

# Steady sales for packaging products

Plain speaking  
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WITH focus on food safety and hygiene, the search is on for sustainable food packaging that will keep food fresh and minimise wastage.

For Scientex Bhd, these trends will spur demand for more innovation in flexible plastic packaging (FPP) which had experienced relatively stable sales during the movement control order (MCO) period.

Against a stable manufacturing business, it will continue to push for expansion through organic growth or strategic mergers and acquisitions in Malaysia and internationally.

In property development, the group will continue to increase its land bank across Peninsular Malaysia and expand its affordable housing model, having grown from Johor, which is its original stronghold, to the Klang Valley and recently, Penang.

As Scientex continues to expand, it will need a larger workforce which currently stands at 3,800; it will prioritise the hiring of Malaysian workers while engaging with the relevant authorities to expand its talent pool.

The group remains optimistic of growth as it intends to regain momentum by implementing its strategies to expand capacity, increase capabilities, introduce more value-added products and broaden its market reach.

It will also expedite ongoing property development projects to launch a gross development value of RM1.1bil of affordable homes in financial year (FY) 2020.

"While economic headwinds may continue to linger in the near term, our growth strategies have allowed us to continue build-

ing a resilient market position and capture more opportunities in the future," said Scientex CEO Lim Peng Jin.

Since FY08, the aim is to double up the business in every five years; its revenue has expanded from RM656.6mil in FY08 to RM1.2bil in FY13, reaching RM2.6bil in FY18.

Even in the midst of economic fluctuations in the last two decades, Scientex has charted a consistent uptrend with net profit expanding at a compounded annual growth rate of 26% from RM5.4mil in FY01 to RM333.7mil in FY19.

"We remain committed to charting the next milestone," said Lim.

Scientex and manufacturer and converter of FPP, Daibochi, have intensified their joint research and development (R&D) to develop new innovations for sustainable FPP solutions.

The group is in the midst of expanding the capacity and market reach of Daibochi, in which it had acquired a controlling 42.41% stake for RM222.5mil via a share swap in April 2019; Daibochi had subsequently acquired fellow FPP Mega Printing & Packaging for RM125mil in August 2019.

Daibochi is investing RM60mil to expand capacity by purchasing 13 new lines for printing, lamination and bagging processes, which are expected to come onstream in the next six months.

Acquiring Daibochi, a manufacturer and converter of FPP, adds the converting business, which involves combining raw materials to produce new packaging products, to the group which aims to be a leading integrated FPP supplier to the F&B and fast-moving consumer goods sectors.

"Scientex has been established for 50 years, and yet we remain hungry for growth.

"Our stable manufacturing performance and strengthening presence as a trusted FPP manufacturer, underpins our stance for continued investments and expansion,

as we strive for more growth," said Lim.

The group's R&D into new, fully recyclable mono-material packaging has notched early success among some multinationals and domestic clients since 2019, and is increasingly seen on consumer shelves.

Building on its stable third quarter financial performance that was the result of, among other things, its diverse client coverage, Scientex hopes to register a positive year ahead.

Manufacturing revenue in the third quarter rose to RM614.4mil from RM602.8mil a year ago, helping to mitigate the temporary inactivity of its property development segment then.

With businesses and social activities gradually resuming, the group looks forward to improved sales.

In line with Industry 4.0, its manufacturing facilities are highly automated with the continuous adoption of robotic automation to drive improvements in consistency and efficiency, with minimal disruptions.

The group will continue to implement more automated processes to ramp up its utilisation rates.

During the MCO, the group also worked closely with its customers to determine production requirements, and adapted its processes to ensure consistent delivery, enabling customers to maintain the supply of essential services and goods.

The F&B industry that Scientex supplies its FPP to, should remain resilient; the increasing demand for FPP should also be supported by the growing desire for convenience, such as in the demand for more ready-to-eat food.

In property development, Scientex remains focused on the affordable housing segment, and will keep on innovating to maintain the affordable prices of its properties, while engaging with its customers via digital and traditional channels.

The group has restarted construction and property development activities since the

announcement of the conditional MCO effective May 4.

During the MCO period, there was increased usage of its live chatroom and virtual property showroom, which helped to secure sales. It also received positive response to its social media campaigns on Facebook and Instagram.

Demand for affordable housing is expected to remain resilient, and the group's focus on affordable housing for the masses will give it the added stability during these times.

The reduction of interest rates bodes well for this affordable housing segment, as it will reduce the monthly instalments of purchasers.

Scientex has delivered more than 19,000 affordable homes priced below RM500,000 nationwide, of which more than 70% are priced below RM300,000.

By 2028, it aims to deliver 50,000 units of affordable homes across Peninsular Malaysia.

The group has a total land bank of 3,725 acres spread over 19 prime locations, and will continue exploring new opportunities to expand its land bank.

Scientex adopts an open book management style to encourage open communication, and the sharing of key financial and operational information, which helps to prevent work silos and empowers its employees to perform their best.

Within its corporate philosophy is the emphasis on energy where "the more obstacles we face, the greater will be our resolve and resilience in our journey beyond probabilities."

While Scientex is driving its strategies for future growth, it is also focused on its corporate philosophy and approach for a stable path ahead.

Yap Leng Kuen is the former business editor of StarBiz. The views expressed here are the writer's own.