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# Scientex eyeing a bigger piece of US market

It will mull another stretch film plant there if the new one pays off

BY YIMIE YONG

KUALA LUMPUR: Packaging manufacturer Scientex Bhd, which reported a 14% decline in net profit in the first quarter yesterday, is eyeing to expand its customer base in the US with its new stretch film plant in Arizona, from which it expects significant contribution to come in starting from the financial year ending July 31, 2019 (FY19).

Scientex executive director Jesselyn Chang said the plant in Arizona, in which the company will invest US\$25 million (RM111.5 million), is located on the south-western side of the country and will serve its US customers in the west coast.

“Moving forward, if this is successful, we might set up [another] new plant, maybe on the east coast, and serve the other side of the market,” she told reporters after the group’s annual general meeting yesterday.

The Arizona plant, which would be its first such plant overseas, will house two stretch film lines that will have a combined annual production capacity of 30,000 tonnes.

Currently under construction, the plant should be completed by the end of next year.

Chang said there is still room for the group to increase the capacity of the plant to 60,000 tonnes if necessary.

“The new plant will serve our existing clients and we will also look to [securing] new customers in the US,” Chang said, adding that there will not be any significant contribution seen in FY18. “The numbers will only come in by FY19, FY20.”

“For Asia-Pacific, demand for stretch film is about 550,000 tonnes per year. It is 700,000 tonnes a year for North America and 300,000 tonnes for South America. We see there is room for us to grow further there.

“[The] US is a new opportunity. We foresee in the longer run, with US shale gas, the main raw material, resin, is expected to be cheaper over there. Currently, we are supplying to the US market. But due to the distance, the logistics cost is high and the lead time is higher. With a base there, we can better capture the US market,” she said.

On the local front, Scientex tar-



Chang says the plant in Arizona will serve its US customers in the west coast. Photo by Sam Fong

gets to fill up the capacity of its newly commenced biaxially oriented polypropylene (BOPP) film manufacturing plant over the next two years, following its commencement in September. The new BOPP film manufacturing plant has an annual capacity of 60,000 tonnes.

As for its property development business, Chang will continue to look

for more land bank and focus on affordable properties. The group’s land bank stood at 2,300 acres (930.77ha).

In a statement yesterday, Scientex managing director Lim Peng Jin said the group targets to launch up to RM700 million worth of new property launches for FY17. Of the launches planned for FY17, the group had achieved RM181 million worth in the first quarter (1QFY17).

Currently, Scientex’s property developments are in Johor, Melaka and Perak, concentrating on affordable housing.

Chang said the company is comfortable with the 70:30 ratio of revenue contribution between its manufacturing and property development businesses. It has no immediate plans to spin off its property development business as a separate listed entity.

Scientex’s net profit fell to RM52.06 million in 1QFY17, from RM60.85 million a year ago, due to the group’s enlarged scale of operations on the commencement of new manufacturing plants, and as revenue slid near 3% to RM534.68 million from RM550.6 million.