

## Kumpulan Perangsang Selangor

### An Unassuming Manufacturing Powerhouse

We initiate coverage on KPS with an **OUTPERFORM** call and target price (TP) of RM0.77 pegged to 10x FY23F PER. We like KPS for its diversified portfolio of products, expansion in its overseas operations and the greater role it is playing in the supply chain of a global consumer appliances giant. We project its FY23F net profit to grow by 14% as global supply chain disruptions ease, enabling it to reap the full benefits of its expansion plans.

Kumpulan Perangsang Selangor Bhd (KPS) is a Selangor state-owned company engaged in manufacturing (>60% of group operating profit), trading, licensing, and infrastructure. The manufacturing division produces plastic-based EMS products in the communications, IT and consumer electronic segments, as well as industrial and automotive components along with integrated printing and packaging. The trading division specialises on sewage and water treatment consumables and the worldwide licensing of the *King Koil* brand mattresses.

**Earnings from manufacturing should remain core.** We expect continual order uptrend for electronic products due to growing pace of digital transformation worldwide. The US-China trade tension and the desire by MNCs for greater supply chain resilience are also favouring manufacturers in South East Asia such as Malaysia but also Vietnam and Indonesia where KPS operates. Latest statistic showed that Malaysia's Industrial Production Index (IPI) grew 12.5% YoY in July driven by manufacturing sector of which E&E products contributed 17.3%. Furthermore, as the region progresses towards post COVID-19 norms, the utilisation levels of its various plants have risen from around 50% to 60%.

**Plant expansion is also expected to boost prospective earnings.** A new 130,000 sq ft plant in Bac Giang Province Vietnam is due to start in 4QFY22. It is four times the size of Toyoplas' existing plant in Bac Ninh Province. Importantly, it will not only accommodate customers' shifting some products away from China to Vietnam but will also increase Toyoplas' capacity and enable it to optimise cost and improve margins. Another key subsidiary, CPI, is also expected to commence operation of a new Penang EMS facility by 4QFY22. It will add 30% more capacity to support sustainable topline growth in the coming years.

**We initiate coverage with an OUTPERFORM call.** We like KPS for its: (i) diversified portfolio of products, catering to both the industrial and consumer electronics space, (ii) long-term growth underpinned by expansion in its overseas operations, and (iii) the greater role it is playing in the supply chain of a global consumer appliances giant (that will raise its profile as a contract manufacturer in the international market). We value KPS at RM0.77 based on FY23F PER of 10x, which is in line with the average forward PER of the manufacturing sector. There is no adjustment to our target price based on ESG given a 3-star rating as appraised by us (see Page 11).

**Risks to our call include:** (i) the global economy slipping into a sharp slowdown or recession, hurting demand for manufactured products, (ii) labour shortage and escalating input costs, and (iii) termination or non-renewal of contracts by key clients, resulting in both financial and reputational loss.

## OUTPERFORM

**Price:** RM0.675  
**Target Price:** RM0.77

**Expected Capital Gain:** RM0.095 +14.1%  
**Expected Divd. Yield:** RM0.031 +4.6%  
**Expected Total Gain:** RM0.126 +18.7%

**KLCI Index** 1,401.89

### Stock Information

Bloomberg Ticker	KUPS MK Equity
Bursa Code	5843
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	537.4
Market Cap (RM m)	362.7
Par value per share (RM)	N.A.
52-week range (H)	0.84
52-week range (L)	0.67
Free Float	27%
Beta	1.1
3-mth avg daily vol	99,285

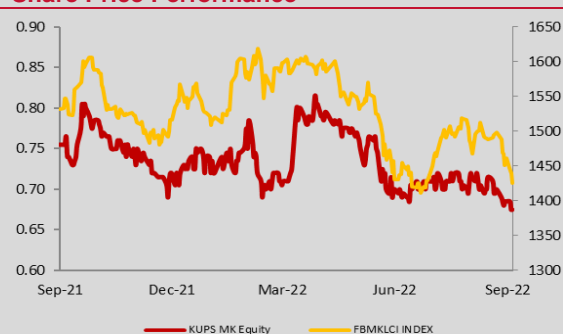
### Major Shareholders

Darul Ehsan Investment Group Bhd	57.9%
Perbadanan Kemajuan Negeri Selangor	5.5%
Ng Chiew Eng	4.7%

### Summary Earnings Table

FY Mar (RM m)	2021A	2022F	2023F
Turnover	1328	1336	1401
EBIT	105	90	91
PBT	88	66	74
<b>Net Profit</b>	<b>57</b>	<b>36</b>	<b>41</b>
<b>Core Net Profit</b>	<b>42</b>	<b>36</b>	<b>41</b>
Consensus (NP)	-	98	51
Earnings Revision	-	-	-
Core EPS (sen)	7.7	6.7	7.7
Core EPS growth (%)	3.4	-13.2	14.4
NDPS (sen)	4.5	2.4	3.1
BVPS (RM)	1.9	2.0	2.1
PER (x)	9.3	10.4	9.1
PBV (x)	0.4	0.3	0.3
Net Gearing (x)	0.1	0.1	0.1
Net Div. Yield (%)	6.3	3.4	4.4

### Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	-4.9%	-3.6%	-10.6%
Relative (%)	0.7%	-1.3%	-1.8%

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29 September 2022

**COMPANY BACKGROUND**

Kumpulan Perangsang Selangor Bhd (KPS) is an investment holding company, incorporated on 11 August 1975 and listed on the Main Market of Bursa Malaysia Securities Bhd under the Industrial Products and Services sector. KPS has successfully transformed into the industrial products and services sector from utilities sector previously. In the process of its Business Transformation Plan (BTP), the company first acquired Century Bond Bhd and Kaiserkorp Corporation Sdn Bhd, followed by CPI (Penang) Sdn Bhd (CPI) and Toyoplas Manufacturing (Malaysia) Sdn Bhd (Toyoplas). Through this acquisition, the group operates through manufacturing, trading, licensing, and infrastructure. Manufacturing business is mainly focused on plastic moulding, paper, carton, and consumer businesses. Its subsidiaries include Toyoplas Manufacturing (Malaysia) Sdn Bhd, CPI (Penang) Sdn Bhd, Century Bond Bhd and King Koil Manufacturing West, LLC. While strengthening its business to optimize returns, KPS is committed to providing significant contributions towards sustainable development in the areas of economic, environmental, and social for the benefits of all stakeholders.

**Exhibit 1: Senior Management**

Name/Position	Professional Qualification & Experience
Encik Ahmad Fariz Bin Hassan MD/Group CEO	<ul style="list-style-type: none"> <li>Graduated with a bachelor's degree in accountancy from University of Teknologi MARA, a certified account by CGMA and CIMA, he has over 20 years of experience in corporate governance, private equity and strategic acquisition are exemplified by managing the often volatile, uncertain, complex, and ambiguous operating environment often presented in extensive and transformational corporate actions, investment activities and sustainable development initiatives</li> <li>His previous experiences include CIMB Investment Bank, Ekuiti Nasional Bhd and Khazanah Nasional Bhd.</li> </ul>
Encik Azlan Bin Abdul Jalil Deputy CEO (Strategy & Investments)	<ul style="list-style-type: none"> <li>Graduated with a bachelor's degree in accounting from University of Wales. He has 20 years of experience in banking, finance investment, and capital markets</li> <li>His previous experiences include CIMB Investment Bank Berhad, Kuwait Finance House, Saudi-Arabian based Siraj Capital Limited, Bursa Malaysia Berhad and HSBC Bank (Malaysia) Berhad</li> </ul>
Puan Suzila Binti Khairuddin Deputy CEO (Finance & Corporate Services)	<ul style="list-style-type: none"> <li>Graduated with a bachelor's degree in finance and accounting from University of Salford, and a certified accountant by ACCA and MIA.</li> <li>Prior to joining KPS in 2003, she had four years of experience in audit at PricewaterhouseCoopers Malaysia</li> </ul>

Source: Kenanga Research, Company

**Exhibit 2: KPS’s Manufacturing Units**

Company	Core Businesses	Key Products
<p>Toyoplas Manufacturing (Malaysia) Sdn Bhd</p> <p>Plant:</p> <ol style="list-style-type: none"> <li>1. Senai and Muar in Johor, Malaysia</li> <li>2. Shanghai, Dongguan in China</li> <li>3. Jakarta in Indonesia</li> <li>4. Bac Ninh in Vietnam</li> </ol>	<p>Integrated plastics injection moulding company with a clientele from the consumer electronics sector, as well as industrial tools, automotive and other industries with a value chain spanning 75 countries. As a one-stop solutions provider, Toyoplas’ expertise covers mould fabrication, precision injection moulding, and secondary processes as well as assembly via its manufacturing plants across Malaysia, China, Indonesia, and Vietnam.</p>	<ol style="list-style-type: none"> <li>1. Multimedia and communications                     <ul style="list-style-type: none"> <li>- WiFi modem, router, extender, TV set-top box</li> </ul> </li> <li>2. Consumer Appliances                     <ul style="list-style-type: none"> <li>- Cordless vacuum cleaner, printer, air compressor, security camera</li> </ul> </li> <li>3. Automotive                     <ul style="list-style-type: none"> <li>- Car light panel, car audio panel, motorcycle handlebar control, car speedometer</li> </ul> </li> <li>4. Industrial tools                     <ul style="list-style-type: none"> <li>- Air compressor, nailer</li> </ul> </li> </ol>
<p>CPI (Penang) Sdn Bhd</p> <p>Plant:</p> <p>Penang, Malaysia</p>	<p>Integrated plastics injection moulding company serving over 90 clients worldwide. As a contract manufacturer specialising in plastics injection moulding, mould fabrication, secondary as well as sub-assembly processes and electronics box-build processes. CPI’s clientele includes customers from various industries, including automotive, communications and information technology, medical, and other electronics.</p>	<ol style="list-style-type: none"> <li>1. Automotive                     <ul style="list-style-type: none"> <li>- Components for car climate control panels, box build car radios, parts for holders for sensors</li> </ul> </li> <li>2. Communication &amp; IT                     <ul style="list-style-type: none"> <li>- Box build walkie-talkie, Components for various other communication devices</li> </ul> </li> <li>3. Medical                     <ul style="list-style-type: none"> <li>- Parts for cardiac remote monitoring devices, parts for ultrasound scanners</li> </ul> </li> <li>4. Others                     <ul style="list-style-type: none"> <li>- Components for power tool, components for fuel dispensers, surveillance cameras, box build for smoke detectors</li> </ul> </li> </ol>
<p>Century Bond Bhd</p> <p>Plant:</p> <ol style="list-style-type: none"> <li>1. Senai, Ulu Tiram, Nilai, Ipoh, and Sungai Petani in Malaysia</li> <li>2. Batam and Medan in Indonesia</li> </ol>	<p>Integrated packaging solutions provider driven by five business divisions, namely offset, carton, paper, plastics and OEM for consumer products. The offset division is currently leading the business operating from three plants across Malaysia and Indonesia. The carton division covers an essential industry with a presence in the Northern, Central and Southern regions of Malaysia. The paper division operates from three plants across Malaysia and Indonesia. The other two divisions, plastics and OEM for consumer products, continue to support the businesses in providing integrated packaging solutions to customers from the electrical &amp; electronics and retail sectors via its plant in Senai.</p>	<ol style="list-style-type: none"> <li>1. Offset carton boxes and pulp moulded products</li> <li>2. Carton boxes</li> <li>3. Paper bags</li> <li>4. Stretch and shrink plastics</li> <li>5. Household care products</li> </ol>
<p>King Koil Manufacturing West, LLC</p> <p>Plant:</p> <p>Arizona, United States of America</p>	<p>Based in Avondale, Arizona, KKMW manufactures and supplies King Koil® mattresses to retailers and department stores nationwide in the US, following the shift in its business model in the US from licensing to a direct-to-retail model.</p>	

