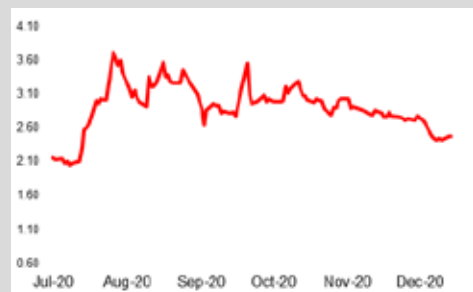


**DESCRIPTION**

Established since 1984 and is Malaysia's leading thermo-vacuum form plastic packaging manufacturer

**12-Month Target Price** RM3.84  
**Current Price** RM2.43  
**Expected Return** +58.0%

**Market** Main  
**Sector** Packaging  
**Bursa Code** 7247  
**Bloomberg Ticker** SCGM MK  
**Shariah-compliant** Yes

**SHARE PRICE CHART**


**52 Week Range (RM)** 0.76-3.95  
**3-Month Average Vol ('000)** 2,687.3

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	-13.6	-14.5	31.0
Relative Returns	-15.9	-20.4	12.8

**KEY STOCK DATA**

**Market Capitalisation (RM m)** 465.4  
**No. of Shares (m)** 192.8

**MAJOR SHAREHOLDERS**

	%
Lee Family	44.6
KWAP	4.1

**Chong Hoe Leong**

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## Expecting Another Steady Quarter

During the post-result briefing yesterday, management highlighted that the Group expects to see another steady quarter for its plastic packaging business as it seeks to bump up sales of customized packaging products which can fetch better margins. The strong results for 1HFY21 were mainly attributed to better cost control policy as revenue increased by only 8.3% YoY. Management also does not rule out the possibility of better dividend payout this year in tandem with the strong results. We reiterate our **Outperform** call with an unchanged TP of RM3.84.

§ **F&B packaging continues to excel.** During the second quarter, its revenue rose 14% YoY to RM61m. F&B segment, which is the largest contributor, accounted for 83%. It is also the only segment that is seeing stronger sales growth, rising 18.1% YoY to RM50.6m. Meanwhile, Extrusion and other segment, which consists of electronics, medical and other packaging, fell 17.4% and 18.5%, respectively. Personal protective equipment (PPE) recorded stronger sales contribution of RM1.6m compared to RM0.9m in 1QFY21. Sales from local markets grew 12.7% YoY to RM39.7m, led by 38 new clients while export markets increased by 16.4% YoY to RM21.3m on the back of 5 new international customers from Singapore and Australia. Revenue from the customized plastic packaging products, which has higher margins, made up 60% while the standardized and low customized packaging products accounted for the remaining sales.

§ **Significant margin improvement.** EBITDA margin expanded from 17% to 24.9% in 2QFY21 on the back of i) favourable sales mix, ii) lower resin prices and iii) improved operational efficiency. 1HFY21 EBITDA margin increased from 14.9% to 24.1% as EBITDA jumped 74.8% YoY to RM28.5m. Meanwhile, 2QFY21 resin cost fell 26% YoY and 9% QoQ. For 1HFY21, it was down by 27% YoY.

