

27 October 2023

PLYTEC Holding (PLYTEC MK)

Your Holistic Construction Solutions Provider

- **MYR0.36 FV based on 14x FY24F P/E.** PLYTEC Holding intends to raise MYR37.1m from its IPO primarily for capex, repaying borrowings, and constructing factories and centralised labour quarters. We expect its forecasted 3-year earnings CAGR of 6% to be backed by stronger demand for rental of temporary works equipment (that fetch higher margins) and the need for more building information modelling (BIM)-related services.
- **PLYTEC was founded in 1999 as a trading and distribution hub for building materials.** Over the years, it has diversified into new segments, including construction method engineering (CME), digital design engineering (DDE), and precast concrete (PC) solutions. The diversification was inevitable as these solutions play a crucial role in enhancing efficiency and safety in construction activities. Notable clients include IJM Corp (IJM MK, NEUTRAL, TP: MYR1.99), Kerjaya Prospek (KPG MK, BUY, TP: MYR1.56), and Kimlun Corp (KICB MK, NR), among others.
- **Expansion of rental portfolio for CME solutions business.** About 21.6% of the IPO proceeds will be used to procure temporary works equipment. Additionally, the company is planning to venture into the manufacturing of temporary work equipment. The ability to manufacture its own temporary work equipment may lower leasing expenses, which spiked in 5M23 following PLYTEC's need to lease equipment due to the surge in rental demand for such items. This in turn could expand the rental portion, which has a higher GPM of 45-52% vs the sales of temporary work equipment under the CME solutions business.
- **Enhancing its presence in BIM.** The DDE segment contributed 4.3% to revenue in FY22. Nonetheless, PLYTEC intends to widen its reach for services such as BIM under the DDE segment due to its attractive GPM of 71-76%. Adoption of BIM in Malaysia grew to 49% in 2019 from 17% in 2016 – indicating that there is still more room to grow as contractors becoming increasingly aware of the use of BIM.
- **We estimate PLYTEC's core earnings** to face a temporary blip (-15%) in FY23 amid higher leasing expenses to cater for the surge in rental demand, before growing in FY24-25 by 26% and 11%. Major earnings drivers in FY24-25 will come from the expected shift of contractors towards renting more temporary work equipment rather than purchasing it outright – enabling better contributions from the high-margin CME solutions segment. Other earnings contributors may come from PC solutions segment amid better industrialised building system (IBS) adoption in Malaysia, which reached 60% in 2021 vs 41% in 2020 for private projects.
- **Valuation.** We ascribe a FV of MYR0.36 based on 14x FY24F P/E. For peer comparison purposes, we chose contractors that utilise CME solutions and other players involved in providing CME, DDE, and PC solutions. The target P/E is slightly below the blended 14.2x FY24F P/E of the selected peers – premised on the smaller indicative market capitalisation. Key risks include a slowdown in the property market, slower-than-expected job replenishments, and low availability of construction materials.

Forecasts and Key Data	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Total turnover (MYRm)	112.7	158.1	156.7	166.0	171.8
Gross profit (MYRm)	32.8	42.3	37.3	43.4	47.1
Recurring net profit (MYRm)	12.2	14.5	12.3	15.6	17.3
Recurring net profit growth (%)	64.4	18.2	-15.0	26.0	11.0
Recurring EPS (MYR)	0.02	0.02	0.02	0.03	0.03
Recurring P/E (x)	17.3	14.7	17.2	13.6	12.2
P/BV (x)	2.9	2.5	2.3	2.0	1.7
Dividend Yield (%)	0.7	0.5	0.6	1.1	1.2
EV/EBITDA (x)	10.1	8.6	9.1	7.4	6.6
ROE (%)	18.3	18.5	13.8	15.4	15.0
Net debt to equity (%)	64.3	47.1	39.5	29.4	21.0

Source: Company data

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Fair Value (Return):	MYR0.36 (+3%)
IPO Price:	MY0.35
Closing Application Date:	31 Oct 2023
Indicative Listing Date	15 Nov 2023

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Company Description

PLYTEC Holding is a company principally involved in the provision of construction engineering solutions and the trading and distribution of building materials for construction projects.

IPO Details

Public Issue of shares (m)	157.6
Offer for sale of existing shares (m)	51.5
Shares outstanding (m)	606.1
Implied market cap (MYRm)	212.1

Major Shareholders (%)

Resilient Capital Holdings	41.4
Prestij Usaha	32.6

Utilisation of IPO Proceeds

	MYRm
Capital expenditure	8.0
Repayment of bank borrowings	9.0
Construction on Olak Lempit land	7.8
Purchase of software systems & hardware	2.0
Working capital	6.3
Estimated listing expenses	4.0
Total	37.1

Additional Data

Listing Market	Acce
Bursa Code	0289

Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

Financial Overview And Valuation

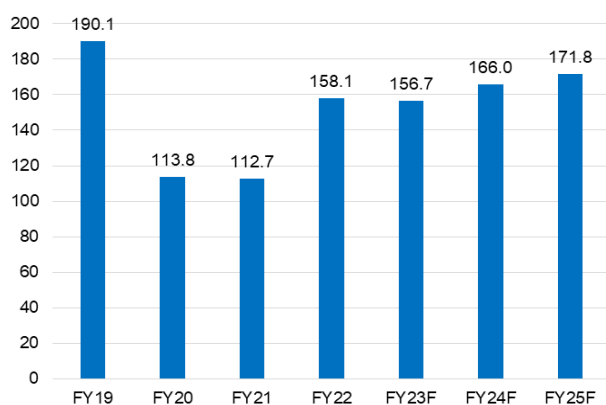
Results highlights. PLYTEC reported an increase in 5M23 revenue to MYR62.6m (+16% YoY) due to higher sales contributed by trading and distribution of building material – this was in tandem in the pickup in construction activities. Despite the higher revenue, the company's core net profit experienced a drop, reaching MYR2.8m (-35% YoY) after excluding gains in plant, property, and equipment or PPE. Additionally, core net profit margin was lower at 4.5% in 5M23 vs 7% in 5MF22. The decline in performance was largely driven by a spike in COGS (+22.2% YoY) – mainly attributable to higher leasing and workmanship expenses to cater to the rise in rental demand on temporary formwork.

