



Sarawak Cable Berhad

Main Market/ Syariah Compliant

Recommendation : -

Expected Price = RM0.64 per share

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IPO Price:	RM0.70 per share
Number of Public Issue New Shares	13,000,000.00 shares
IPO Closing Date:	13 th May 2010
Listing Date:	25 th May 2010
Par Value	RM0.50
Enlarged and Paid Up Capital	RM 60,000,000.00
Authorised Share Capital	RM 100,000,000.00
Market Capitalization (120,000,000 shares x RM0.70)	RM 84,000,000.00

Proceeds Utilization	Amount (million)	Time Frame (month)
1. Purchase of machinery & equipment	RM3.471	24 months
2. Investment in new subsidiary company	RM2.000	24 months
3. Additional investment in Sarawak Power	RM0.765	12 months
4. Estimated listing expenses	RM2.100	6 months
5. Working capital	RM0.764	6 months
Total	RM 9.100	

Sarawak Cable Berhad is *a leader of 2 cable & wire manufacturers in Sarawak*, and is seen positioned to leverage its advantage in development in power, property, and construction industry in the state.

It has *debt-free balance sheet*. For FYE 2009, Sarawak Cable Berhad posted revenues of RM89.79 million, down 33% from a year ago with an EPS of RM0.06.

Going forward, Sarawak Cable Berhad is looking into manufacturing of hybrid power inverters which will be used for providing electricity to remote communities and public amenities where it is not economical for them to be linked to the state grid.

1. HISTORY & BACKGROUND

Sarawak Cable was initially incorporated under the name of UCS Hldgs Berhad on 8th January 1998. UCS Hldgs Berhad changed its name to UCS Hldgs Sdn Bhd, then to Sarawak Cable Sdn Bhd on 13th February 2009 before converted into public limited company on 26th October 2009.

2. PRINCIPAL ACTIVITIES

Sarawak Cable Berhad is an investment holding company with 2 subsidiaries; namely 100% owned Universal Cable (Sarawak) and 51% owned Sarawak Power (dormant).

Universal Cable (Sarawak) manufactures high & low voltage power cable and wire for industries in power, communications and mechanical. Apart from the above, it also involves in trading of power cable and wire manufactured from overseas.

And, the intended business activity of Sarawak Power is manufacturing of hybrid power inverters.

3. KEY PERSONNEL

Mr Toh Chee Ching, aged 49, Managing Director / Chief Executive Officer. He has more than 20 years of working experience in finance & financial advisory industry.

He is responsible for the entire operations, management, strategic, marketing direction, business expansion, and development of Sarawak Cable Berhad.

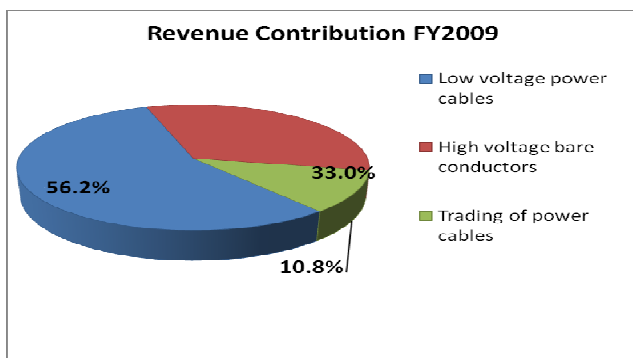
4. SUBSTANTIAL SHAREHOLDERS

Name	Direct shareholding after IPO
Dato Sri Mahmud Abu Bekir Taib	21.77%
Sarawak Energy	15.92%
Leader Universal	17.17%
Central Paragon	13.65%

Leader Universal Berhad is a listed entity on Bursa Malaysia with an estimate market capitalization of RM410.2 million as of 13th May 2010.

5. REVENUES SEGMENTATION BY LOCATIONS & PRODUCTS

Locations	FYE 2009	FYE 2008	FYE 2007
Sarawak	90.05%	83.18%	90.89%
Sabah	9.95%	16.82%	9.11%



It is hard to avoid seeing that Sarawak Cable Berhad only covers business areas in East Malaysia particularly in Sarawak. And, this does not augur well for achieving stable and increasing rate of revenues, because a slow-down in the power and property development industry would have an immediate negative impact on its profitability level.