Source: Kenanga Research, Company

**Exhibit 3: Overview of Most Material Matters**

Sustainable Dimension	Most Material Matters	Adoption Programmed
Economic	<ol style="list-style-type: none"> <li>1. Economic and Business Performance</li> <li>2. Sustainable Procurement and Supplier Assessment</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>Toyoplas:</b> In 2021, local procurement reached 41.1% against 58.9% for overseas procurements as opposed to 82.5% and 17.5% for local and overseas procurement, respectively.</li> <li>2. <b>CPI:</b> Local sourcing accounted for almost 67% of its 200 direct suppliers of raw materials and more than 97.7% of the 175 indirect suppliers</li> <li>3. <b>CBB:</b> CBB contracted a total of 1,621 suppliers compared to 1,954 in 2020, leveraging the benefits of local sourcing, accounting for 89.6% or 766 suppliers (2020: 91% or 1,771 suppliers) compared to 10.4% or 89 non-local suppliers (2020: 9% or 183 non-local suppliers) out of its 855 suppliers.</li> </ol>
Environmental	<ol style="list-style-type: none"> <li>1. Waste Reduction and Environmental Initiatives</li> <li>2. Energy Efficiency</li> </ol>	<p><b>Materials</b></p> <ol style="list-style-type: none"> <li>1. <b>Toyoplas:</b> Toyoplas consumed approximately 85.3% of materials purchased, scrapped 1.5% and reused/recycled 13.2%.</li> <li>2. <b>CPI:</b> CPI consumed 69.5% of materials purchased, kept in reserve or scrapped the balance of 9% and either reused or recycled 21.5%.</li> <li>3. <b>CBB:</b> CBB's consumption of materials purchased was 85.5% of materials purchased with 7.25% either kept in reserve or scrapped. Reused and recycled materials represented 7.25% of total materials consumed.</li> </ol> <p><b>Energy</b></p> <ol style="list-style-type: none"> <li>1. <b>Toyoplas:</b> replaced the entire complement of lights with energy-efficient LED units in 4QCY20 and 1QCY21. Auto-lighting was implemented at strategic areas to further reduce electricity wastage. In addition, Toyoplas continues to explore the solar option to provide ancillary power.</li> <li>2. <b>CPI:</b> shifting completely to LED lighting at its production floors and office areas. The subsidiary company carries out regular awareness campaigns among its employees in energy-saving behavior such as switching off lights and turning off equipment not in use.</li> <li>3. <b>CBB:</b> The installation of solar panels at all its manufacturing facilities was postponed to the following year and replacement of all fluorescent lights to LED was completed by 4QCY21.</li> </ol>
Social	<ol style="list-style-type: none"> <li>1. Protecting the Safety and Health of Workers</li> <li>2. Training, Education and Career Development</li> <li>3. Providing a Diverse and Inclusive Workplace</li> <li>4. Stringent Quality Control Procedures</li> <li>6. Engaging Local Communities</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>Toyoplas:</b> To ensure continuous improvement of its operations and products, Toyoplas has constantly encouraged its suppliers to implement sustainable practices in their operations.</li> <li>2. <b>CPI:</b> CPI has been conducting the Customer Satisfaction Survey via its Marketing Department and has valued every customer feedback.</li> <li>3. <b>CBB:</b> CBB's main objective is to ensure that all manufacturing processes are meticulously and adequately carried out using the Quality Assurance/Quality Control procedures.</li> </ol>
Governance	Eliminating Bribery and Corruption	KPS has a zero-tolerance policy toward all forms of bribery and corruption and measures this in accordance with all relevant laws and regulations.