The CME solutions segment (34.6% of 5M23 revenue) recorded a negative growth of 8.5% YoY in turnover – mainly due to lower sales in self-climbing platform for high-rise building construction. Nonetheless, this is cushioned by a higher rental revenue from formwork equipment – driven by change in customers' preference to rent rather than outright purchase for construction activities. Meanwhile, the major revenue contributor, the trading & distribution (T&D) (60% of 5M23 revenue) segment posted a positive YoY growth of 36% – thanks to higher sales amid the spike in construction activities. Both the DDE and PC solutions segments saw revenue growth of 15% and 40% on the back of additional BIM projects secured in 1Q23 – this was combined with higher sales in lifting services and the provision of precast modelling services to a few customers in 5M23.

Balance sheet and cash flow. PLYTEC has a healthy balance sheet with a net gearing ratio of 0.47x in FY22 vs 0.64x in FY21. Out of the MYR37.1m, the company plans to utilise MYR9m or 24.2% to repay borrowings. However, we do not expect PLYTEC to be in a net cash position, as the company will continue to incur borrowings for business expansions. We are also forecasting free cash flow of MYR12-17m in FY23-25 with a capex of MYR10-15m annually in this period for its business expansions – particularly into manufacturing of temporary works equipment.

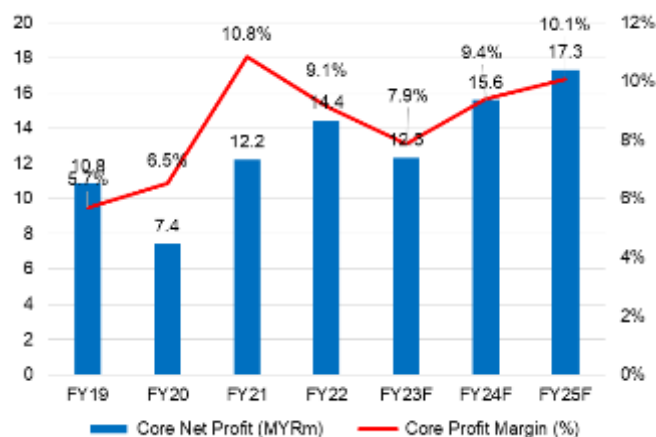
Dividend policy. Presently, PLYTEC has no formal dividend policy in place. Nevertheless, in FY21 and FY22, the company declared a dividend of 1.5 sen and 1 sen, with a dividend payout ratio of 14% and 7%. With the expected earnings growth coming from the business expansion, we do not discount a distribution to shareholders later and, as such, pencil in a 15% dividend payout ratio for FY23-25, which translates into prospective yields of 0.6-1.2% based on the IPO price.

Figure 1: Revenue trends (MYRm)



Source: Company data, RHB

Figure 2: Core net profits (MYRm) and margin trends (%)



Source: Company data, RHB

27 October 2023

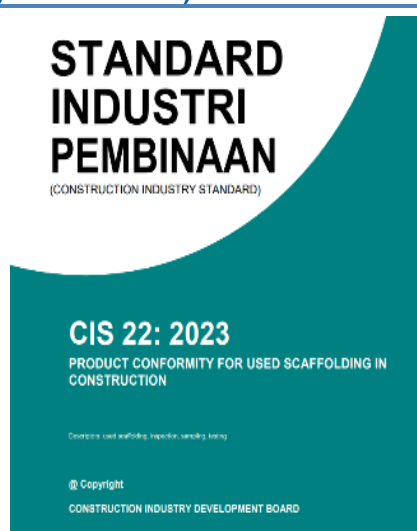
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Earnings forecasts. We are projecting a 3-year earnings CAGR of 6.2% for PLYTEC, backed by the need for construction method engineering solutions that fetch commendable GPMs – particularly for the rental segment. From FY20 to FY22, the GPMs of the latter segment of its CME solutions business recorded GPMs that were 5-14ppts higher than the sales division.

On the further scrutiny, FY23F profit margins are expected to contract to 7.9% (FY22: 9.1%) amid the huge demand for the rental of temporary work equipment. As such, PLYTEC would incur higher leasing expenses, as it needs to source additional equipment from third-party vendors.

Note: The Construction Industry Development Board or CIDB has issued the Construction Industry Standard (CIS) 22:2023 (product conformity for used scaffolding in construction) and CIS 23:2023 (product conformity for falsework in construction) standards. In short, these two standards require the manufacturer, trader, supplier, and owner of scaffolding and falsework to be responsible for not just obtaining the Standard Compliance Certificate or PPS on a yearly basis, but also for the compliance of such product to relevant standards.

Figure 3: CIS 22: 2023 (product conformity for used scaffolding in construction)



Source: CIDB

Figure 4: CIS 23: 2023 (product conformity for falsework in construction)



Source: CIDB

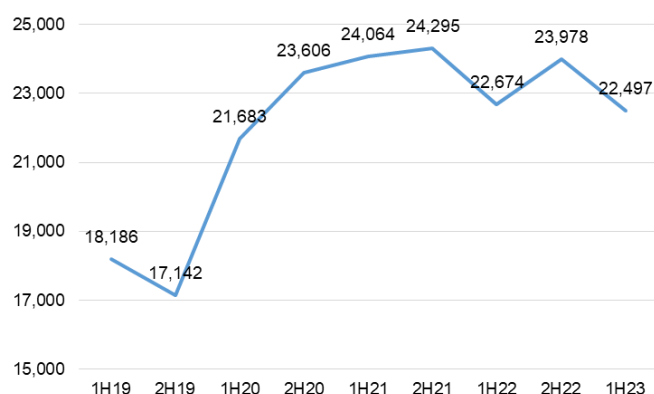
In light of such standards, we envisage that contractors may prefer to rent temporary formworks more rather than purchase them outright. The reason being contractors that acquire temporary formworks would need to apply for a PPS every year, as the temporary formworks would be repeatedly used. Therefore, it would be more efficient to just rent temporary formworks. With the expectation of the high-margin rental segment to grow, the CME solutions, as a whole, may see PLYTEC's GPM grow higher to 50% vs the 42-47% range in FY20-22.

