

# Unimech to focus on water sector

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For the past 30 years, Penang-based Unimech Group Bhd has been manufacturing valves for various industrial users such as palm oil mills, chemical companies, heating and ventilation air-condition applications producers, paper mills and food-processing companies. Now, it has set its sights on supplying valves for the water and waste water industry.

Unimech's interest in the water and wastewater management industry is for two reasons: RM2.6 billion has been earmarked for the sector in Budget 2010 and the decision-making process for capital spending now lies with the National Water Services Commission (SPAN).

Unimech's group general manager Sim Yee Fuan says interest in exploring the water and wastewater management industry is buoyed by several factors that have made dealing with the various groups in the industry more convenient.

In the past, the process of supplying valves and fittings was tedious because it was under the jurisdiction of the states. Each state had its specific requirements and manufacturers had to get their valves certified from each state authority before they could get the mandate to supply.

Now, the industry has been consolidated and comes under the jurisdiction of SPAN, which is a federal government body.

"It cuts out red tape; we no longer need to go to various state authorities," says Sim.

He says growing the water and wastewater management business will be Unimech's focus in 2010, adding that the sector is expected to be a big revenue contributor over the next five years.

The venture into the water and wastewater segment began in September 2009 after Unimech acquired Bells Marketing Sdn Bhd for RM2.7 million. Bells mainly supplied and installed insulation materials and valves and had knowledge of the water and wastewater management industry.

"Bells had better network and know-how... it was easier to penetrate the market," says Sim.

He adds that Unimech intends to spend RM1 million to RM2 million to grow its latest division, as it has cash and cash equivalents of RM12.7 million as of Sept 30 last year.

Sim says the rest of the cash balance will be used primarily for expansion, especially in the valve segment, with the focus on product development. Besides engaging in the manufacturing, trading and engineering of valves, Unimech is also involved in pipe fitting, heat and steam engineering, and pumps.

About 35% of its revenue comes from exporting its products to countries such as Thailand, the Philippines, Indonesia, China, Singapore, South Korea, Vietnam and Australia. Malaysia remains Unimech's dominant market, with 65% of its revenue stream coming from the domestic sector. Unimech's chair-



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man and managing director Datuk Lim Cheah Chool had previously stated that the company was looking to increase its overseas contribution to 70% in five years.

Among the overseas markets, Indonesia is the biggest for Unimech. It ventured into Indonesia, which has not been affected by the financial crisis, some nine years ago even before it was even listed on Bursa Malaysia's Second Board in 2000.

"It is one growth market we are focusing on as it is politically and economically stable," says Sim. At present, 10% of Unimech's overall revenue comes from Indonesia.

Going forward, Sim believes that Unimech should be doing better this year compared with 2009. Over the last nine months, Unimech posted an unaudited net profit of RM9.9 million on a turnover of RM86.1 million. It was lower than the corresponding period in FY2008, where it recorded a net profit of RM11.1 million on a turnover of RM98.8 million.

For FY2008 ended Dec 31, Unimech posted a net profit of RM14.4 million on the back of RM123 million revenue.

But Sim says the 4Q2009 results were encouraging because they show an uptrend.

"Over the last three months, our performance has been encouraging and it should continue in the new financial year," he says.

"We expect to do better than 2009 as the economy is seen to be picking up," he adds.

On dividends, Sim says the company will be giving out dividends for FY2009, but has yet to finalise on the amount, adding that it will be about 30% of Unimech's net profit.

In the previous FY2008 ended Dec 31, dividends totalling RM3.41 million were paid to shareholders, who got a dividend of 3.7 sen per share of 50 sen each less income tax at 25%.