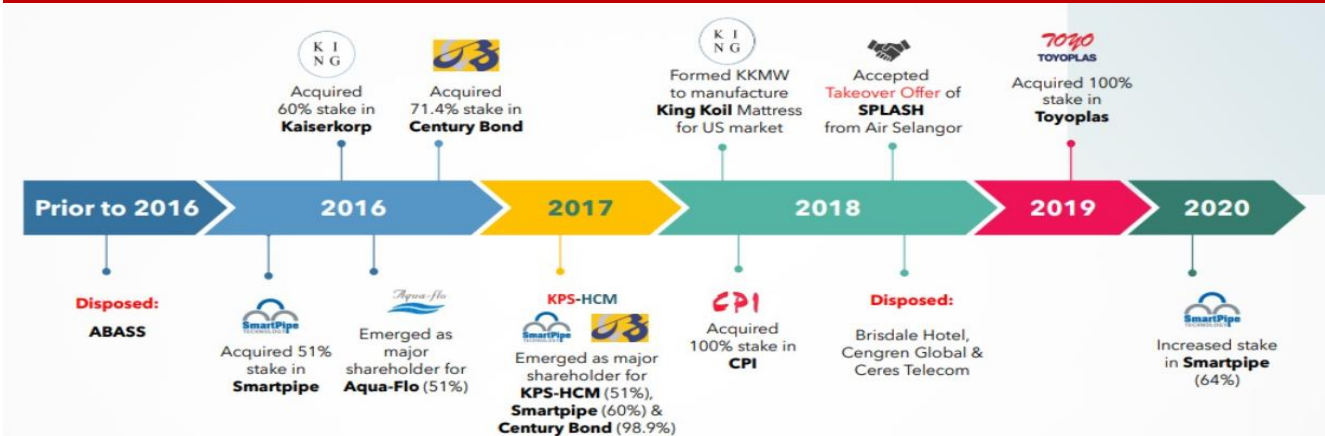
Source: Kenanga Research, Company

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**INVESTMENT MERITS**

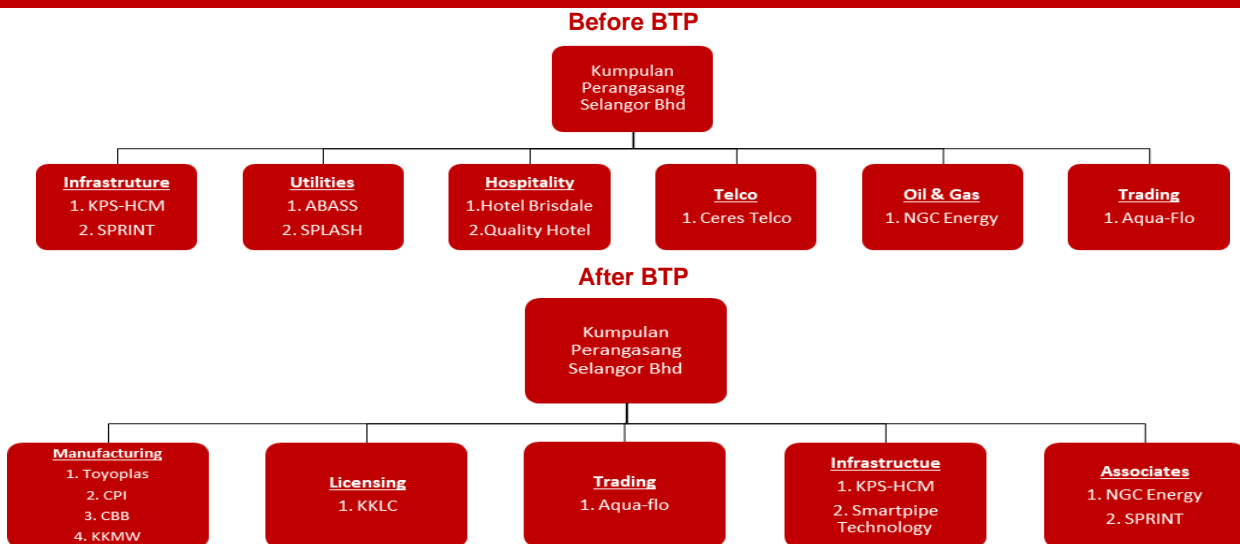
**Undergoing a paradigm shift through its Business Transformation Plan.** KPS was established on 11 Aug 1975 with a vision to become a leading infrastructure and utility player. Ever since 2016, the company has implemented a BTP to shift its focus into manufacturing segment from infrastructure and utility segments. This is mainly due to the long-term growth potential in manufacturing segment especially electronic products and it is also a new growth agenda to ensure business sustainability of the company. This BTP had increased its core net profit by more than 5-fold since 2016 from RM2.3m in FY16 to RM41.6m in FY21 and achieved its first RM1.1b revenue target (+24% YoY) in FY20 even though there were a lot of uncertainties during the height of the pandemic. Apart from that, KPS has also invested in several other divisions to diversify its portfolio such as licensing, trading, and infrastructure. KPS’s revenue has expanded aggressively from RM144.5m in FY16 to RM1.3b in FY21, a 5-year CAGR of 56%. BTP is bearing fruit for the company and has successfully increased its earnings. Looking ahead, we expect its revenue to continue to grow as demand for consumer electronic products remain higher which eventually will drive its bottomline higher.

