KYM set to expand export market

BY SUPRIYA SURENDRAN

KYM Holdings Bhd, whose wholly-owned subsidiary Hasrat Meranti Sdn Bhd is the largest independent paper sack producer in Southeast Asia, plans to expand its export market. With a contract in hand to supply a minimum of 80 million industrial sacks a year to BillerudKorsnäs AB in Southeast Asia, KYM is set to establish a foothold in the market.

In March, Hasrat Meranti signed an agreement with BillerudKorsnäs for the contract manufacture, sale and distribution of industrial sacks in the region.

Under the contract, a minimum supply of 80 million sacks per annum is expected to be met by the third year. Its initial term is for seven years, says KYM CEO Lim Tze Thean. He, however, declines to disclose the value of the contract.

"BillerudKorsnäs is a European supplier of paper [for the manufacture of industrial sacks]. It is one of the best in the world, so we hope the paper technology will allow us to further enhance the quality of products that we supply to our customers," he tells *The Edge*.

About 35% of the group's industrial sacks are exported to Thailand, Indonesia, Vietnam, the Philippines, Mauritius and Hong Kong, among others.

"I believe our big year will be in the financial year ending Jan 31, 2019 (FY2019)," Lim says, which is when he expects the contribution from the expansion of its industrial bags division to kick in.

KYM's factories in Chemor and Tapah in Perak produce 150 million sacks per year. In January, it invested RM23 million in a new production line and to upgrade its facilities in Tapah. The new line, which is expected to be installed in the first quarter of next year, will increase its annual capacity to 230 million sacks per year.

The group's industrial sacks are used for both cement and non-cement products. It is a dominant player in the supply of cement packaging bags, commanding a 40% share of the market in Peninsular Malaysia. Buyers include LafargeHolcim and Negeri Sembilan Cement Industries Sdn Bhd.

Meanwhile, non-cement products include building materials, calcium carbonate, chemicals and food.

KYM's industrial sacks segment contributes about 80% to its revenue. The remaining 20% comes from its corrugated carton boxes division.

"Our boxes division is more domestic-based — only 6% of our paper boxes are exported to Singapore. It is our only export market. We have switched our focus to being more of a [corrugated cardboard] converter [from just a corrugator], whereby we are more of a niche specialist with a range of fluting [profiles] and the turnaround time [for converters] is faster," says Lim.

KYM's carton boxes are produced at its plant in Beranang, Selangor.

Lim is targeting 5% annual revenue growth, derived from its industrial bags and carton boxes divisions. "That's a fairly conservative estimate. I don't like to overpromise but what I can say is we are structuring ourselves to be an export powerhouse for industrial bags."

He acknowledges that it has not been an easy ride for the company in the past few years.

"Four years ago, when I took over as CEO, I got the buy-in from the stakeholders to change the direction of the company. The one message that I kept telling everyone was to focus on what we are good at, which is manufacturing. It's not very sexy, I know. But it's what I know, and what the team knows well," Lim explains.

Over the years, KYM has disposed of land as part of its restructuring exercise. Lim says the group is on its final restructuring leg this year.

After two consecutive years of losses — in FY2015 and FY2016 — the group returned to the black in FY2017. It reported a net profit of RM635,000, or 0.42 sen per share, compared with a net loss of RM1.24 million the year before. Revenue came in at RM96 million, down 3%.

Lim believes his decision to concentrate on the group's manufacturing segment, in particular the industrial bags division, has paid off.

"From having about 1,200 acres in the year 2000 and bearing the holding cost of these lands, our land bank today has come down to 100 acres in Manjung, Perak, and about 41.36 acres in Ipoh. These two parcels are repositories of high-grade granite, so if the right buyer comes along, I am definitely keen to sell," he says.

Lim is the eldest son of businessman Datuk Lim Kheng Yew, 65, who was reported to be a close associate of Tan Sri Tajudin Ramli — the former CEO of Malaysia Airlines — in the past. The Lim family controls 37% of KYM, and the senior Lim is also an executive director of KYM. "My dad is all about value — he keeps drilling into us about the value of things, understanding how to create value and making decisions that have a positive impact on the group, and not just [leave things] as business as usual," says Lim.

KYM's share price staged a rally in February. The stock climbed from a low of 30 sen to 66 sen in early March. Year to date, it has gained 70%.

The counter is trading at a price-earnings ratio of more than 100 times. This may imply that Lim has more work ahead to sustain the rally. E