Dolphin ventures into biogas

Company sees new revenue stream and higher CPO extraction rates

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PETALING JAYA: Palm oil mill manufacturer Dolphin International Bhd is entering the biogas business and changing its business model to earn more recurring income, following the acquisition of a biogas company which already has a 16-year concession to sell its renewable energy (RE) to Tenaga Nasional Bhd (TNB).

Dolphin managing director Eric Low Teck Yin said it was looking to offer customers new long-term solutions that could see new revenue streams from electrifying biogas and higher palm oil extraction rates in their mills.

"Because the whole landscape is changing, we need a new business model or new products because we can no longer rely on our bread-and-butter business. We have to move away from our traditional business," said Low.

Last December, Dolphin acquired a 100% stake in Biogas Sulpom Sdn Bhd (BSSB) for RM300,000. BSSB is primarily involved in the business of manufacturing, processing and supplying biogas.

The Sustainable Energy Development Authority of Malaysia (Seda) had granted BSSB the feed-in approval for a 2MW biogas plant to sell its RE to TNB under the Seda feed-in tariff system for a period of 16 years, commencing from Jan 2, 2017.

The scheduled feed-in tariff commencement date has subsequently been extended to Dec 31, 2017.

The deal also includes the subscription and shareholders agreement between Dolphin, its wholly owned subsidiary Dolphin Biogas Sdn Bhd and Seri Ulu Langat Palm Oil Mill Sdn Bhd. Dolphin will hold a majority stake in this joint venture.

Following the completion of this proposed acquisition, Dolphin and BSSB will commence the planning and implementation of the design and construction of the plant.

Low: 'We have to move away from our traditional business.'

Low said the financing of the plant would come from a combination of internally generated funds and bank borrowings.

"Upon the completion of the construction and full commissioning of the plant, BSSB will be able to sell its RE to TNB under the Seda feed-in tariff system for a period of 16 years," said Low.

This business diversification is not surprising, considering Dolphin made its first financial year loss in its 25-year history, where it was hit by the weakening ringgit and low crude palm oil (CPO) prices, which resulted in lower production as customers tightened their capital expenditure budgets.

Dolphin said it could no longer rely on its nearly three-decade-old business model to bring in revenue.

The company supplies and maintains palm oil extraction machines to mills in South-East Asia.

Dolphin posted a loss of RM2.45mil for its nine months to Sept 30, 2016, compared to RM465,000 net profit for the same period in 2015.

Its share value has halved to 35 sen from its IPO price of 72 sen.

Research house Kenanga Research last year downgraded Dolphin's shares to a "sell" due to a diminishing order book and considered it overvalued compared to its competitors.

Low also revealed that Dolphin had invented a new machine based on research by Universiti Putra Malaysia to reduce the loss of palm oil in the refinery.

"It's called Robo-Rest," he said. "If your oil extraction rate is 19%, it will make it 20%. The extra could run into millions in profit, which otherwise would have been wasted."

He said Dolphin was considering renting or selling this new machine to mills and discussing a profit-sharing basis with clients on the extra palm oil they make from Robo-Rest.

He said one machine was expected to be installed in a 60-tonne mill this year, but the orders were already racking up.

With CPO prices expected to remain high between RM2,600 and RM2,800 this year and the ringgit expected to slide even further against the US dollar by mid-2017, Low said Dolphin was banking on the innovation that got it in the business in the first place to see it through the uncertain period.

"I'm not a businessman, I'm an inventor. This is science.

"In palm oil, the good thing is any stone that you unturn has a good opportunity for everyone," he said.