

Headline	Tex Cycle foresees better earnings on growing customer base		
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BY TAN SIEW MUNG

KUALA LUMPUR: Tex Cycle Technology (M) Bhd, which last week obtained feed-in tariff approval for its renewable electrical energy power plant in Klang, expects the group's earnings this year to be much better than last year with growing customer base in the recycling and recovery business.

Managing director Periasamy Sinakalai, also known as S Peery, said the waste management group expects to sustain its growth rate in the subsequent period with the expansion of the recycling and recovery business.

As for the power plant, it is expected to contribute positively to the group's revenue and profit from Jan 2018, Peery told *The Edge Financial Daily* via an email.

He said the power plant is expected to supply 2mw per hour of electricity to Tenaga Nasional Bhd (TNB) at a fixed tariff rate of RM0.4766 per kWh. Based on this rate, the plant is expected to generate an additional

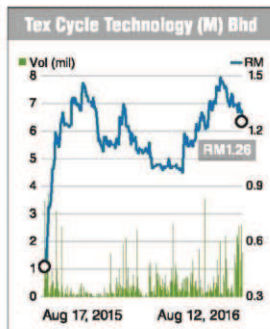
income of as much as RM8.35 million a year to the group.

The group's wholly-owned subsidiary, Tex Cycle (P2) Sdn Bhd, obtained approval from the Sustainable Energy Development Authority Malaysia (Seda) on Aug 9 to build and operate the power plant. The company and TNB are expected to sign a 16-year power purchase agreement in January next year.

Peery said the commissioning of the power plant is aimed at supporting the group's "cradle to cradle" business model.

"We have set business plans and strategies up front for the next five to 10 years which will be realised in stages," he said, adding that the research and development team is in the process of establishing more advanced and high-tech facilities to improve efficiency of the waste management flow.

The group is also looking at securing additional scheduled waste codes, especially with its ever-growing customer base. To date, about 4,000 customers are registered with



Peery: We do have plans on distributing higher dividends or preferably more regular dividends in the near future. *The Edge file photo*

the group, with many more potential customers out in the market.

Peery said Tex Cycle (P2)'s waste plant is currently utilised at a capacity rate of approximately 30%, thus, it is still able to endure the spare production capacity.

Meanwhile, the management is currently in the midst of finalising the deal with its overseas counterparts

to expand its waste management business to other Southeast Asian countries. Peery, however, declined to give further details.

Tex Cycle saw its net profit double to RM7.64 million for the financial year ended Dec 31, 2015 (FY15), from RM3.35 million a year earlier, mainly

due to the impact of the 70% tax exemption on tax payable as a result of Tex Cycle (P2) being granted pioneer status by the Malaysian Investment Development Authority. Revenue rose 17.96% to RM25 million from RM21.2 million.

For the first quarter of financial year 2016, net profit surged 31% to RM1.82 million, as against RM1.38 million a year ago, due to an improvement in its recycling and recovery division. This was in tandem with the group's revenue, which grew 29.3% to RM6.81 million from RM5.27 million.

After delivering the stellar results, Peery signalled that it may be time for the group to reward its shareholders again by declaring a dividend.

"We do have plans on distributing higher dividends or preferably more regular dividends in the near future," he said.

Tex Cycle saw its share price jump as much as 45% to its five-year high of RM1.45 on July 15, from RM1 on May 6. However, it has fallen from the peak recently and closed five sen or 3.82% lower at RM1.26 last Friday.