**Acquisition and corporate exercises**



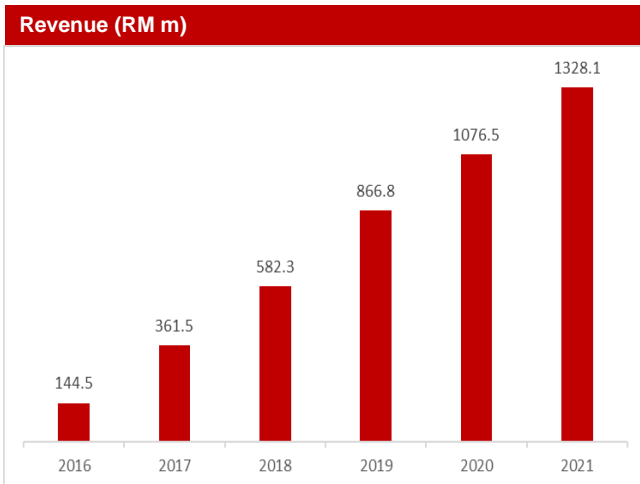
Source: Company, Kenanga Research

**Business transformation plan**

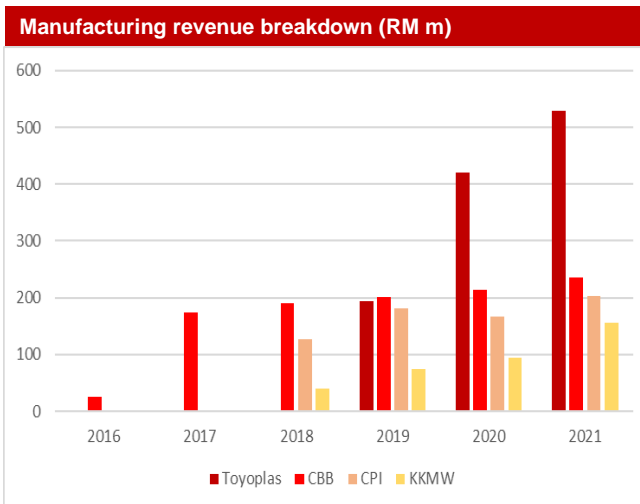
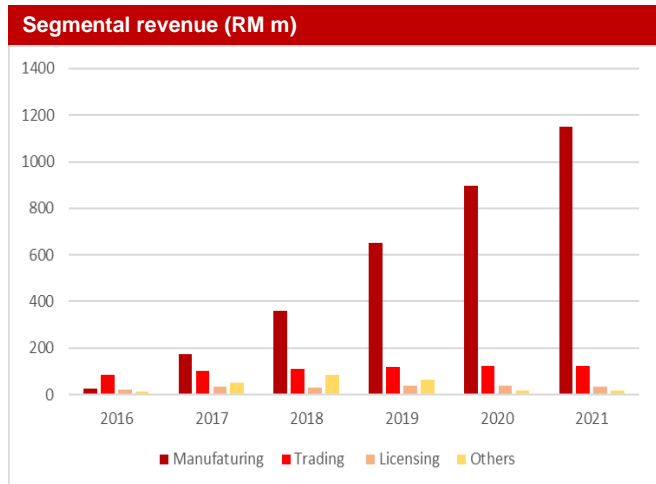


Source: Company, Kenanga Research

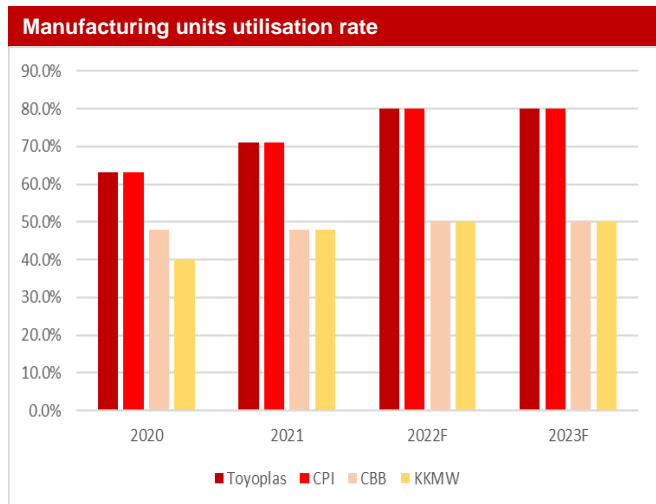
**Earnings in manufacturing segment remains strong.** After implementing BTP, the group has high exposure to the manufacturing sector. The group’s revenue has improved significantly and achieved double-digit growth since FY16. There was a total of 114% of CAGR over FY16-FY21 in manufacturing segment’s revenue which was mostly contributed by Toyoplas which accounted for 47% of manufacturing revenue followed by CBB (21%), CPI (18%) and KKMW (14%). Meanwhile, Toyoplas and CPI achieved utilization rate of 63% in FY20 and 71% in FY21; CBB hit utilization rate of 48% in FY20 and FY21, and KKMW achieved 40% in FY20 and 48% in FY21. With most of the countries in transition to endemic phase, we are expecting an improvement in utilization rate across every business division in KPS. Latest statistic showed that Malaysia’s Industrial Production Index (IPI) grew 12.5% YoY in July driven by manufacturing sector of which E&E products contributed 17.3%. Besides, S&P Global Ratings forecast that the Malaysian economy will expand on average 4.7% per annum over 2023-2025 as E&E sector gains from high energy prices. Hence, we are positive on KPS for its earnings prospects due to its high exposure to the E&E products.



