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Client :	Daibochi Plastic & Packaging Industry Bhd	Date :	4 May 2017
Media :	The Edge Markets (Online)	Section :	Business
Language :	English		

Daibochi's 1Q earnings slip 11%, but expects better FY17 with new contracts

KUALA LUMPUR (May 4): Daibochi Plastic and Packaging Industry Bhd's net profit fell 11% in its first quarter of the financial year 2017 despite higher revenue, as it registered lower foreign currency gain, while raw material costs grew.

For the quarter ended March 31, 2017 (1QFY17), net profit came in at RM5.77 million versus RM6.51 million in the same time last year, as forex gain shrank to RM194,000 from RM1.37 million, while raw material costs climbed at a double-digit rate from a year ago, with higher crude oil prices and a weaker ringgit.

Revenue, however, grew 5% to RM94.12 million, from RM89.7 million, due to an 8% increase in export sales, mainly to Australia and the Asean region, Daibochi said in a Bursa Malaysia filing today.

It declared a first interim dividend of 1.32 sen per share for the quarter, with an estimated payout of RM3.6 million, payable on June 22.

Going forward, the weaker 1Q financials notwithstanding, Daibochi said it is confident of achieving growth in FY17, driven by an expanded clientele, delivery of new export contracts, and better operational efficiency.

Of note, Daibochi said it is set to see higher exports to Indonesia’s burgeoning consumer market, on the back of new contracts to major Food & Beverage (F&B) and fast moving consumer goods (FMCG) companies.

Daibochi said it has commenced supply of consumer packaging to a new large regional customer in Indonesia, with prominent F&B brands in the first quarter of 2017 (1Q17).

Furthermore, it is conducting trial production runs for a multinational company for its FMCG products in Indonesia, and targets to commence supply in the second half of 2017.

“We strive to expand our clientele in the world’s fourth most populous nation, and are confident of growing exports to Indonesia into a significant contributor to group revenue,” said Daibochi managing director Thomas Lim in a statement.

“Indeed, our newly-expanded Daibochi Plant 2 not only accords us larger capacity to serve the growing requirements of our customers, but also to pursue new growth opportunities. In this regard, we continue to strive for regional expansion through more partnerships with growth-focused companies,” Lim said.

“Meanwhile, we achieved better operating efficiency in 1QFY17, on the back of new foreign worker hires that helped alleviate ongoing labour shortage issues, and efforts to improve wastage control through employee education.

"These allowed us to overcome rising raw material costs, due to the weaker ringgit and rising crude oil prices,” Lim added.

“Going forward, we will strive for further improvements to operating efficiency, which would contribute towards a positive impact to our financial performance,” said Lim.

Last week, Daibochi secured approval from Myanmar Investment Commission (MIC) for its joint venture (JV) with Myanmar Smart Pack Industrial Company Ltd to operate a consumer flexible packaging plant in Yangon, Myanmar, which Daibochi said is expected to contribute significantly to the group’s performance from 3QFY17.

Shares in Daibochi closed up two sen or 0.79% to RM2.55 today, for a market capitalisation of RM694.03 million.