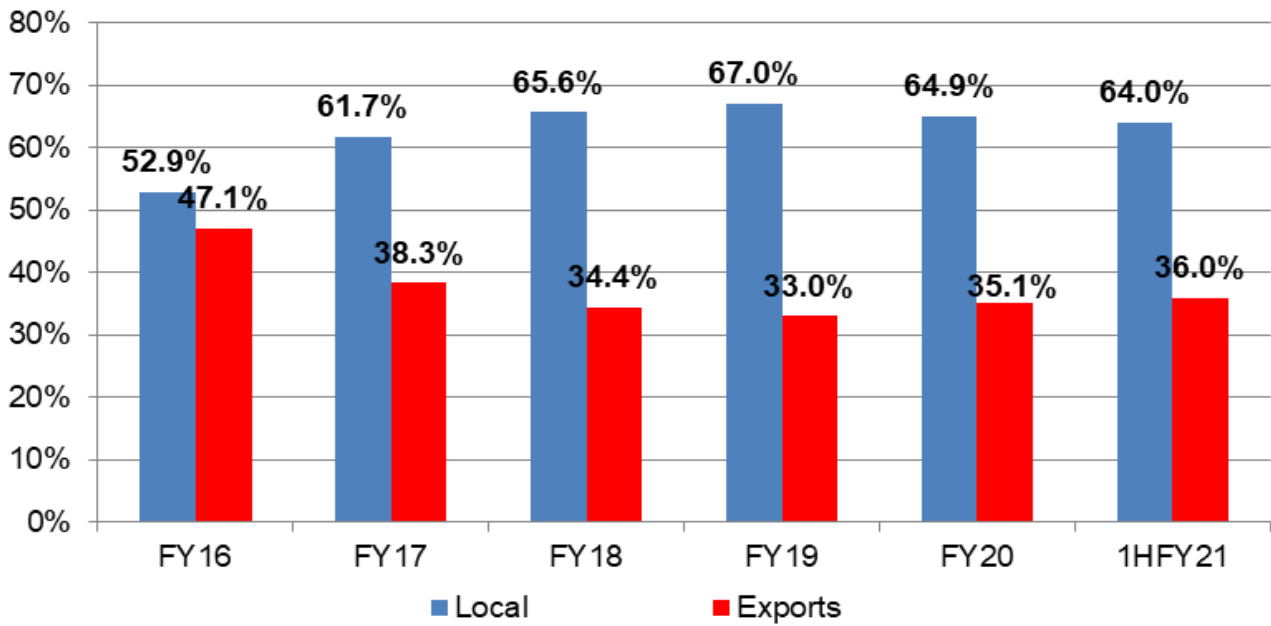
§ **Outlook for resin cost.** Management guided that resin cost, which makes up 65%-70% of total operating costs, will remain steady in the next financial quarter (Nov-Jan). However, it still remains uncertain for the final quarter given the current volatile trend. On a positive note, it will be able to pass on the additional resin cost to their clients.

§ **Expanding the face mask portfolio.** Management has spent RM0.2m to acquire an automated face mask machine, which has the capability of producing individually-packed face masks that are more hygienic and which command better premiums. The current ASP for its face mask is about RM0.50/piece, which is in line with the latest government ruling. It is mainly used to serve the overseas markets, namely, Singapore and US. Upon commissioning, the face mask production capacity will increase from 6m pieces/mth to 7.2m pieces/mth.

