

Seatrium says CPIB probe relates to events prior to 2015

Shares in the company, formerly known as Sembcorp Marine, fall 1.6% on Thursday

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Seatrium on Thursday said investigations by the Corrupt Practices Investigation Bureau (CPIB) into the company, formerly known as Sembcorp Marine, relate to events that occurred prior to 2015 and predate the merger this year with Keppel Offshore & Marine (Keppel O&M).

Seatrium, which was so named in April after the February 2023 merger, disclosed this in a Singapore Exchange filing before the market opened. It called for a trading halt earlier in the morning.

“The company is unable to comment further at this stage as the investigations are still ongoing,” Seatrium said in the filing. It added that it is cooperating with CPIB in its investigations and will make appropriate announcements in the event of any material developments.

Seatrium was responding to CPIB’s announcement on Wednesday evening that “acting on information received”, the agency had begun investigations into the offshore and marine engineering company, as well as unnamed individuals in it, on alleged corruption offences in Brazil.

Seatrium shares fell on the news, retreating as much 3.3 per cent to 11.9 cents after trading in the counter resumed at 10.30am, before paring losses to end 1.6 per cent down at 12.1 cents.

The counter was the most heavily traded stock, with 458.19 million shares changing hands, compared with its average three-month volume of 8.66 million shares.

The director of a bank-linked broking house, who declined to be named, said: “These investigations are by nature going to be long-drawn. In the meantime, they will cast a shadow over the company and the stock price. The market does not know how serious or severe things will get.”

Following the February merger of the two entities, Seatrium became one of the world’s largest offshore and marine engineering companies, with a total order book of over \$20 billion.

But not everyone was bearish on the outlook for Seatrium.

In a report released on Thursday, CGS-CIMB analysts Lim Siew Khee and Izabella Tan maintained their “buy” calls on the stock, with a target price of 19 cents.

The analysts said this was based on the company’s strong order book, which they estimated to be at \$23.6 billion as at May 23, and a new management team that was appointed earlier in March.

Some downside risks, however, would be severe cost overruns and shareholder Keppel Corp significantly reducing its stake in Seatrium, they added.

The latest investigations follow a March 2023 announcement when Sembcorp Marine said its wholly owned Brazilian subsidiary, Estaleiro Jurong Aracruz, was being probed for alleged “irregularities” by the authorities there. The proceedings were related to past conduct linked to an ongoing probe into money laundering and graft activities in connection with Operation Car Wash, it added.

In 2012, SembCorp Marine secured seven drillship contracts from Brazil’s Sete Brasil amounting to US\$5.6 billion. The Brazilian agent connected to the contracts, Guilherme Esteves de Jesus, was charged with money laundering and jailed in 2020. The services of Estaleiro Jurong Aracruz’s previous president were terminated in 2015, and he has been under investigation in his personal capacity since 2019.

The nationwide criminal investigation was launched by the federal police of Brazil in 2014 to look into money-laundering activities and was later expanded to include allegations of corruption.

But in April, Seatrium said Brazil’s preliminary administrative proceedings against its subsidiary had been suspended.

Separately, six former senior management staff of Keppel O&M were given stern warnings by CPIB in January over bribe payments related to Brazil’s Petrobras contracts.

The six allegedly conspired with one another to give bribes amounting to about US\$55 million (S\$74.4 million) to foreign consultants involved in Keppel O&M’s business interests in Brazil. The money was then used to pay bribes to officials of the Brazilian state-owned company, pertaining to rig-building contracts that it or its related firms awarded to Keppel O&M.

Keppel O&M said in January that it had made full payment of the fines and damages payable worth 343.6 million reais (S\$88.3 million) to Brazil under a leniency agreement.

In its Thursday filing, Seatrium said: “The company wishes to reiterate it is committed to the highest standards of compliance with anti-corruption laws and does not condone and will not tolerate any improper conduct.”

It added that it has a strict compliance programme and “continuously works to ensure that policies and procedures are in place to prevent any violation of any anti-corruption laws applicable to its operations”.

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Seatrium, formerly named Sembcorp Marine, called for a trading halt earlier on Thursday morning. PHOTO: SEMBCORP MARINE