Trends of high-rise buildings. On a side note, we observed that the overhang for high-rise buildings such as serviced apartments – which usually require temporary falsework equipment like self-climbing platforms for their construction – have shown signs of softening. Based on data from the National Property Information Centre or NAPIC, the number of overhang units of serviced apartments in Malaysia declined by 6.2% to 22,497 units in 1H23 from 23,978 units in 2H22. In addition, we learnt that the number of launches of condominiums/apartments in Malaysia rose by 55% YoY to 5,126 units in 1H23 (1H22: 2,009 units), indicating that the demand for high-rise properties is rather commendable – translating into the continuous need for scaffolding equipment.

27 October 2023

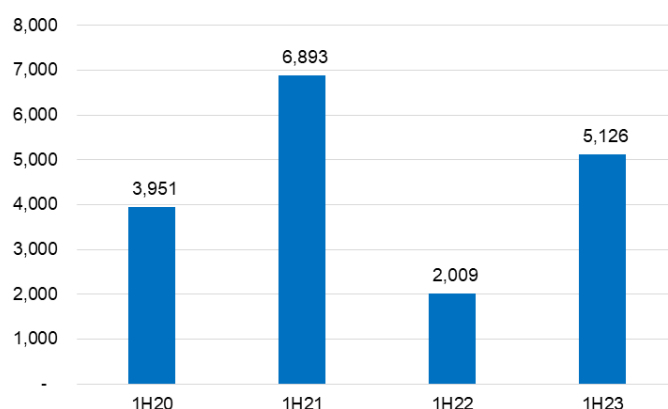
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Figure 5: Overhang of serviced apartments (units)



Source: National Property Information Centre (NAPIC)

Figure 6: Number of launches of condominium/apartments in Malaysia (units)



Source: NAPIC

More room for BIM adoption. Furthermore, Malaysia still has room for BIM adoption to rise further. According to the Malaysia BIM Report, the level of BIM adoption in the country during 2019 stood at 49% vs 17% in 2016. A high number of BIM implementers are located in the central region, which consists of five states based on a survey carried out by CIDB in 2019. The five states/federal territories are: Federal Territory of Kuala Lumpur, Federal Territory of Putrajaya, Selangor, Melaka, and Negeri Sembilan – which have a 69% BIM adoption rate in total.

Further push for IBS. CIDB cited that IBS implementation in government projects has increased to 84% in 2021 from 79.5% in 2020. Meanwhile for private projects, IBS adoption has surged to 60% in 2021 vs 41% in 2020. We believe the tendency to adopt a higher usage of IBS may continue in the coming years, backed by planned a multi-tiered foreign worker levy. In short, the more foreign workers an employer hires, the higher the levy imposed – via IBS, the number of workers can be reduced.

As such, PLYTEC's push towards growing its DDE segment (which includes BIM) and PC solutions segment (which is related to IBS) may serve as a complementary earnings base to the CME segment. The reason being the DDE and PC solutions segments fetch GPM of c.74% and c.45%.

Earnings growth drivers in FY24-25. Taking these points into consideration – along with the company's plan to manufacture temporary works equipment (to support the rental arm of the CME solutions business) – we expect PLYTEC's GPM to improve and hover around 26-27% in FY24-25 with a stabilisation on leasing expenses and higher revenue. We also forecast the recurring net profit margin to be at 9.4-10.1% in the same period vs the pre-pandemic period of 5.7%. This projection takes into account the higher proportion contributed by high-margin segments – CME and DDE solutions – targeting to reach 60% of the total revenue by FY2F (2022: c.47% of total revenue). Margins expansion is further supported by the company's pivot towards relying less on the T&D of trading materials, which fetches low GPMs of 10%. The T&D of building materials contributed 52% of revenue in FY22 vs 60% in FY20 – reflecting the company's move to scale down said low-margin segment.

Orderbook. PLYTEC's latest outstanding orderbook stood at MYR75.5m as of 31 May – translating into an orderbook-to-revenue cover ratio of 0.5x based on FY22 revenue. This is understandable, as the average contract period is in the shorter term, ie c.3-18 months. Around 54% of the total outstanding orderbook is made up of the CME segment (16.9% from sales and 36.8% from rental), followed by the T&D, DDE, and PC solutions segments at 36%, 9.8%, and 0.8%. Recall: There is a special order on *Pengurusan Keselamatan Struktur Sementara (Perancah, Acuan dan Penyangga)* in 2020, which requires independent design and support from professional engineers on temporary works for all construction activities in Malaysia under the Factories & Machinery Act 1967. This is where PLYTEC can exercise its expertise DDE (which includes BIM) in carrying out independent design works – potentially facilitating the company's orderbook replenishment.

27 October 2023

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Valuation. We ascribe a FV of MYR0.36 based on a target 14x FY23F P/E. For peer comparison purposes, we chose contractors that utilise CME solutions such as falsework, formwork, and access solutions, namely IJM, Sunway Construction (SCGB MK, BUY, TP: MYR2.22), KPG and KICB. This is because the activity levels of such companies could determine the demand for PLYTEC's services. In addition, we included companies involved in CME solutions (Hiap Teck Venture (HTV MK NR) via its subsidiary Huatracco), prefabricated solutions (MGB (MLG MK, BUY, TP: MYR1.10)), T&D (Engtex, Chuan Huat Resources and Lion Posim), and DDE (HSS Engineers (HSS MK, NR)).

Our target P/E of 14x is at a slight discount to the blended FY24F P/E of these aforementioned selected companies' 14.2x. This is due to PLYTEC's smaller indicative market cap. We believe the valuation is justified, backed by the company's strategy to not just rely less on the low-margin T&D segment, but also strengthen high-margin businesses such as DDE and CME solutions – particularly through rental instead of sales. The push for less labour-intensive methods via IBS will definitely bode well, in our view, especially for the DDE and PC solutions divisions.