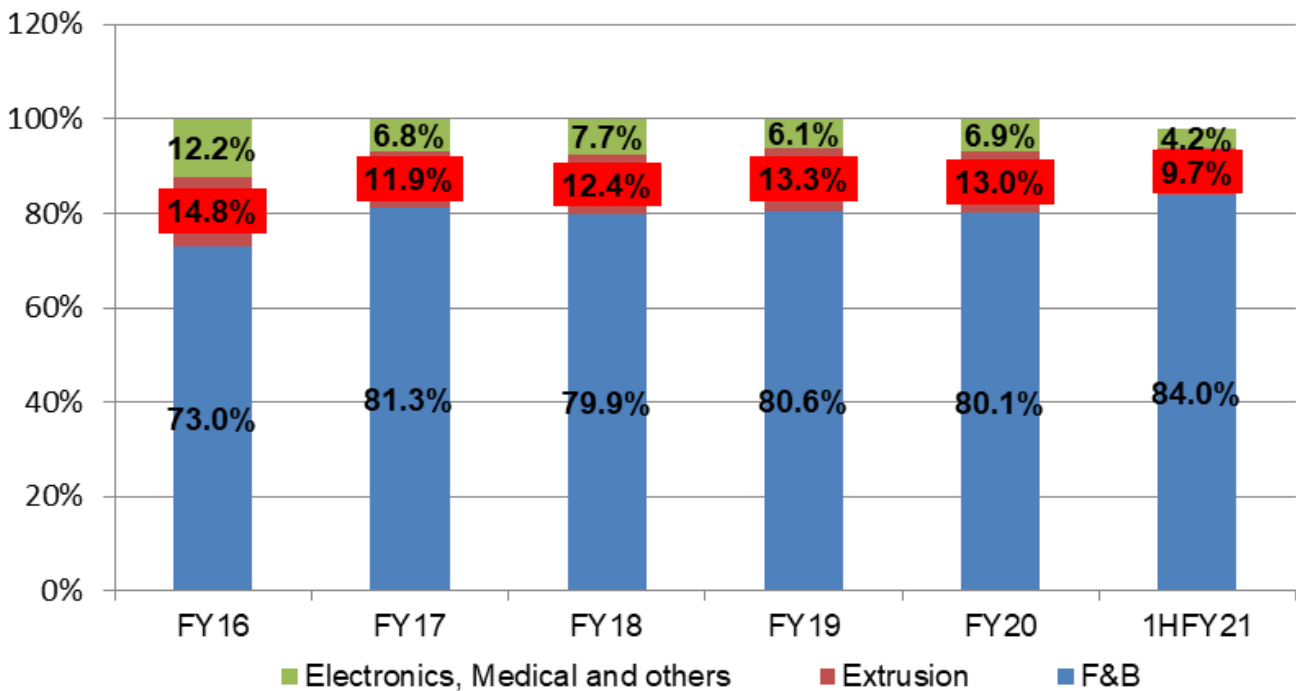
**KEY FINANCIAL SUMMARY**

FYE Apr (RMm)	2019A	2020A	2021F	2022F	2023F	CAGR
Revenue	219.6	210.5	289.5	327.8	357.7	13.0%
Gross Profit	24.3	18.9	66.6	75.4	80.5	34.9%
Pre-tax Profit	-1.6	15.9	34.4	39.8	42.0	38.3%
Core Net Profit	-5.0	17.3	30.9	33.8	35.7	27.3%
EPS (Sen)	-2.6	8.9	16.0	17.5	18.5	27.5%
P/E (x)	-94.1	22.2	15.2	13.9	13.2	
DPS (Sen)	1.5	3.3	6.4	7.0	7.4	
Dividend Yield (%)	0.6	1.7	2.6	2.9	3.0	

Source: Company, PublicInvest Research estimates

**Figure 1: Geographical Breakdown**


Source: Company, PublicInvest Research

**Figure 2: Customer Segmentation**


Source: Company, PublicInvest Research

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

FYE Apr (RM m)	2019A	2020A	2021F	2022F	2023F
<b>Revenue</b>	219.6	210.5	289.5	327.8	357.7
Gross Profit	<b>24.3</b>	<b>18.9</b>	<b>66.6</b>	<b>75.4</b>	<b>80.5</b>
EBITDA	18.5	34.3	71.2	80.6	88.0
Net Finance (costs)/income	-14.7	-13.6	-14.5	-14.6	-14.7
Other expenses	-5.6	-4.8	-5.4	-5.4	-5.4
<b>Pre-tax Profit</b>	<b>-1.6</b>	<b>15.9</b>	<b>34.4</b>	<b>39.8</b>	<b>42.0</b>
Income Tax	-3.4	1.4	-3.4	-6.0	-6.3
Effective Tax Rate (%)	-212.5	-	10.0	15.0	15.0
<b>Core Net Profit</b>	<b>-5.0</b>	<b>17.3</b>	<b>30.9</b>	<b>33.8</b>	<b>35.7</b>
<b>Growth (%)</b>					
Revenue	15.0	-4.1	37.5	13.2	9.1
Operating Profit	127.5	-21.9	66.0	13.2	6.7
Core Net Profit	14.7	>100	78.9	9.3	5.6

Source: Company, PublicInvest Research estimates

### BALANCE SHEET DATA

FYE Apr (RM m)	2019A	2020A	2021F	2022F	2023F
Fixed assets	213.4	193.2	191.5	178.9	166.2
Other long-term assets	1.5	10.7	0.0	0.0	0.0
Cash at bank	8.2	4.9	3.9	22.5	45.6
Other current assets	86.4	89.3	121.9	137.5	149.7
<b>Total Assets</b>	<b>309.5</b>	<b>298.2</b>	<b>317.3</b>	<b>338.9</b>	<b>361.5</b>
Short-term borrowings	53.5	42.7	42.8	42.8	42.8
Long-term borrowings	11.7	47.1	9.3	9.3	9.3
Payables	0.0	10.1	0.0	0.0	0.0
Other liabilities	87.4	28.2	76.5	77.9	79.0
<b>Total Liabilities</b>	<b>152.6</b>	<b>128.1</b>	<b>128.6</b>	<b>130.0</b>	<b>131.1</b>
Shareholder Equity	156.9	170.1	188.7	209.0	230.4
<b>Total Equity and Liabilities</b>	<b>309.5</b>	<b>298.2</b>	<b>317.3</b>	<b>338.9</b>	<b>361.5</b>

Source: Company, PublicInvest Research estimates

### PER SHARE DATA & RATIOS

FYE Apr	2019A	2020A	2021F	2022F	2023F
Book Value Per Share (RM)	0.8	0.9	1.0	0.0	0.0
NTA Per Share (RM)	0.8	0.9	1.0	0.0	0.0
EPS (sen)	-2.6	8.9	16.0	17.5	18.5
DPS (sen)	1.5	3.3	6.4	7.0	7.4
Payout Ratio (%)	-58.1	36.5	40.0	40.0	40.0
ROA (%)	-1.6	5.8	9.8	10.0	9.9
ROE (%)	-3.2	10.1	16.4	16.2	15.5

Source: Company, PublicInvest Research estimates

## RATING CLASSIFICATION

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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