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BP Plastics banks on exports to sustain performance

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PETALING JAYA: BP Plastics Holding Bhd remains upbeat about its performance for its current financial year as it would be able to mitigate the impact of higher feedstock prices through its recycling initiative and diversified market presence.

Its managing director Lim Chun Yow said 60% of the company's revenue in FY07 came from the export market. "We plan to embark on a marketing campaign in Europe, Australia, the Middle East and Asia-Pacific to expand our presence there," he told *The Edge Financial Daily* in a telephone interview.

He said BP Plastics would also appoint more distributors to capture a wider market in these regions.

Presently, the company's main products — cast stretch film and plastic bags — are exported to 24 countries, including Japan and Singapore. Lim said consumers in its export markets generally understand the oil price issue and would accept a pass-through of the additional production cost.

Industry players like BP Plastics have been adversely affected by the surge in crude oil and natural gas prices, used in the production of resin, the raw material which accounts for about 80% of the production cost of plastic.

The Malaysian Plastics Manufacturers Association (MPMA) last week issued a statement advising consumers that they would have to bear part of the additional cost of manufacturing plastic products resulting from the increase in the prices of resin. The price of some types of resin have jumped 40% since June last year.

Resins are currently traded at between RM5.70 and RM6.30 a kilogramme, according to MPMA president Lim Kok Boon.

To absorb the impact of the cost increases, BP Plastics last year began reprocessing its internally generated scrap for use in other applications. "The company runs production on customers' order," said BP Plastics' Lim.

BP Plastics' net profit for its first quarter ended March 31, 2008, surged 198% to RM4.18 million from RM1.4 million a year earlier, while revenue jumped 65.9% to RM67.39 million from RM40.62 million.

Lim said the company was in a net cash position and cash flow was strong. However, he expected the second half of the year to be challenging in view of global inflationary pressures.