Figure 7: Peer table

Company	Country	FYE	Mkt cap (USDm)	Price	P/E (x)			Div.	ROE	EV/	NP Growth	
				24-Oct-23 (Local currency)	Actual	1-yr fwd	2-yr fwd	Yld (%)	(%)	EBITDA	1-yr fwd	2-yr fwd
PLYTEC	MA	Dec	44.3	0.35	14.7	17.2	13.6	0.6	13.8	9.1	-15.0	26.0
Local contractors												
Kerjaya Prospek	MA	Dec	369.0	1.40	14.1	12.4	10.3	4.9	12.5	7.2	13.9	20.3
IJM Corp	MA	Mar	1363.0	1.86	38.3	18.2	15.9	3.0	3.2	8.8	110.0	14.3
Sunway Construction	MA	Dec	520.1	1.93	16.9	17.7	15.3	3.1	17.1	12.5	-4.3	15.1
Kimlun	MA	Dec	59.4	0.81	-36.1	10.4	7.0	1.6	3.7	7.6	-447.5	47.7
Construction method engineering solutions												
Hiap Teck Venture	MA	July	151.1	0.42	22.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Trading & distribution												
Chuan Huat Resources	MA	June	15.0	0.43	-28.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Engtex Group	MA	Dec	57.2	0.62	7.7	20.1	8.8	1.5	1.6	12.4	-61.5	129.5
Lion Posim	MA	Dec	19.5	0.41	130.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Digital design engineering												
HSS Engineers	MA	Dec	89.1	0.86	25.9	16.2	12.2	0.9	10.7	10.7	59.4	33.0
Prefabricated construction solutions												
MGB	MA	Dec	85.3	0.69	24.8	9.1	6.7	1.9	8.7	5.1	174.2	35.9
Mkt. cap weighted avg.			846.5		27.2	16.7	14.2	3.1	7.8	9.3	56.2	20.1
Simple avg.			272.9		21.5	14.9	10.9	2.4	8.2	9.2	-22.3	42.3

Note 1: Based on the indicative IPO price

Note 2: As of 24 Oct 2023

Source: Bloomberg, RHB

Company Overview

PLYTEC is a company principally involved in the provision of construction engineering solutions as well as in the T&D of building materials for construction projects. Founded in 1999, PLYTEC began as a trading and distribution hub for building materials. Over the years, it has expanded its horizon diversifying into various segments, including CME, DDE, and PC solutions. These solutions play a crucial role in enhancing efficiency and safety in construction activities. PLYTEC's key geographical coverage is Malaysia, with more than 99% of its business derived locally.

Its business segments comprises:

- i. **CME solutions (42.8% of FY22 revenue)**, which focuses on the provision of new and refurbished temporary works equipment for sale and rental, together with the provision of solutions that support the forming and safe erection of concrete structures. The solutions provided include the supply of temporary works equipment with engineering design and technical support that enables the use and safe erection of temporary works during construction, on-site monitoring and coordination of work, as well as training on safe use and procedural control practices:
 - a. **Falsework solutions** is temporary structures and systems used in construction to support and provide stability for various components during their construction or repair, eg heavy duty modular shoring, crab lock modular shoring and cross lock shoring;

Figure 8: Examples of falsework solutions



Heavy duty modular shoring

Crab lock modular shoring

Cross-lock modular shoring

Source: Company data

- b. **Formwork solutions** is a temporary mould or structure used to hold concrete in place while it sets, ensuring the desired shape and structure of the concrete element, eg green, deck, and aluminium formworks, as well as accessories;

Figure 9: Examples of formwork solutions



Green formwork

Deck formwork

Aluminium formwork

Source: Company data

27 October 2023

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- c. **Access solutions and equipment** offered include self-climbing platforms, aluminium kwikstages, mobile access towers, and wonder steps;

Figure 10: Examples of Formwork solutions



Source: Company data

Figure 11: Example of CME Solutions used in different segments of a high-rise building



Source: Company data

- ii. **T&D of building materials (51.7% of FY22 revenue).** This can be attributed into core and general products. The former includes engineering wire mesh, perimeter fencing, plywood, and K21 Mobile Houses. General products consist of floor tiles, sanitary wares, cement, steel bars, Pecaform, etc;

Figure 12: Examples of core products



Source: Company data

27 October 2023

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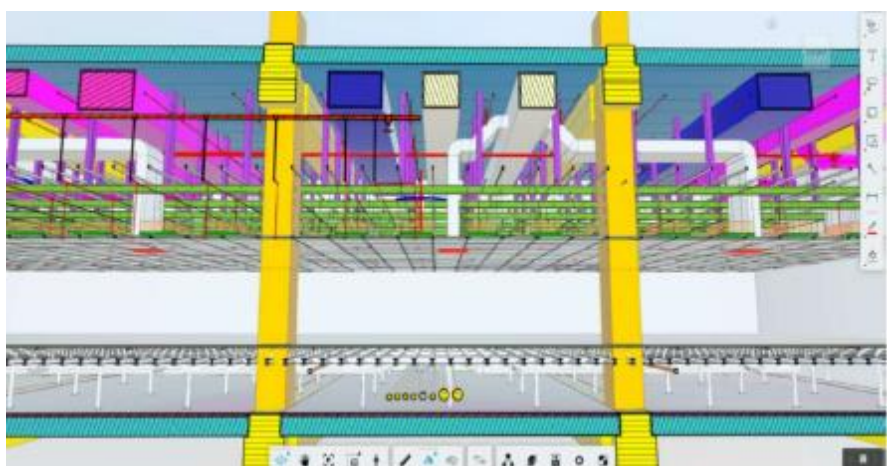
Figure 13: Examples of general products



Source: Company data

- iii. **DDE solutions (4.3% of FY22 revenue)** involve the provision of digital designs and engineering solutions. This segment includes BIM services, virtual design and construction, field verification, Occupational Safety & Health in Construction Industry Management (OSHCIM) professional services, and building condition assessment:
 - a. **BIM services** is a process to create digital representation of structures, buildings, and services using 3-dimensional (3D) model. It can be applied in various stages of the construction lifecycle;

