

Revenues of plastic and packaging makers to rise across the board

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7 April 2021

- [Corporate News](#)
- Wednesday, 07 Apr 2021



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PETALING JAYA: The pricing of resin and demand for plastic and packaging products will continue to have an impact on plastic and packaging makers.


To expand overall margins and for them to better withstand and resin price fluctuations, the manufacturers are creating higher value products and doing away with standard and commoditised stretch films and food packaging.

This bodes well for the manufacturers as it helps them better sustain their earnings going forward.

Kenanga Research in its recent report said Thong Guan Industries Bhd  and Scientex Bhd  will continue their efforts to do downgauge their stretch films while expanding their premium stretch film segments.

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It said Scientex has also indicated plans to expand its converting business via its subsidiary, Daibochi Bhd .

SLP Resources Bhd  was currently at the early stages of exploring new packaging products for medical devices, the report said.

The house said earlier there were expectations that resin prices will start falling in the third quarter of this year. But now it is expected to plateau and gradually fall sooner than expected.

It is of the view that resin prices are likely to remain elevated for some time as the months-long disruption has left deep deficits throughout the global supply chain, it adds.

Resin cost for this year is expected at between US\$1,100 (RM4,510) and US\$1,200 (RM4,920) per metric tonne. This is marginally below the year to date average of US\$1,150 per metric tonne to US\$1,300 per metric tonne.

The house has a “neutral stand” on the sector and expects revenues to rise across the board.

This will be led by higher production volume from recovering global demand, and higher average selling prices.

However, it said that Thong Guan and SCGM Bhd  tend to have weaker February sales due to the Chinese New Year holidays.

It expects margins to at least remain stable relative to the fourth quarter of 2020 as they pass on their higher costs.

“Thus, we are expecting flat to marginal quarter-on-quarter growth in their bottom lines,” Kenanga said.

It has a “outperform” call on both Thong Guan and SCGM with a target price (TP) of RM3 and RM2.62 a share respectively..

It cited risks to its call that include higher/lower-than-expected demand for plastic products, especially from importing countries, higher-than-expected resin prices, and a sector re-rating due to macroeconomic factors.

revenues , plastic , packaging , Scientex , Thong Guan ,

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