

Scientex's measures to counter high cost to bear fruit

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SUBANG JAYA: Scientex Incorporated Bhd's packaging unit is expected to turn in better results following measures to counter the rising raw material prices, said its managing director Lim Peng Jin.

"Our results will improve this year. We have put in efforts to counter high raw material prices. For instance, we are trying to reduce the consumption of raw materials for our stretch film products by using thinner gauge and producing in the form of length instead of tonnage," he told reporters after Scientex's EGM here yesterday.

The measures were adopted in the financial year ended Dec 31, 2007 but the full effects from such measures would only be seen this fiscal year onwards, Lim added. However, the group would also be affected by the appreciation of the ringgit against the US dollar.

Despite the counter measures, the group posted a 8.7% lower pre-tax profit in FY2007 due to lower contribution from its 61.8%-owned packaging unit, Scientex Packaging Bhd, which is in the midst being taken private, due to the rising costs.

Higher plastic resin price due to the increase in crude oil prices is the main challenge as plastic resin forms the bulk of the manufacturing cost.

Sales margins in the packaging division are also likely to see some improvement as the group plans to venture into the burgeoning food packaging business via Scientex Packaging, which makes industrial packaging.

Following the consolidation of the packaging business into the group, Scientex plans to leverage on the expertise of Scien-

tex Packaging and its 30%-owned chemical unit Cosmo Scientex (M) Sdn Bhd.

Its Japanese technology partner Mitsui Takeda Chemicals Inc holds 70% of Cosmo Scientex, whose adhesives are used for the lamination of food packaging and its plant is the first and only comprehensive one in Southeast Asia.

"Because of this synergistic effect (following the consolidation exercise), we are now going to be involved in the management and distribution of the chemical unit," Lim said.

Meanwhile, its executive director Gary Tan told *The Edge* that the plan to list the chemical division was still in the pipeline but the unit had not achieved the required track record.

On its expansion plans, Lim said the group would invest US\$3 million (RM9.6 million) to expand its capacity and introduce a new product, raffia tapes, at its plant in Vietnam this year.

The group plans to increase the capacity of woven bags to three million metres from two million metres currently. It will install five production lines to produce raffia tapes by the third quarter this year.

On whether Scientex Inc would be able to garner 96% acceptances from the voluntary take-over exercise of Scientex Packaging in order to undertake a compulsory acquisition, Tan said it did not foresee any problem in reaching the required level.

As of March 10, Scientex Inc had achieved an acceptance level of 80.77% of Scientex Packaging's issued capital pursuant to the offer. Scientex Inc had on Jan 25 announced its intention to buy the remaining stake in Scientex Packaging via a share swap exercise.