assuming a total capital expenditure of RM153.6mil, debt to equity of 80:20, we estimate these vessels could generate annual revenue of approximately RM36.3mil."