Figure 14: An example of 3D visualisation from a BIM model



Source: Company data

- b. **Virtual design and construction** uses information from BIM to visualise and simulate the project's design, execution, and operation phases;

Figure 15: An example of visual design and construction



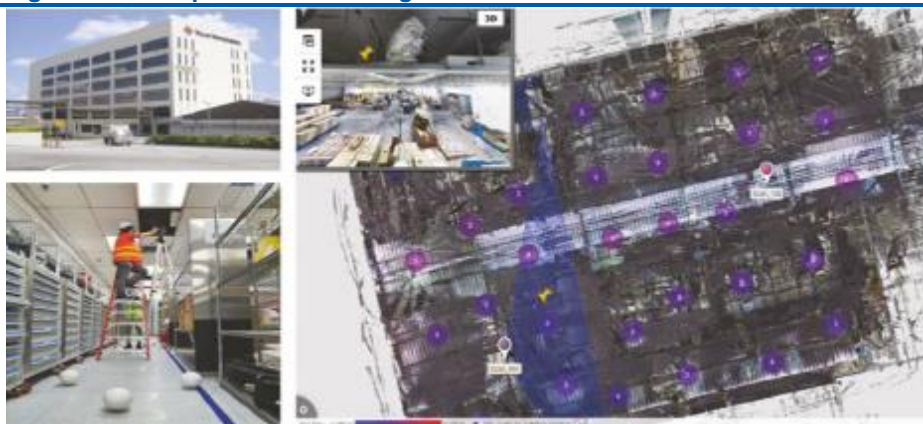
Source: Company data

27 October 2023

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- c. **BIM field verification** is an application of light detection and ranging or LiDAR laser technology to capture actual build conditions of the built asset as well as providing fast and accurate quality assurance checks, and work progress validation;

Figure 16: Examples of visual design and construction



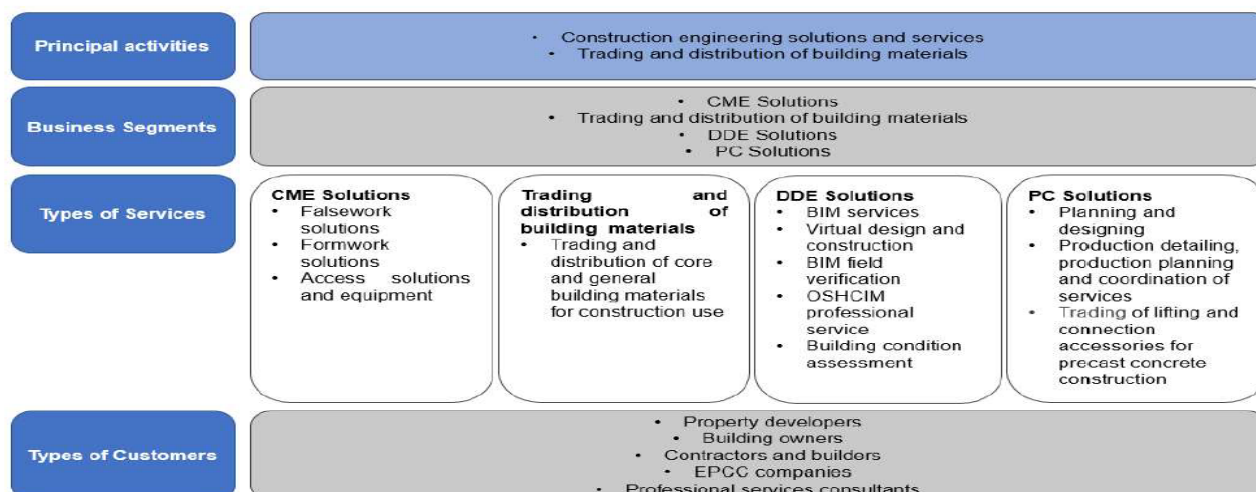
Source: Company data

- d. **OSHCIM professional services** – these are services provided to ensure the adherence to OSHCIM, which is a set of guidelines that provides practical guidance to the clients, designers, and contractors on the management of safety and welfare when carrying out construction projects;
- e. **Building condition assessment** is a service provided to determine if a building is safe for occupation. It is also used to assess possible hazards, defects, and any failure points within a building;
- iv. **PC solutions (1.2% of FY22 revenue)** involve a series of services and accessories that enable the use of prefabricated components in construction. It includes planning and designing, production detailing, production planning and coordination of services, and the lifting and connection accessories for precast concrete construction:
 - a. **Planning and designing** the precast concrete elements based on clients' drawings by using software such as Tekla Structural Designer and Autodesk BIM360;
 - b. **Production detailing, production planning, and coordination of services** takes into consideration the off-site manufacturing and installation required on-site. The company also supports digital procurement, which can be translated into prefabrication detailing;
 - c. **Lifting and connection accessories for precast concrete construction**, eg round recess formers, slot lifting clutches, cone anchors, and cable lifting loops.

