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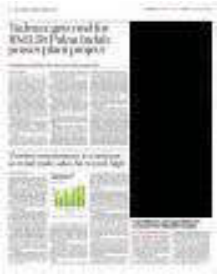

Tex Cycle sees 20% profit contribution from UK renewable energy plant

BY JUSTIN LIM

KUALA LUMPUR Tex Cycle Technology (M) Bhd is hopeful its maiden renewable electrical energy project in the UK will contribute 20% of the company's net profit after the first plant commences operation by end-2020.

The waste management company's executive director, Ho Siew Cheong, said the company would be able to recognise the earnings from the plant immediately upon the start of operations.

"When the plant starts operations by end-2020, we collect the gate fee from the waste company and we sell electricity to make money. So, it (earnings recognition) is a straight off thing," Siew Cheong told a press conference yesterday.

The company has formed a 50:50 joint-venture company, Culzean W2E Ltd, with Culzean Generation to venture into the UK market for renewable energy projects.

The first plant, which is expected to commence operations by end-2020, is located at Ellesmere Port in Cheshire, northwest England. It has a capacity to produce 2MW of electricity in the first 12 months and up to 4MW in the future.

The joint venture is also targeting to build two plants in Wrexham, Wales and Burnley, Lancashire in the next two years, each with a capacity to produce 2MW of electricity.

Tex Cycle chief executive officer Gary Dass said each plant will cost £5 million (RM25.83 million). Funding is expected to come from UK financial institutions but Culzean W2E also welcomes the participation of other companies that are keen to invest in the plants.

Dass said Culzean Generation has a combined experience of over 40 years in financing and the energy sector in the UK.

It has transferred ownership of electricity supply licences to the joint-venture company, thereby allowing the sale of power from the plants to customers living in areas not surrounding the generation site, he added.

In the long run, Culzean W2E aims to grow the business by expanding it to over 40 sites with a combined electricity capacity of 150MW in the 10 years after the completion of the first plant.

On the local front, Dass said its renewable electrical energy plant in Telok Gong, Port Klang is in the midst of completing the environmental assessment study and Tex Cycle is looking to start operations early next year.

Dass says each plant will cost £5 million. Photo by Kenny Yap

The plant is located at the same site as the company's existing recycling business.

The new plant is expected to contribute some RM7 million per year to Tex Cycle's top line, together with a profit margin of over 20% following the commencement of operation.

In 2016, the company inked a power purchase agreement with Tenaga Nasional Bhd to supply 2MW per hour of electricity.

Tex Cycle is 41.37% owned by Can Cycle Sdn Bhd, a private vehicle jointly held by its group executive chairman Ho Siew Choong, and his brothers Siew Cheong and Siew Weng, as well as Periasamy Sinakalai. The latter three sit on the board as executive directors.

Tex Cycle's net profit for the year ended Dec 31, 2018 fell 38.62% to RM7.89 million, from RM12.85 million a year ago. Revenue inched up 0.10% to RM37.07 million from RM37.03 million previously.

For the six months ended June 30, 2019, its net profit declined 21.97% year-on-year to RM3.43 million from RM4.40 million, as revenue dropped 20.25% to RM16.04 million from RM20.11 million.

Shares in Tex Cycle were not traded yesterday. On Tuesday, the counter closed at 38.5 sen, with a market capitalisation of RM98.63 million. Over the past one year, the stock has retreated 35.83%.

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