Source: Company, Kenanga Research



Source: Company, Kenanga Research

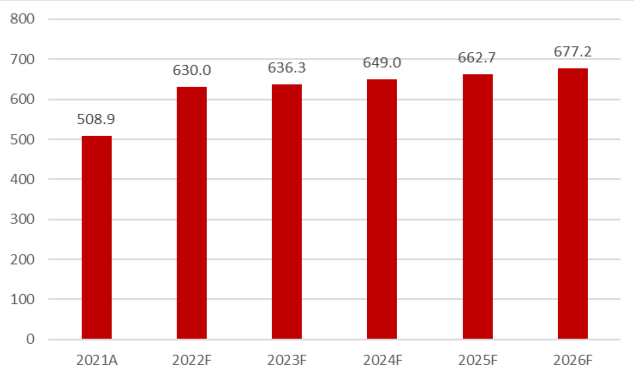


**Uplift in automotive and consumer electronics orders.** CPI and Toyoplas are the manufacturing units of KPS which have some exposure to the automotive segment that produce components for car speedometer, box-build car radios, motorcycle handlebar control, car light and audio panel, and contributes around 25% and 4% of group’s revenue respectively. We expect an aggressive demand for cars as car buyers rushing to lock their purchases ahead of the expiry of the SST exemption deadline and EV facilities incentives. Moreover, they managed to secured contracts from a top-notch company which designs and manufactures household appliances, and other global biggest names. We are also comforted by these contracts as it signals confidence in KPS’s capability, which could boost its chances of securing other contracts for other products.

**New plant to boost earnings.** In anticipation of ongoing utilization and demand growth, the group has decided to increase their capacity by getting a new plant in Bac Giang Province Vietnam which is four times the size of the plant in Bac Ninh Province, with a total of 130,000 sq ft. By shifting projects from China to its Vietnam plant in line with the movement of customers, Toyoplas will optimize their cost by leveraging on low-cost site in Vietnam and reducing high cross-border shipping costs to clients in Vietnam. Furthermore, CPI’s new EMS facility will increase by 30% extra capacity to support sustainable topline growth in the coming years. The new EMS facility is expected to commence operation in stages by 4QFY22. Hence, we expect to see a higher utilization rate in Toyoplas and CPI this year.

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### Total Sales of Vehicles (RM m)



Source: Company, Kenanga Research

### New Plant in Bac Giang Province Vietnam



### CPI's new EMS facilities



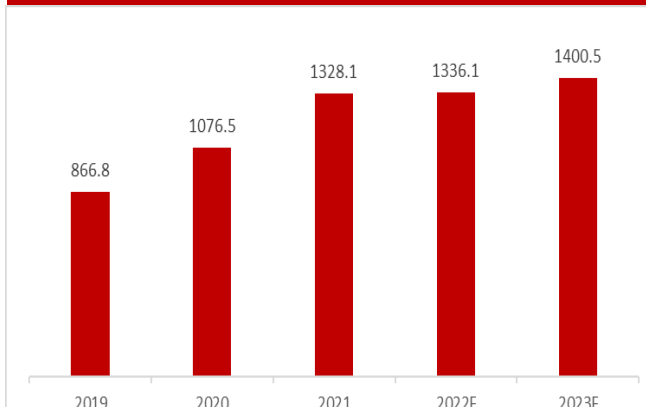
Source: Company, Kenanga Research



**Financial review.** In FY19, KPS reported revenue and core profit which surged 49% and 276% to RM866.8m and RM19.2m, respectively, thanks to the newly acquired subsidiaries namely CPI, Toyoplas and KKMW during BTP. In FY20, despite the onslaught of the pandemic, its revenue grew 24% while net profit more than doubled, driven mainly by higher orders for consumer electronics, coupled with gains from the securitization of the remaining proceeds from the disposal of its 30% stake in Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (Splash). In FY21, KPS continued to register growth at both its topline and bottomline as most of the business were in operation albeit in accordance with strict SOPs imposed by governments, while key markets for its products were reopening and recovering.

