This is SAC's weekly newsletter for 28 September 2022. Thank you for reading.

Analysts' Notes

Oiltek International Ltd <1H22 Earnings Call> | 1H22 revenue increased to RM81.3m (+72.3% yoy) on the back of new projects from Indonesia, Pakistan and the Philippines in the refinery segment and an increase in the sale of equipment to customers in Malaysia. This is offset by the delay of a secured contract in the Renewable energy segment. Margins from Indonesia (70% of total revenue in 1H22) are lower than other geographies but offset by high volume. Larger customers have more negotiating power and hence lower margins. Appreciation in USD is beneficial for Oiltek as contracts are priced in USD. Profit (excluding listing fee) rose to RM6.8 (+55.6%).
The Group secured RM84.4m new orders in 1H22. Current order book is RM178.2m (78% in edible oil, 22% in renewable segment) with 90% coming from new projects and 10% from retrofit. Revenue will be recognised in the coming 18-24mths. Management sees that the demand for new plants will persist from the constant inflow of orders. Indonesia has launched a program to increase the concentration of palm oil in biodiesel to 35% from 30%. B40 biodiesel is in the works. This will benefit Oiltek in terms of biodiesel demand.
The Group is sitting on RM36.6m of cash with no debt and trading at a PE and PB of 10.3x and 2.2x respectively. *(Yeo Peng Joon)*

Vicplas International Ltd <FY22 Earnings Call> | FY22 medical manufacturing segmental revenue rose 15.5% due to higher volume, contributing to 71% of total revenue. New contract pricing will be 2-3% higher to support margins which dipped by 140 bp. FY22 Segmental EBIT declined by 15.5% attributed to (i) higher transportation cost; (ii) increased electricity cost; (iii) larger overhead cost; (iv) halt in China operations for 11 days due to Covid restriction; and (v) Slowdown in product movement at Shanghai port.
Changzhou plant extension was completed at the end of FY22. One new sizable project and an extension of the current project are undergoing. The Group is looking to initiate its fifth plant in Juarez, Mexico, costing US$8m and estimating it to be completed by Jun 2024. Management is optimistic about the contract manufacturing market for medical technology (such as PediGuard and Feeding Tube) from: (a) ageing population; (b) increased demand in developing markets; and (c) growing trend to outsource manufacturing by product owners. The group has a backlog of orders which should be cleared in 3-4 months.
FY22 pipes segmental revenue rose 13.1% due to higher demand from the recovery of the construction industry in Singapore, contributing to 29% of total revenue while segmental EBIT climbed by 42%. SGBC Certification Scheme and new public housing units might spur more piping activities. The Group still faces cost pressure from higher material costs.
The Group is trading at PE and PB of 10.3x and 1.2x respectively. *(Yeo Peng Joon)*