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KPS sets its sights on international expansion

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KUMPULAN Perangsang Selangor Bhd (KPS), which is 57.88% owned by the Selangor investment arm Kumpulan Darul Ehsan Bhd, is focusing on its international expansion following the completion of acquisitions that took place last year.

In 2016, KPS made a RM5.1mil investment in a water related business called Smartpipe Technology Sdn Bhd, acquired a 60% stake in US-based King Koil Licensing Company Inc for RM115.9mil and bought all the equity in Century Bond Bhd, a industrial packaging outfit in a RM210mil deal.

In an interview with *StarBizWeek*, KPS chief executive Ahmad Fariz Hassan explains: "2017 will be an exciting year, as KPS will begin to reap the first fruits of the mergers and acquisitions (M&A) we undertook in 2016. "The key aspect of these exercises is that we have advanced our businesses to go beyond the state of Selangor. The idea is to build an international platform from which we can grow in the future.

"Through King Koil, we are able to tap into the growth potential of an international brand, and access the increasing global population.

We also intend to embark on a regional expansion plan for our paper packaging segment in Century Bond, complementing our domestic reach".

For Century Bond, sales to regional markets make up about a quarter of Century Bond's revenue at present.

"We hope to tap into the increasing infrastructure spending in South-East Asia, which presents opportunities for our core product of cement packaging.

"Indonesia and Thailand are increasingly outsourcing cement packaging to third parties due to high demand. "We are engaging cement manufacturers in those countries to garner a share of the market, and hope to commence deliveries this year," he says.

Ahmad Fariz adds that Century Bond holds a dominant 60% share of the Malaysian cement packaging market, giving it recurring income.

"We intend to develop new products such as paper packaging for food and fertiliser for the domestic market.

"The additional capacity in Century Bond's Johor plant allows us to undertake new product development without incurring significant capital expenditure.

"With growth plans in place, we are optimistic that Century Bond

would be able contribute more than 25% of KPS' bottom line in the future," he says.

KPS completed the acquisition of Century Bond after launching a mandatory general offer as it earlier acquired a controlling block of 71.44% in the company late last year. Century Bond was delisted on Jan 8. For the nine months ended Sept 30 2016, Century Bond reported RM6.8mil net profit on RM74.9mil revenue.

Ahmad Fariz says King Koil forms the other prong of its international business foray.

"The globally reputable mattress brand is ranked among the top 8 in the USA and is the preferred brand in Malaysia, Indonesia and Singapore.

"To date, it is the only mattress brand endorsed by the International Chiropractors Association (ICA). More than 30 licensees worldwide manufacture and distribute King Koil products in over 80 countries," he says.

Since taking over King Koil, KPS has focused on expanding the King Koil market share expansion in the US by adding distribution points in brick-and-mortar retailers, and setting up online sales channels in collaboration with ICA to meet the needs of patients with sleep or back problems.

"Besides strengthening our marketing approach, we have also improved operational efficiencies, and are confident that King Koil will post a turnaround performance in 2016 to contribute positively to the group's bottomline," he says.

King Koil contributed a revenue and pre-tax profit of RM10.56mil and RM3.86mil for the nine months ended Sept 30, 2016 to KPS.

Although KPS exited its water concession business when it disposed its unit, Titisuan Modal (M) Sdn Bhd, to Pengurusan Air Selangor Sdn Bhd for RM78.05mil in late 2015 and is also letting go of its 30% stake in Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (Splash), it is still interested in the water business via Smartpipe Technology (SPT).

SPT has obtained the product certification and C1 licence from Suruhanjaya Perkhidmatan Air Negara (SPAN) and registered as G7 contractor with CIDB which enables the company to undertake water and sewerage projects.

"Being a new technology in this region, extra effort is required to market and promote the compact pipe technology. As such, SPT has approached and is constantly engaging various parties such as Air Selangor and other state water agencies.

"We are encouraged by compact pipe technology's remarkable success in several countries including Hong Kong, where its installation drastically reduced non-revenue water (NRW) levels from 27% in 2000 to 15% in 2015. We would hope to replicate this success locally," says Ahmad Fariz.

On future M&As, Ahmad Fariz says as an investment holding company, KPS has always aimed to explore opportunities of any business nature and geographical location.

"Our business strategy has always been to acquire a majority stake in market leaders or firms with potential to be market leaders, financially strong companies in order to provide sustainable returns, and companies within expanding horizon for growth opportunities.

"We are in strong financial position with proforma net gearing of 0.16 times as at Sept 30 2016 during the acquisition of Century Bond.

"That said, we were quite aggressive in M&As in 2016, so in the immediate term, 2017 would be a year of optimising these varied businesses in the dual-axes segments- "consumer" as well as "industrial and infrastructure" components," he says.