27 October 2023

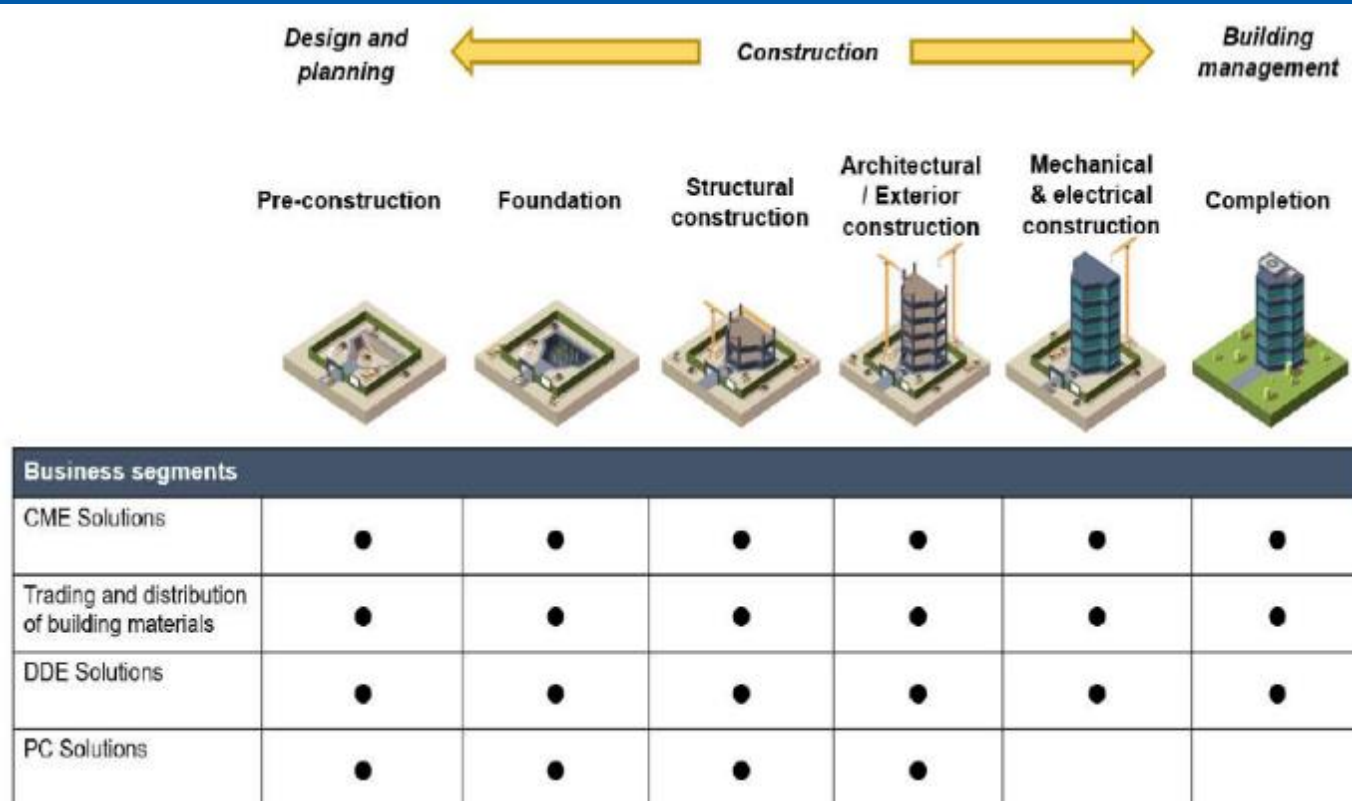
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Figure 17: PLYTEC's business model



Source: Company data

Figure 18: Summary of construction lifecycle



Source: Company data

PLYTEC is led by an experienced management team. Managing Director Yang Kian Lock is responsible for the overall day-to-day management and formulation of the company's business plans and strategies as well as overseeing overall operations. Chief Operating Officer Ir Louis Tay Chee Siong supervises the overall management of service engagements. CFO Lim Boon Ping has over 10 years in accounting experience. Yang, Tay, and Lim are supported by the rest of the senior management team, who all have outstanding professional qualifications and experiences in their respective fields.

27 October 2023

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Over the past three financial years, PLYTEC's top-5 major suppliers have consistently accounted for a significant portion of the company's purchases, with contributions of 43.8%, 50.2%, and 47.9%. Notably, Nanyang Lingyu Machinery – the only foreign supplier on the list – has been providing self-climbing platform works equipment, which contributed 12.5% to the company's purchases. Meanwhile, Southern Steel Mesh and CHRS Samawira Mesh have been the main providers of engineering wire mesh and steel bars, contributing 10.5% and 9.1% to FY22 purchases.

PLYTEC has the flexibility to source self-climbing platform equipment from three other foreign suppliers as well as building materials from 9-10 suppliers locally on comparable terms. This is amplifying the minimal impact from supplier dependencies to the company's operations.

Figure 19: PLYTEC's major suppliers in FY22

Supplier	Products Sourced	Percentage of total purchases (%)	Length of business relationship (years)
Nanyang Lingyu	Temporary works equipment	12.5	4
Southern Steel Mesh	Building materials (engineering wire mesh)	10.5	10
CHRS Samawira Mesh	Building materials (engineering wire mesh)	9.1	6
Industrial Concrete Products	Building materials (engineering wire mesh)	8.5	2
Klang Valley Wire	Building materials (other general products)	7.3	6

Source: Company data

PLYTEC is not heavily dependent on any customer, with approximately 300 customers in the past three financial years. Its clientele includes property developers, building owners, contractors, builders, EPCC companies, and professional services consultants. While the top-5 major customers significantly contributed to FY20-22 revenue, accounting for 25.9%, 34.4%, and 37.6%, it is important to note that no single customer's contributions exceeded 15%. This diversity reflects the business model, which relies on purchase orders and project-based engagements. This reduces dependence on any major client.

We are confident in PLYTEC's ability to secure service engagements with other customers for various construction projects should any major client discontinues its services. Furthermore, over half of the top customers have maintained a business relationship for more than five years, underscoring a strong track record in terms of customer retention and the resilience of its operations.

