

Unimech expects higher growth

- **CORPORATE NEWS**

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- by **David Tan**

GEORGE TOWN: **Unimech Group Bhd**

image: <https://cdn.thestar.com.my/Themes/img/chart.png>

 is projecting growth in 2016, after experiencing 12 months of sluggish sales in 2015, backed by stronger demand for industrial valves.

The group expects to deliver valves and pumps with an estimated market value of RM60mil for recurring orders in the first quarter of 2016, which is about 5% higher in value than a year earlier.

Group chief executive officer Datuk Lim Cheah Chooi told *StarBiz* that about 55% of the products were for the Malaysian market, while the Asean region and Australia consumed the remainder.

“The products will be used largely in the palm oil and heat and ventilation industries,” he said.

Lim said for the first quarter of 2016, the group expected flat performance compared with the previous corresponding period, which saw the group posted a net profit of RM3.8mil on the back of a RM60.6mil turnover.

The group expected its performance for the 2015 fiscal year to decline slightly from 2014, according to Lim. “Moving ahead, we can expect the demand for valves to come from the biodiesel sector.

“As the Indonesian government is promoting the usage of biodiesel oil, there will be higher demand for palm oil, which is used for blending into biodiesel,” Lim added.

On its overseas business, Lim said the group expected the orders for valves to increase from the Vietnamese market this year.

“We have recently invested about RM2mil for a warehouse in Ho Chih Minh City to establish a stronger foothold in Vietnam.

“The market driven over there is driven largely by the new set up of factories, and the development of commercial and residential high-rises,” he said.

In Indonesia, the group’s valves are driven by the demand from the palm oil sector.

In 2015, the sales of valves and fittings for the palm oil industry in Indonesia declined slightly due to poor demand and excess capacity in palm oil mills, according to Lim.

“For 2016, there is little visibility of the Indonesian palm oil market, as the El Nino weather conditions are expected to limit crude palm oil production.

“According to the Indonesian Palm Oil Board, the output in Indonesia in 2016 will be around 33 million tonnes, lower than the 33.5 million previously projected. We hope to see improvement this year,” Lim said.

The group has some 35 warehouses and sales offices in Indonesia to distribute the group’s Arita and Unimech valves for the palm oil and general industries.

According to Freedonia, the Ohio-based market research firm, the global demand for industrial valves is forecast to rise 5.1% per year through 2017 to US\$82.5bil.

“Advances in developing areas such as China and India will result from ongoing industrialisation, as investment in water infrastructure and electricity generation grows.

“In developed areas, continued advances in manufacturing output will provide growth in the process manufacturing market,” the report said, adding that the need for more efficient manufacturing operations in developed nations would spur investment in new equipment, benefiting valves.

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