



Ancom Nylex Bhd (ANCOMNY, 4758)

CONTRA TRADE ONLY

3.00X
Collateral Value


Ancom Nylex Bhd (Fundamental BUY with TP RM1.43)

- Ancom-Nylex Bhd (“ANCOMNY”) had in April 2022 consolidated its chemical business by taking over all the assets and liabilities of Nylex (Malaysia) Bhd (“Nylex”) for RM179.3m. Post restructuring, ANCOMNY will focus being an integrated agrochemical and industrial chemical player.
- ANCOMNY is a large-scale producer of Active Ingredients (AI) for herbicides in Southeast Asia. It has 6 AIs that are also used in insecticides, fungicides and timber preservatives and supplied to major players within the agriculture and agrichemical industries globally. The ban of paraquat used in Thailand in 2020 and subsequently in Brazil has benefited ANCOMNY as its AIs are identified as close substitutes. Exports to Thailand market has increased substantially from 260k litres in FY21 to 1.5m litres in FY22. According to management, it currently captures only 10% of the estimated USD850m replacement market and orders given by customers are visibility strong in FY23.
- ANCOMNY became one of the most integrated chemical groups in Southeast Asia post consolidation of Nylex which 100% of Nylex revenue will be recognised in FY22. It is known as one of the two key manufacturers of ethanol in Malaysia. The chemical products it offers are namely polymer, phosphoric acid, adhesives, methanol and other petrol chemical products which are set to capitalise from the rise of crude oil price. Note that Nylex recorded losses in FY19 and FY20 but registered a net profit of RM19.3m for FY21 on the back of higher crude oil price.
- In order to meet with the rising demand of agrochemical and petrochemical products, ANCOMNY is adding 4,000 MT capacity by building a 70,000 sf facility. 2 to 3 new AIs will be added and new production lines are to be installed in 2HFY22. In addition, management is also looking to double its ethanol manufacturing from 5m litres to 10m litres. The expansion plans will contribute positively to ANCOMNY’s bottomline in FY23.
- As ANCOMNY stand to benefit from rising global commodities price, we forecast ANCOMNY to register earnings of RM73.7m and RM86.8m in FY2023 and FY2024 respectively. BUY with a target price of RM1.43 based on 17x PER (3 years average PER) over FY23 EPS with a potential upside of more than 50%.

The Research Hive

Strike it Right - Trading Ideas



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 research@rakutentrade.my

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RAKUTEN TRADE SDN BHD

Registration No: 199301011963 (266701-P)

Level 7, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Kenny Yee Shen Pin

Head of Research