Figure 20: PLYTEC's major customers in FY22

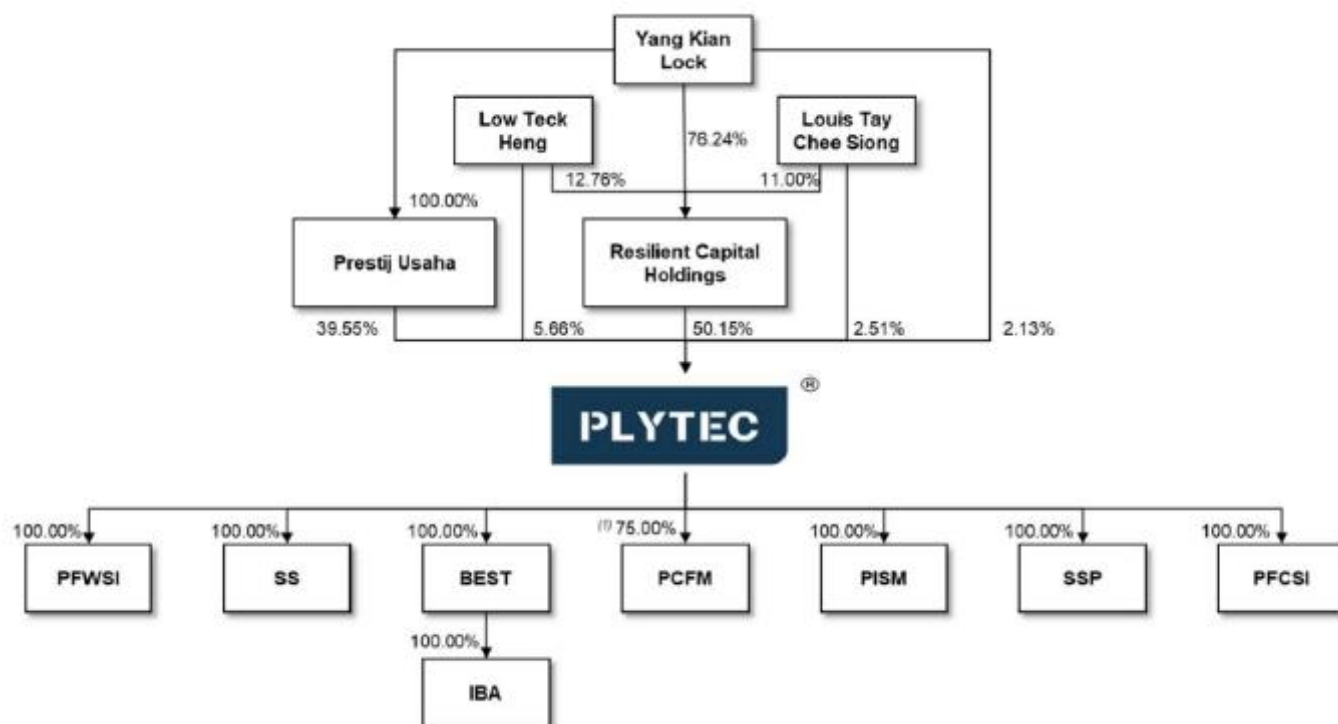
Customers	Country	Services provided	Percentage of revenue (%)	Length of business relationship (years)
Siab Group of Companies	Malaysia	CME solutions and T&D	10.3	3
Eng Han Engineering	Malaysia	CME solutions, T&D and DDE solutions	8.9	8
Beaks Construction	Malaysia	CME solutions and T&D	6.8	<1
Orangebeam Construction	Malaysia	CME solutions, T&D and DDE solutions	6.3	9
Pembinaan Tuju Setia	Malaysia	CME solutions and T&D	5.3	6

Source: Company data

27 October 2023

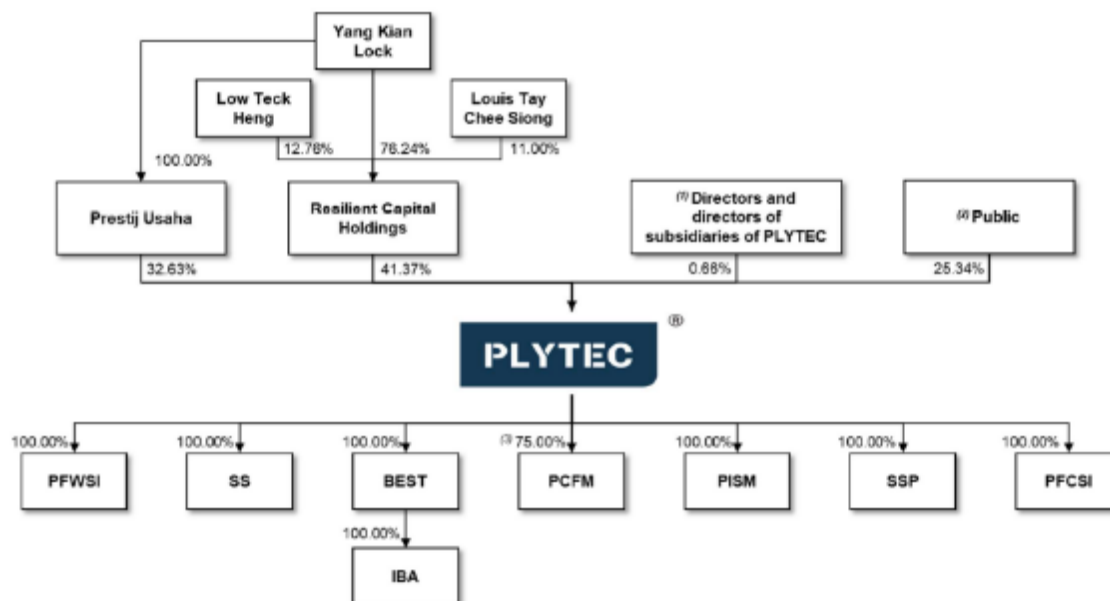
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Figure 21: PLYTEC's group structure – pre IPO



Source: Company data

Figure 22: PLYTEC's group structure – post IPO



Source: Company data

Future Plans And Strategies

Business expansion on the CME solutions segment. PLYTEC aims to increase investments in temporary works assets by purchasing additional units of equipment to grow the rental segment of its CME solutions division. To facilitate this expansion, it plans to allocate MYR8m or 21.6% of the IPO proceeds to procure the necessary temporary works equipment needed. The company will be purchasing mainly self-climbing platforms, falseworks, and formworks. By increasing the units and modules of such equipment, PLYTEC is poised to be better equipped to supply more products for more projects at the same time while supplying equipment to construction projects that are larger in magnitude and value. This strategic move positions the company favourably in terms of being able to meet the rising demand caused by a rise in construction activities – this is being driven by government-led initiatives like levy exemptions aimed at promoting the adoption of IBS.