The 75% drop in trading of cable & wire and 36% sales decline in low voltage power cable & wire over a year ago was the reason behind the 33% fall in revenues for FYE 2009.

Sarawak Cable Berhad must thus re-focus its marketing strategy in trading of cable & wire.

As of FYE 2009, Sarawak Cable Berhad has a customer base of 288 with 70% of its top 20 customers already established a business relationship of 10 years and more.

6. INDUSTRY MARKET SIZE

According to prospectus, the industry size of power cables and wires in Malaysia for 2009 was estimated at RM1.4 billion. This number represented a drop of 25.1% from 2008.

As of March 2010, there are about 30 manufacturers of power cables and wires in Malaysia. However, only 2 major manufacturers of power cable and wire are found in Sarawak.

In 2009, Sarawak Cable Berhad was not only ranked first in Sarawak in term of revenues; but, it also commanded 6% market share based on sales value of local production of power cable and wire in Malaysia.

As of 13th April 2010, the amount of confirmed orders in hands amounted to RM64.26 million.

Apart from expected completion of Bakun Hydroelectric Project (2,400 MW) and Murum Hydroelectric Dam (944 MW) by end 2010 and 2013 respectively, the State Government of Sarawak, thru Sarawak Energy Berhad, is planning to build 5 other hydroelectric power generation dams; namely, Balleh Dam, Pelagus Dam, Baram Dam, Limbang Dam and Dawas Dam.

Total potential of Sarawak State of hydropower resources is estimated to be 28,000 MW.

7. BUSINESS MODEL

Sarawak Cable Berhad is in a cyclical industry where power, construction, and property development depend on economic activities in the State. The group derives its revenues mainly from manufacturing and trading of power cables & wires.

It is a total power cable solutions provider; however, the projects undertaken are basically on one-time basis, and there is no recurring income in area of provision maintenance services to customers.

8. FUTURE PLAN

Sarawak Cable Berhad will focus its future plans in 4 key areas; namely, (1) New & Enhanced Products, (2) Expansion of Facilities, (3) Manufacture of Hybrid Power Inverters, (4) Business Expansion.

9. SELECTED FINANCIAL STATE ANALYSIS

Selected Bal Sheet (RM 000)		FYE 2009		
Current Assets		54,244		
Cash in Hand		5,298		
Inventory		17,606		
Trade Receivable		31,340		
LT Assets		40,959		
Total Assets		95,203		
Current Liabilities		8,957		
ST Debt		0		
Trade Payable		8,792		
LT Liabilities		2,226		
LT Debt		0		
Total Liabilities		11,183		
S/holders Equity		84,020		
Selected Income State(RM 000)		FYE2009	FYE2008	FYE2007
Revenue		89,795	135,696	104,070
PBT		10,463	10,883	11,030
EBITDA		12,634	12,943	12,082
PAT		8,095	8,783	11,314
# o/s shares		120 m		
BV per share		0.66		
EPS		0.067		
Ratio Analysis		FYE 2009		
Table 1.1		Profitability Ratio		
1. ROA		6.75%		
2. ROE		9.63%		
Table 1.2		Liquidity Ratio		
1. Current Ratio		6.06 x		
2. Quick Ratio		4.09 x		
Table 1.3		Management Efficiency Ratio		
1. ITO		4.23 x		
Table 1.4		Leverage Ratio		
1. Total Debt/Total Asset		0%		

ITO = Inventory turnover (CSG/Inventory).

ROA = Return on asset; ROE = Return on equity

PBT=Profit before tax; PAT=Profit after tax.

Profitability Ratio (Table 1.1)

Sarawak Cable Berhad registered a ROA and ROE of 6.75% and 9.63% respectively for FYE 2009. The 9.63% ROE was the amount of profit generated by each Ringgit Malaysia of shareholder equity.