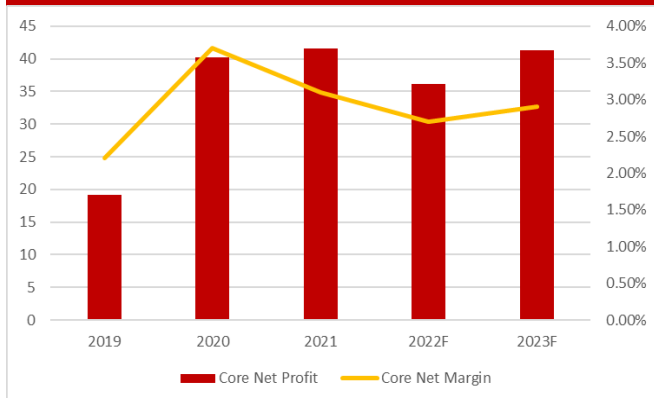
**Financial forecast.** We project FY22F net profit to contract 13.2% on a flattish turnover as the demand for consumer electronics comes off its peak seen during the pandemic, coupled with on-going supply-chain disruptions due to lockdowns in China arising from Beijing's zero-Covid policy as well as shortages of materials including integrated circuits. However, we expect the situation to improve in FY23, spurring a 14% growth in net profit on the back of a 5% increase in turnover.

### Revenue (RM m)



Source: Company, Kenanga Research

### Core net profit and core net margin (RM m)



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**VALUATION**

**We initiate coverage with an OUTPERFORM call.** We like KPS for its: (i) diversified portfolio of products, catering to both the industrial and consumer electronics space, (ii) long-term growth underpinned by expansion in its overseas operations, and (iii) expanding role in the supply chain of a global consumer appliances giant (that will raise its profile as a contract manufacturer in the international market). We value KPS at RM0.77 based on FY23F PER of 10x, which is in line the average forward PER of the manufacturing sector. There is no adjustment to our target price based on ESG given a 3-star rating as appraised by us (see Page 11).

**KEY RISKS RELATING TO THE BUSINESS AND THE INDUSTRY**

**Integrated circuit (IC) chip and labor shortages.** The global chip shortage has led to lower sale in manufacturing segments especially automotive as most of the clientele for Toyoplas and CPI are more exposed to electronic products. Furthermore, while China has implemented zero-COVID lockdown policy, Toyoplas encountered labor shortages and was forced to stop its production in China. However, we believe that the risk of IC and labor shortages could not be prolonged as the COVID is back to normal level.

**Inflation and supply chain disruptions.** A sharp increase in shipping and raw materials costs for Toyoplas and CPI such as plastic resins has dented their earnings. Given the supply chain issues, KPS will also face challenges in meeting customer delivery requirements and higher costs for transportation. A further cost escalation will lower down their gross margin as well.

**Cancellation orders from customers.** As electronic manufacturing sector (EMS) is a highly competitive intensity industry, customers will compare prices among the rivals to enjoy a cheaper price. Hence, there would be withdrawal orders from the customers to maintain their gross margin.