Venturing upstream into the manufacturing of falsework equipment. PLYTEC's plans to venture upstream into the manufacturing of falsework equipment. The new facility will be set up on land at Olak Lempit, Selangor. The company believes this move will bolster its assets and the support trading and rental of falsework equipment. By becoming a manufacturer, PLYTEC holds the view that it can ensure a better quality of equipment produced, obtain greater control of supply chain management, and have better control over production schedules and efficiencies. The company is optimistic over this expansion. It expects its competitiveness to improve within the short- to medium term, which would enable PLYTEC to capture more market share.

Development of the facility at Olak Lempit. The company has plans to construct new facilities on this Olak Lempit land site, which includes the development of two new factories. Factory 1 will be dedicated to the manufacturing of falsework equipment while Factory 2 will serve as a warehouse for rental temporary works equipment. Additionally, the project encompasses the construction of centralised labour quarters to house both existing and newly hired workers that will be involved in its manufacturing and refurbishment activities.

Figure 23: PLYTEC's development at Olak Lempit

Phase	Description	Built-up area (sq ft)	Estimated construction costs (MYRm)	Intended usage
Factory 1	2-storey office and single-storey factory	117,800	16,863	Manufacturing of new falsework equipment and warehousing of raw materials and finished goods.
Factory 2	2-storey office and single-storey factory	111,600	15,921	Refurbishment, storage, and logistics centre of rental temporary works equipment.
Centralised labour quarters (CLQs)	Two blocks of 5-storey workers dormitories	45,208	6,496	Workers' dormitories.

Source: Company data

Investments in operational software. The group intends to invest in operational software by upgrading its system to an integrated enterprise resource planning (ERP) system to drive the digital transformation of its back-end operations, thereby enhancing operational efficiencies. This strategic investment aims to streamline processes, automate redundant tasks, and centralise critical data, ultimately improving planning and reporting activities. The anticipated result is a positive impact on PLYTEC's bottomline on improved efficiencies.

Figure 24: Investment in operational software

Description	Estimated timeframe
Purchase and implementation of ERP software	24 months
Purchase and renewal of BIM software system, digital 3D modelling platform, and hardware equipment such as laptops	24 months

Source: Company data

Development in DDE solutions segment. As the company's fastest-growing, the DDE solutions division will be further strengthened to expand PLYTEC's capacity and meet the increasing demand for complex and interconnected construction projects on the horizon. The company intends to hire more employees, particularly those with the necessary qualifications and skillsets. Additionally, plans include the purchasing of new BIM software licenses and renewal of existing ones, with funding allocated from the IPO proceeds.

27 October 2023

Industrial Products And Services | Industrials

IPO Details

Figure 25: Indicative IPO timeline

Opening of application	24 Oct 2023
Closing of application	31 Oct 2023
Balloting of applications	2 Nov 2023
Allotment of the IPO shares to successful applicants	10 Nov 2023
Listing	15 Nov 2023

Source: Company data, RHB

Figure 26: Utilisation of IPO proceeds

	Estimated timeframe	MYRm	% of proceeds
Capital expenditure	Within 24 months	8.0	21.6
Repayment of bank borrowings	Within 12 months	9.0	24.2
Construction of factories and centralised labour quarters on the Olak Lempit Land	Within 24 months	7.8	21.0
Purchase of software system and hardware	Within 24 months	2.0	5.4
Working capital	Within 12 months	6.3	17.0
Estimated listing expenses	Immediate	4.0	10.8
Total		37.1	100.0

Source: Company data, RHB

Figure 27: Shares issued under public issue

	No. of IPO shares	% of enlarged share base
Malaysia public (via balloting):		
- Bumiputera	15,151,600	2.5
- Non-bumiputera	15,151,500	2.5
Placement shares to bumiputera investors approved by MITI	75,757,500	12.5
Pink Form shares to eligible persons	21,212,100	3.5
Placement shares to selected investors	30,303,000	5.0
Total	157,575,700	26.0

Source: Company data, RHB

Key Risks

Dependent on executive directors and key senior management. PLYTEC's continuing success is heavily dependent upon the services of its executive directors and key senior management who have extensive knowledge and experience in the business and industry. As such, the loss of any of executive directors and key senior management without suitable or timely replacements may result in an adverse effect on the company's operations and may eventually affect the ability to maintain and/or improve its business or financial performance.

Shortage of construction materials. PLYTEC's T&D segment encompasses a range of materials, including engineering wire mesh, plywood, floor tiles, cement, and steel bars. As a result, the company's operations depend on a consistent supply of these materials. In some cases, it acquires the necessary materials from suppliers upon receiving purchase orders from clients. Therefore, any material shortages could necessitate additional time to source replacements, potentially resulting in delays in delivering to clients. Furthermore, a global shortage of these materials could lead to price increases, which may have an adverse impact on PLYTEC's financial performance.

Dependent on ability to continuously secure new projects. The company is principally involved in engineering solutions and services, where projects are awarded on a project-to-project basis, typically spanning between six and 18 months. The critical significance of securing new engagements continuously becomes evident as financial performances and prospects are directly impacted by its ability to do so. With relatively shorter project periods, maintaining a consistent flow of new projects and customer retention becomes essential to ensure steady revenue and overall financial stability. Consequently, focusing on effective business development, excellent service delivery, and customer satisfaction remains imperative to sustain PLYTEC's growth and success.

Unexpected delays or interruptions. The services provided by the company are subject to unexpected delays or interruptions caused by factors beyond its control, eg unanticipated damages to instruments, pandemics, and natural disasters. Hence, if there are any delays in the progress of its projects, the timing of deliveries will be affected – this will influence revenue recognition and, consequently, PLYTEC's financial performance.

Dependent on foreign workers. The company relies on foreign workers for tasks such as storage, picking, sorting, and packing of temporary works equipment and building materials. However, in the event of a shortage of such workers available for these tasks at the fabrication workshop or warehouse, this could lead to extended business activity durations. Consequently, PLYTEC may need to bear higher overhead costs to secure an adequate workforce, which could have a negative impact on its financial performance.

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