

Thong Guan spending RM35mil to expand capacity at Sungai Petani plant


CORPORATE NEWS

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By David Tan



Group managing director Datuk Ang Poon Chuan (inset pic) told StarBiz that one of the lines, to be installed in September, was for the stretch film division, which will raise production capacity to 75,000 tonnes from 65,000 tonnes a year ago

GEORGE TOWN: [Thong Guan Industries Bhd](#)  is spending RM35mil on three new production lines at its Sungai Petani plant this year to grow its stretch film capacity and also to position itself as the one of the largest PVC food wrap producers in Malaysia, South-East Asia, and in the Asia-Pacific region.

Group managing director Datuk Ang Poon Chuan told StarBiz that one of the lines, to be installed in September, was for the stretch film division, which will raise production capacity to 75,000 tonnes from 65,000 tonnes a year ago.

The group is increasing the stretch film production capacity as it is penetrating new markets in South America and Europe, despite the global market slowdown.

“This is why we are increasing the production capacity.

“Although the stretch film market in Japan is still steady, there is a slowdown in other overseas markets, as well as the domestic market.

“The domestic market, which is 15% of the group’s revenue, has also contracted recently,” he said.

The other two lines, which were installed recently, are for the PVC food-wrap division, which serves the Asean and Middle Eastern markets.

“This exercise increases the PVC food-wrap production capacity by 2,400 tonnes per annum in total, which translates into an estimated revenue increase of more than RM100mil per year for the financial years to come.

“In this aspect, this fulfils the group’s aspirations to continue to grow and eventually become one of the largest PVC food wrap producer in Malaysia, South-East Asia as well as in Asia Pacific,” he added.

According to Ang, the group is now exploring opportunities with a few Chinese plastic packaging materials manufacturers to set up joint-venture operations in the northern region.

“We are looking to invest about RM10mil for the joint-venture business, which is expected to generate an annual revenue of about RM40mil.

“The Chinese manufacturers are investing here because of the on-going trade war between China and the US.

“Chinese plastic products entering the US are facing a 25% import duty.

“Chinese are also prompted to come over due to the stringent regulations of the Chinese government to regulate new and existing industrial product manufacturers,” he added.

The 75-year old packaging firm is on track to achieve its plans to grow revenue and production capacity by more than three-fold in the next 10 years.

The group has budgeted a capital expenditure of RM650mil to increase its production capacity to 400,000 tonnes that will gradually raise its annual turnover to RM3bil.

“The group’s annual turnover should hit RM1.5bil in 2020, should the market price of industrial packaging products stay at around US\$1,600 to US\$1,800 per tonne.

“The production capacity of the group in 2020 would be 220,000 tonnes.

“The actual production is around 80% of the capacity, which means if the demand grows the revenue could go even higher,” he said.

According to the Technavio global stretch and shrink film 2016-2020 market report, the global market is expected to reach US\$14.88bil by 2020, growing at a compounded annual growth rate (CAGR) of over 5%.

“In terms of revenue, the Asia-Pacific region holds the largest share of the global stretch and shrink film market.

“The region accounted for close to 37% of 2015’s market share. This is expected to increase to over 39% by 2020, growing at a CAGR of almost 7%,” the report said.

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