

NEW STRAITS TIMES

TA SECURITIES REPORT

CEKD expected to benefit from e-commerce boom

KUALA LUMPUR: CEKD Bhd is likely to benefit from the rapid growth of e-commerce and the rising awareness of environmentally friendly paper packaging.

TA Securities Holdings Bhd said CEKD's paper printing and packaging segments stand to take advantage of higher demand for packaging materials and environmentally friendly paper packaging materials.

The company's electrical and electronics (E&E) segment is also expected to grow in tandem with the continued growth of Malaysia's E&E industry, which has been performing well amid the pandemic.

"All in all, growth from these industries is expected to augur well for the die-cutting tool manufacturing industry," said TA Securities.

It added the die-cutting tool manufacturing industry in

Malaysia comprises about 40 companies, including domestic and foreign players.

Based on CEKD's financial year 2020 revenue of RM26.4 million against Malaysia's die-cutting tool manufacturing industry's 2020 revenue of RM197.7 million, TA Securities said CEKD's market share is estimated at 13.4 per cent.

According to market research firm Protégé Associates, Malaysia's die-cutting tool manufacturing industry is projected to grow at a compound annual growth rate of 3.2 per cent from RM216.5 million in 2019 to RM261 million in 2025.

"Generally, the die-cutting tool manufacturing industry's

growth trajectory is anticipated to mirror that of the global economy given that the industry's end-user markets, such as paper and paper products, E&E, automotive, aerospace, telecommuni-

cations, construction, and oil and gas, are sensitive to economic cycles."

However, the Covid-19 pandemic had weakened consumer sentiment and disrupted operations and supply chains.

Malaysia's die-cutting tool manufacturing industry contracted 8.7 per cent year-on-year to RM197.7 million.

However, in the near term, TA Securities has projected a global recovery with the easing of Covid-19-related restrictions.

CEKD is expected to list on the ACE Market of Bursa Malaysia on Sept 30 and raise RM24.28 million from its initial public offering.

The proceeds will be used to fund expansion plans, including the purchase of a new manufacturing facility and machinery and an upgrade of computer systems, according to the company's prospectus.

It will use RM8.8 million to acquire a factory for manufacturing unit Hotstar (M) Sdn Bhd, RM4.3 million for capital expenditure and RM4 million for repayment of borrowings, while the remainder will go towards marketing activities, working capital and listing expenses.

TA Securities said CEKD plans to increase its export revenue with targeted opportunities in Southeast Asia, such as Vietnam and Thailand.

INFO BOX

13.4pc

CEKD Bhd's estimated market share in the die-cutting tool manufacturing industry