

COMPANIES

# Humpuss: Hitting on a new formula

By adding value and becoming a leader in transportation, Humpuss Intermoda Transportasi, together with holding company Humpuss Group, is aiming to support the government. By **Albert W Nonto**



Theo Lekatompesy

**H**umpuss Intermoda Transport (HITS), a subsidiary of Tommy Suharto's Humpuss Group, has recently begun to restore the reputation of the group and its owner via a new way of doing business. While both company and the group have not experienced problems in their fundamentals – particularly on the financial side of things – HITS is now working to introduce new value, an intangible asset which will help to propel growth and allow it to become an active participant in such future nation-building activities as job creation and solving the energy problem.

President director Theo Lekatompesy confirms that changes have been underfoot since he was appointed to the top job in 2008. "Visionary capabilities, a sharp vision, courage and leadership are recognized as common tools for financial success and anyone can do it, but we need to go beyond that and deliver value, which will allow us to bring good to the nation through the business we are in," he said. 'Alignment' with the state's needs is another essential a business needs to grow.

For that reason, HITS has turned its initial business transporting what Theo termed 'input' factors, including raw materials, iron ore and liquefied natural gas, into an 'output carrier' which moves cement, chemicals, building materials, crude palm oil and a host of other products.

He added that HITS has been trying to play a more pivotal role in helping phase out state problems, particularly those to do with the current account deficit, energy and infrastructure. And while HITS operates solely in transportation services, he believes the group's other businesses in energy and chemicals will help the cause.

Humpuss Group's roadmap now aims to create an energy company, he explained, a realistic expectation given Humpuss's lengthy experience in oil and gas, petrochemicals and trading. It already has an aromatics producer in Aceh, as well as a 10,000 barrel-a-day

refinery in Cepu in Java. "I will not speak on behalf of the owner, but I am sure the group has the potential and opportunities to get there," said Theo, who enjoys a close relationship with Tommy.

For his part, Theo says he will drive HITS to become an integrated logistics company in the next five years, bringing together its current trading, warehousing, trucking and shipping arms. Since 2012, the period he described as a turnaround time, the company has pumped more effort into its offshore business, with services like chartered helicopters addressing demand in the construction field. HITS has also logged more trips carrying building materials like cement, gypsum and fertilizer. Ensuring that products like this arrive at destination at the right time goes a long way towards furthering the government's agenda.

"We want to become a problem-solver for the nation, and that is the value that the company bears," says Theo, who acknowledges that there are parties who doubt its efforts to professionalize. Despite the skeptics, the reshaping turned a loss-making entity into a profitable one in 2013. With that has come a new corporate culture, featuring new faces in management and a stronger work ethic. Theo, a former Bakrie Group executive, observed: "In the past, many here were representatives of the owner and acted like it. Times have changed and we also need to make a change in the way we do business."

#### Turnaround

HITS struck some rough waters in 2007 when its management authorized the lease of a 17,000-ton bulk carrier. Not only was the vessel more suited to international destinations, it could

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not even fit into Indonesia's ports. The situation worsened with the global financial crisis in 2008 and the company returned the ship to the lessor, only to face legal problems.

This was no doubt a severe drag on efficiency and profits vanished in 2010 and 2011, before HITS was finally able to turn a small profit.

Theo was part of a team brought in to rescue the company. While

## COMPANIES

### Reaching out

#### Humpuss Group's business arms

1. PT Humpuss (holding company)
2. PT Humpuss Intermoda Transport Tbk. (transportation services)
3. PT Humpuss Transportation Curah (private bulk transportation)
4. LNG Division (Humaica)
5. Humpuss Trading (oil and gas trading)
6. PT Humpuss Transportation Kimia (chemical transportation)
7. PT Humpuss Aromatic (light and heavy naphtha producer)
8. PT Humpuss Pengolahan Minyak (oil refinery at Cepu)
9. PT Humpuss Patragas (TAC with Pertamina for oil exploration at Blora)
10. PT Humpuss Carbometil Selulosa (carboxy methyl cellulose – CMC – and polyanionic cellulose – PAC – producer)
11. PT Usaha Gemilang Utama, PT Baragas Solusi Energi (BSE) (coal, agricultural, fuel and gas trading)
12. PT Baragas Solusi Energi (BSE) (renewable energy producer)
13. PT. Kaltim Methanol Industry (ethanol producer)
14. PT Sekar Artha Sentosa (property developer)
15. Kencana Graha Global / Greenwood Sejahtera Tbk. (superblock developer)
16. Gatari Air Service (charter flight provider)

settling the legal issues, he tried to restructure the business portfolio by expanding the list of products that could be moved. The efforts continue, and when raw mineral exports were banned this year, the company was able to stay afloat by carrying other products like building materials and chemicals. "This is our new direction,"

he said, noting that the reshuffle's success is likely to impact the whole group's strategy.

#### Turning to energy

As far as being a transportation company goes, Theo is certain HITS is now on the right track. Further down the line, he sees it becoming an energy company, or at least a major player in driving Humpuss Group's transformation into an integrated energy enterprise.

The challenge lies in the method by which HITS and Humpuss will accomplish this. "We are small compared to other players, but we could become the leader by integrating our diversified businesses under one umbrella and, for example, regrouping the group's business units to become a single energy company," he noted, adding that additional strategic discussion is needed to make this a reality.

The potential, he stressed, is there. Wholly-owned Humpuss Aromatic in Aceh, for example, has a production capacity of about 60,000 barrels a day. Should the group be given the chance to refine another condensate, that could help reduce oil imports. "If the government wants to use the refinery to refine crude oil or other petrochemical derivatives and energy products, for example, it can go ahead but needs to first make its terms clear. It has to take a business-to-business approach," a source within the group said.

Theo is also optimistic about the group's ability to eventually produce fuel and other chemicals required by the fertilizer industry. The group's refinery in Cepu, for example, is able to address the needs of the petrochemical industry in Gresik. "The refinery can become a training ground for local players to develop their own facilities," noted Theo, adding that the group intends to remain focused on upstream products.

In addition, Humpuss Ethanol produces 650,000 barrels per year, serving the international and domestic

markets. A revision of government regulations could see it serve even more domestic customers, as the group has the capacity to transport the products to small sea ports.

Tommy, according to Theo, has the vision to succeed as a significant player in the industry. Of former President Suharto's children, Tommy has always been the one who has kept his eye on the businesses and their progress. In the face of doubts over the group's reputation, it is debt free and has chalked up major growth over the years.

A source within the group says that performance has kept steady over the past three years. "HITS's value is maybe only a tenth of total group value, and Humpuss has made progress over the last few years, consolidating to become a noted player in energy, transportation and property," he said.

Company secretary Darjono added that the group is steadfast in its intentions to provide benefit for the country and keep serving clients in the most reliable way. "We are not the biggest in this field, but customers trust and rely on us," he said.

#### Property and agricultural arms

Many believe that Humpuss Group is still evolving. Indonesia's economic crisis forced it to turn its back on several of its businesses including toll road projects as well as automotive and trading arms. However, the group still maintains interests in palm plantations and associated trading branches.

In the property sector, the group holds shares in projects including Bali Pecatu Indah, a 400-hectare resort in southern Bali, and the Sentul International Circuit in Bogor. In high-rise development, the group is building the Mangkuluhur project, a Rp2 trillion, five-tower mixed-use complex in Semanggi in the heart of Jakarta, as well as a 198-unit high-end apartment development named Gayanti, in the nearby Gatot Subroto precinct. ☺