

Headline	Analabs jumps on RE bandwagon		
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Analabs jumps on RE bandwagon



by Shalini Kumar

THE renewable energy (RE) business has become a viable option for companies seeking to diversify their earnings base. The latest to move into this sector is Analabs Resources Bhd, which is seeking a new and sustainable income stream.

A shareholder tells **FocusM** that during the group's recent AGM, the management said it plans to set up a solar farm.

"The company is planning to buy another piece of land to carry out this project, but at the moment, it is still in the very early stages of planning. They told us during the meeting that it would cost something like RM10 mil to connect cables to the (national) grid if the company were to use its existing land to set up the farm," he says.

"They consider it a better option to use that money to acquire land closer to

a power station or terminal to save on the cost of connecting the cables."

Analabs executive chairman Kan Yow Kheong confirms the group is considering options such as solar energy and biofuel to generate new income, away from its core businesses of waste recycling and exporting building materials. However, he did not provide more details on the proposed venture.

"Now (we are looking) more towards synergistic businesses that are related to Coveright and Lux," he tells **FocusM**.

Kan was referring to the group's wholly-owned subsidiaries Coveright Services Sdn Bhd which manufactures and sells resin impregnated papers, and Lux Distributor Sdn Bhd which trades, imports and distributes ceramic tiles and building materials.

A local fund manager says the group's proposed business diversification is worth considering as its current business segments "do not have stable prospects".

He adds that renewable energy would provide better profit margins. "It could be a good business, especially if it gets a licence to supply power to Tenaga Nasional. The company is good, but still trading below its net assets per share of RM4. This could be a way to improve."

The counter closed at RM2.34 on Oct 12. The shares are mostly illiquid and largely controlled by Kan, who has a 56% stake. Kan says while the group is

looking at ways to improve liquidity, no party has expressed interest in buying a portion of his shares.

He expects the group's earnings for the financial year ending April 30, 2017 to be boosted by contributions from its 63%-owned unit, Singapore Analabs Pte Ltd, which is seeing a turnaround.

"Business will continue as usual for the company since we are seeing a more positive performance. The shareholders did ask during the meeting (AGM) if it would be shut down, but there are no plans for that," he says.

The unit has been loss-making for the past three financial years, with S\$3 mil (RM9.1 mil) in accumulated losses. However, following a rationalisation exercise, Kan says the company is back in the black. For the first quarter ended July 31, Singapore Analabs posted a profit of RM531,000, compared with a loss of RM1.8 mil a year ago.

He says the group's building materials division, which manufactures tiles, particle boards and impregnated paper, will remain its main focus.

Analabs' senior independent director Low Chin Ann says the group is looking at ways to progressively increase its dividend payout. The group had proposed a payout increase a number of years back, but the rate had in fact dropped from 5% in FY11 to 3% in FY16. **FocusM**



Kan holds a 56% stake in Analabs

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ANALABS RESOURCES BHD

KEY BOARD MEMBERS AND MANAGEMENT

KAN YOW KHEONG (executive chairman)

LOW CHIN ANN (senior independent director)

CLIFTON HEATH FERNANDEZ (executive director)

MAJOR SHAREHOLDER

Kan Yow Kheong 56.068%

MARKET CAP (Oct 12) RM131.3m

SHARE PRICE (Oct 12) RM2.34

52-WEEK HIGH (Nov 27, 2015) RM2.82

52-WEEK LOW (Oct 21, 2015) RM1.68

FINANCIAL RESULTS (Q1 ended July 31)

REVENUE RM40.6m

NET PROFIT RM3.4m