



13 AUG, 2022

Texchem aims to maintain growth momentum

The Star, Malaysia

CORPORATE

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POISED to make a solid comeback this year, Texchem Resources Bhd is not putting all its eggs in one basket.

The corporation's net profit for the second quarter ended June 30 (2Q22) jumped 16 times to RM6.73mil from RM424,000 a year ago.

Meanwhile, its revenue for 2Q22 soared to RM301.46mil compared with RM261.19mil in the previous year. This was fuelled by a turnaround of footfall across its Sushi King outlets as the country entered into the endemic phase of Covid-19. Almost a quarter of the company's revenue was derived from its restaurant division.

There are signs that Texchem's recovery can be sustained, as the group's polymer engineering division and industrial segment are also showing growth prospects.

Firstly, on its restaurant segment, Texchem recently raised its stake in Sushi King to 98.35% after acquiring a 28% stake from Asia Yoshinoya, a Japanese fast-food restaurant giant.

The group has also opened a new *Doutor Coffee Café* outlet at LaLaport Bukit Bintang City Centre.

In an email interview with *StarBizWeek*, Texchem group executive chairman, Tan Sri Fumihiko Konishi, says, "Our plan for the restaurant segment is to expand our new concept stores such as kiosk and satellite outlets which require lower capital expenditure. In terms of opening new restaurant outlets, we will be selective and prudent in the deployment of our resources."

The restaurant division is not the only segment in the black, the polymer engineering segment is also seeing sales increasing.

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division in four Asean countries with a wide range of offerings.

These include customisation of plastic parts, components and precision packaging solutions. It caters to the data storage and semiconductor businesses among others, demand from which is at an all-time high.

"We will be riding on the foundation that we have built in the key industries we serve, namely data storage and memory, semiconductor as well as medical life sciences."

"We will also be capitalising on the vibrant growth of these segments in Penang, given the high approved manufacturing investments in that area," says Fumihiko.

For Texchem's industrial division, the group is setting its sights on becoming a specialty chemical distribution player.

"We are expanding our specialty product portfolio by focusing on higher margin product segments while pushing new products into new market segments."

"At the same time, we are centralising our regional procurement efforts to optimise the

supply chain and improve our bargaining power thus enhancing our economies of scale," Fumihiko shares.

"Looking ahead, we will concentrate on our core growing markets, ensure continuous improvement in our operations and supply chain management, expand our Seapack brand, and penetrate new markets with halal processed food."

"Our strong supply chain management provides us with high availability of sources to meet global demand while our wide distribution network enables us to reach a large network of global customers," says Fumihiko.

Meanwhile, RHB Research notes that Sushi King is set to recover strongly this year, from being loss-making in 2021.

The research house notes that apart from being halal-certified, the division is also benefiting from a right-sizing and cost rationalisation exercise the group has implemented.

"In its right-sizing exercise, it closed down about 20 non-performing outlets over the past two years, and exited the Vietnamese

and Indonesian markets. As such, we expect its restaurant business to outperform even its pre-pandemic levels," says the research house.

It also opined that Texchem's ability to manufacture electrostatic discharge materials of high quality in terms of hardness and thickness is what gives its plastic products the edge over its competitors.

"Besides, Texchem is only one among a handful of players in Malaysia using 3D computer-aided design and computer-aided manufacturing software technologies and design for manufacturing processes. This will allow it to shorten the product development cycle," RHB Research says.

RHB Research also points out that Texchem's multinational corporation clients allow the group to pass on additional input costs due to its expertise to manufacture electrostatic discharge materials.

This adds to the group's competitive advantage versus lower-end polymer players, the research house says.

The research house also notes that Texchem intends to streamline its production by changing more semi-auto lines to automated lines, a move that can double its capacity in three to five years.

"Automated lines are 10 times faster than semi-auto lines and with it the group is able to offer effective business continuity planning to many multinational corporations in the line of semiconductor, electrical and electronics, as well as life sciences that put much emphasis on continuity of supply," the research house states.

RHB Research also notes that with the resumption of manufacturing activities amid economic recovery in Malaysia, Singapore, Thailand and Vietnam (the export markets of Texchem), the group will see even better returns in its industrial segment.