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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2019A	2020A	2021A	2022F	2023F	FY Dec (RM m)	2019A	2020A	2021A	2022F	2023F
Revenue	866.8	1,076.5	1,328.1	1,336.1	1,400.5	<b>Growth (%)</b>					
EBIT	76.2	51.0	104.8	89.5	91.0	Revenue	48.9	24.2	23.4	0.6	4.8
Finance Costs	-36.0	-30.4	-24.1	-22.3	-24.0	EBIT	48.0	-33.0	105.3	-14.6	1.7
PBT	55.0	57.3	87.9	65.9	74.0	PBT	130.6	4.1	53.6	-25.1	12.3
Txataion	-25.8	-17.2	-24.0	-19.8	-22.2	Net Profit	113.1	26.9	67.7	-36.9	14.4
Minority Interest	-2.3	-6.0	-6.7	-10.0	-10.5	Core Net Profit	275.6	109.7	3.4	-13.2	14.4
Net Profit	26.9	34.1	57.2	36.1	41.3						
<b>Core Net Profit</b>	<b>19.2</b>	<b>40.2</b>	<b>41.6</b>	<b>36.1</b>	<b>41.3</b>	<b>Profitability (%)</b>					
<b>Balance Sheet</b>						EBIT Margin	8.8	4.7	7.9	6.7	6.5
<b>FY Dec (RM m)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	PBT Margin	6.3	5.3	6.6	4.9	5.3
Fixed Assets	370.5	359.7	387.7	466.4	506.4	Core Net Margin	2.2	3.7	3.1	2.7	2.9
Investment	500.5	305.1	305.3	285.0	285.0	Effective Tax Rate	46.9	30.0	27.3	30.0	30.0
Intangible Assets	254.1	246.7	251.3	246.1	240.9	ROE	1.8	3.6	3.6	3.0	3.3
Other FA	286.5	289.9	189.5	237.2	237.2	ROA	0.8	1.8	1.8	1.6	1.8
Inventories	143.1	164.4	203.9	184.5	188.1						
Receivables	369.0	423.4	476.7	452.7	460.4	<b>DuPont Analysis</b>					
Other CA	8.1	6.6	7.4	7.2	7.2	Net Margin (%)	2.2	3.7	3.1	2.7	2.9
Cash	271.8	440.3	461.8	397.4	321.5	Assets Turnover (x)	0.4	0.5	0.6	0.6	0.6
<b>Total Assets</b>	<b>2,295.8</b>	<b>2,276.5</b>	<b>2,283.8</b>	<b>2,276.6</b>	<b>2,246.8</b>	Leverage Factor (x)	2.4	2.3	2.2	2.1	2.0
Payables	291.8	298.2	357.3	324.4	330.2	ROE (%)	1.8	3.6	3.6	3.0	3.3
ST Borrowings	106.4	140.7	179.6	199.6	199.6	<b>Leverage</b>					
Other ST Liability	27.0	32.3	32.8	33.0	34.6	Debt/Asset (x)	0.3	0.3	0.3	0.2	0.2
LT Borrowings	505.9	475.5	412.2	324.9	237.6	Debt/Equity (x)	0.6	0.6	0.6	0.5	0.4
Other LT Liability	218.5	224.4	140.8	193.5	200.2	Net (Cash)/Debt	340.5	175.9	129.9	127.1	115.7
Minority Interest	109.3	111.8	120.6	120.6	120.6	Net Debt/Equity (x)	0.4	0.2	0.1	0.1	0.1
<b>Net Assets</b>	<b>957.8</b>	<b>993.6</b>	<b>1,040.4</b>	<b>1,080.6</b>	<b>1,124.0</b>						
						<b>Valuations</b>					
Share Capital	537.9	537.9	537.9	537.9	537.9	Core EPS (sen)	3.6	7.5	7.7	6.7	7.7
Other Reserves	419.8	455.7	502.5	542.7	586.1	DPS (sen)	32.6	2.5	4.5	2.4	3.1
<b>Equity</b>	<b>957.8</b>	<b>993.6</b>	<b>1,040.4</b>	<b>1,080.6</b>	<b>1,124.0</b>	BVPS (RM)	1.78	1.85	1.94	2.0	2.1
						Core PER (x)	18.8	11.9	9.3	10.4	9.1
						Div. Yield (%)	48.7	2.8	6.3	3.4	4.4
<b>Cashflow Statement</b>						PBV (x)	0.4	0.5	0.4	0.3	0.3
<b>FY Dec (RM m)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>						
Operating CF	41.1	282.2	104.4	116.9	110.2						
Investing CF	281.7	-167.5	-56.5	-40.0	-40.0						
Financing CF	-268.8	-82.4	-80.2	-102.2	-127.9						

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### Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
BOILERMECH HOLDINGS BHD	OP	0.670	0.900	34.33%	345.7	Y	03/2023	4.1	5.6	23.5%	37.6%	16.3	12.0	1.4	8.6%	1.8	2.6%
BP PLASTICS HOLDINGS BHD	OP	1.37	1.63	18.98%	385.6	Y	12/2022	14.5	18.2	-12.1%	25.2%	9.5	7.5	1.5	16.8%	6.0	4.4%
HIL INDUSTRIES BHD	OP	0.930	1.08	16.13%	308.7	Y	12/2022	8.8	11.5	-2.3%	30.5%	10.6	8.1	0.7	7.2%	2.0	2.2%
KUMPULAN PERANGSANG SELANGOR BHD	OP	0.675	0.770	14.07%	362.7	Y	12/2022	6.7	7.7	-13.2%	14.4%	10.0	8.8	0.3	3.4%	2.4	3.6%
SCIENTEX BHD	MP	3.46	3.33	-3.76%	5,366.5	Y	07/2022	24.8	35.7	-13.4%	44.0%	14.0	9.7	1.7	12.5%	7.4	2.2%
SLP RESOURCES BHD	MP	0.860	0.92	6.98%	272.6	Y	12/2022	5.5	6.6	0.0%	18.9%	15.6	13.1	1.4	9.3%	5.5	6.4%
THONG GUAN INDUSTRIES BHD	OP	2.58	3.99	54.65%	1,003.5	Y	12/2022	30.0	36.4	22.2%	21.2%	8.6	7.1	1.2	14.3%	5.5	2.1%
<b>Simple Average</b>								<b>13.5</b>	<b>17.4</b>	<b>0.7%</b>	<b>27.4%</b>	<b>12.1</b>	<b>9.5</b>	<b>1.2</b>	<b>10.3%</b>		<b>3.3%</b>

Source: Kenanga Research

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★		
	Corporate Social Responsibility	★	★	★	☆	
	Management/Workforce Diversity	★	★	☆		
	Accessibility & Transparency	★	★	★	☆	
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
	<b>OVERALL</b>	★	★	★		
<b>SPECIFIC</b>	Migrant Worker Welfare	★	★	☆		
	Waste Disposal/Pollution Control	★	★	★	★	
	Work Site Safety	★	★	★		
	Usage of Biodegradable Materials	★	★	★		
	Chemical Management	★	★	★		
	Energy Efficiency	★	★	★	☆	

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:**

**Stock Recommendations\*\***

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

**\*\* The Expected Total Return might contain rounding discrepancy**

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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