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Daibochi's 4Q net profit up 11.7%, pays 1.3 sen dividend

KUALA LUMPUR (Feb 22): Daibochi Plastic and Packaging Industry Bhd's net profit grew 11.7% to RM6.59 million, or 2.41 sen per share, in the fourth quarter ended Dec 31, 2015 (4QFY15) from RM5.9 million or 2.17 sen per share in the previous corresponding quarter.

The plastic packaging manufacturer attributed the increase in net profit to improved margins due to higher export sales as a result of the weaker ringgit against other currencies, new product innovations to the Australia and New Zealand (ANZ) market, lower resin prices and favourable product mix.

Revenue, however, declined 1.12% to RM83.11 million in 4QFY15 from RM84.05 million due to weaker demand caused by the implementation of the goods and services tax (GST).

Daibochi declared dividend of 1.3 sen per share, payable on April 8, 2016 with an ex-date of March 11, 2016, bring the total dividend declared to 5.87 sen per share.

Together with the earlier paid first, second, and third interim dividends of 1.45 sen, 1.66 sen, and 1.46 sen per share respectively, total dividends in FY15 amounted to 5.87 sen per share, translating into a payout of RM16 million or 60% of FY15 net profit, as per its dividend policy.

For the full financial year ended Dec 31, 2015 (FY15), Daibochi's net profit expanded 12.55% to RM26.72 million or 9.8 sen per share from RM23.74 million or 8.7 sen per share. Revenue was rather flat (up 0.12%) at RM344.95 million compared to RM344.54 million in FY14.

In the notes accompanying its results, Daibochi said although local revenue declined by 8% due to market sentiment post GST, export revenue grew favourably as a result of weaker ringgit against other foreign currencies and stronger sales of new and existing products to its ANZ market.

However, Daibochi said overall sales for 2015 would have been better if not for the slower domestic sales post-GST implementation.

In a press statement, the plastic packaging company said it has secured two new contracts to supply flexible packaging to its multinational (MNC) customers in the ANZ market, with new export orders expected to commence from the second quarter of 2016 and onwards.

Daibochi managing director Thomas Lim said Daibochi's export sales have increased year-on-year to contribute 53% of group sales in FY15 from 50% in FY14.

"These are results of our unwavering focus to grow our regional reach," he said.

"The newly-secured contracts would contribute significantly towards expanding our export sales in the current financial year," he added.



On prospects for 2016, Lim said while prices of plastic resins have declined in line with global crude oil prices, Daibochi does not benefit from this phenomenon.

"The savings attained from lower resin prices would be passed on to our MNC customers, as we have a cost-pass through mechanism which shields us from fluctuations in raw material prices," he said.

"The lower raw material costs, together with our strength in developing new innovations, enable us to tender more competitively to capture a greater number of export opportunities," he added.

In view of this, he said, the company is confident of securing several new export orders to key MNC customers this year.

Daibochi shares closed unchanged at RM2.22, with a market capitalisation of RM606.61 million.