The group had seen its' after-tax profit falling in the past 2 years.

Liquidity Ratio (Table 1.2)

The current ratio of 6.06 x (times) indicated that Sarawak Cable Berhad has the ability to pay its current liabilities with current asset. In other words, it has RM6.06 in current asset for every RM1.00 of current liability.

The quick ratio of 4.09 x (times) showed that for every RM1.00 of current liability, Sarawak Cable Berhad has RM4.09 to cover those immediate obligations.

Management Efficiency Ratio (Table 1.3)

Sarawak Cable Berhad is believed to have held an average level of inventory turnover at 4.23 x (times) given the nature of the industry.

Out of RM54.24 million in current asset, RM31.34 million (or equivalent of 59%) was tied up in trade receivable. This high amount of receivable could have indicated that the company is extending credit to more customers, this is normally done to capture market share from weaker competitors. However, the strategy will work if the customers pay up at end of credit periods.

Leverage Ratio (Table 1.4)

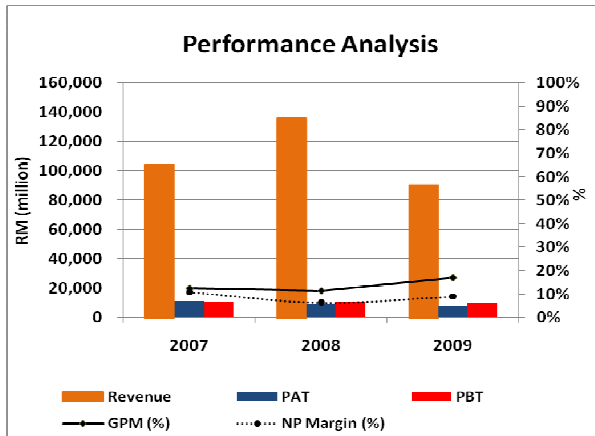
Sarawak Cable Berhad carries no debt in FYE 2009, meaning that every Ringgit Malaysia of asset was financed with 0 Sen of debt.

10. MARGIN ANALYSIS

	FYE 2009	FYE 2008	FYE 2007
GPM	17.07 %	11.46 %	12.53 %
NPM	9.01 %	6.47 %	10.87 %
Revenue	89.79 mil	135.6 mil	104.0 mil
PAT	8.09 mil	8.78 mil	11.3 mil
PBT	10.4 mil	10.8 mil	11.0 mil

GPM = Gross profit margin
PAT = Profit after Tax

NPM = Net profit margin
PBT = Profit before Tax



The table above showed that Sarawak Cable Berhad is *in an industry of low net profit margin* between 6.5% and 11% with dependence on cost of raw materials and selling prices of wires & cables. Thus, it must exercise stringent control on future operating expenses to ensure continuing profits.

11. DIVIDEND POLICY

The Directors of Sarawak Cable Berhad intend to adopt a progressive dividend policy; but, this is subject to available of profits/excess funds.

For FYE 31 Dec 2010, the group intends to pay and declare interim tax-exempt dividends of *not less than 2.5 sen per share*. This is equivalent to a *minimum interim dividend yield of 3.5%*.

12. VALUATION

13May2010	Sarawak Cable Berhad	Leader Universal Bhd
IPO/Mkt Price	RM0.70	RM0.94
P/E	10.3 x	7.83 x
P/S	0.94 x	0.21 x
P/CF	8.36 x	4.92 x
Net Asset	RM0.70	RM1.24
Cash Flow	RM0.08	RM0.19

E=Earnings, S=Sales, CF=Cash Flow, Net cash and Net Asset are based on per share basis for FYE 2009.

Based on the information provided in the prospectus, Sarawak Cable Berhad is considered a stock with *above average low risk rating* in terms of financial and operational.

Financial – Sarawak Cable Berhad saw decline in after-tax earnings over 2 years; but, with an above average working capital solvency.

Operational – Sarawak Cable Berhad has a leading market position in cables & wires industry in Sarawak.

A valuation analysis in determining expected share price of Sarawak Cable Berhad indicated a level of RM0.64.