

HEALTHCARE

HIGHEST RETURN ON EQUITY OVER THREE YEARS

HIGHEST GROWTH IN PROFIT AFTER TAX OVER THREE YEARS

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

Kotra Industries



A hat-trick scorer for fourth straight time

BY LIEW JIA TENG

MELAKA-BASED PHARMACEUTICAL group Kotra Industries Bhd (KL: KOTRA) has once again swept all three awards under the healthcare category at *The Edge Malaysia* Centurion Club Corporate Awards 2024.

This is the fourth straight hat-trick for Kotra, as it took home the awards for Highest Return on Equity (ROE) Over Three Years, Highest Growth in Profit After Tax (PAT) Over Three Years, and Highest Returns to Shareholders Over Three Years.

It scored its first hat-trick at the inaugural *The Edge Malaysia* Centurion Club Corporate Awards in 2019. The awards then took a two-year break in 2020 and 2021 due to the Covid-19 pandemic before resuming in 2022, when Kotra continued its winning streak, which led to the group being named the Centurion of The Year in 2023. This meant it was the best overall performer among companies listed on Bursa Securities with a market capitalisation of less than RM1 billion that year.

Started in 1982, Kotra manufactures a wide range of healthcare products under three main house brands, namely Appeton, Axcel and Vaxcel. The group currently operates its manufacturing facilities in Melaka. It has a branch office in Kuala Lumpur, which focuses on sales and marketing.

Appeton is a nutraceutical product that Kotra launched in 1989 and the group became a household name for health supplements, focusing on preventive healthcare, according to its website. Axcel is a brand of pharmaceutical products that specialises in oral and topical preparations, with a distinctive focus on paediatric care, dermatological care, anti-infective medicine and gastroenterology. Vaxcel is Kotra's brand for sterile injectable pharmaceutical products focusing on anticoagulants, anaesthesia and antiemetics.

As of its financial year ending June 30, 2023 (FY2023), Kotra had 62 over-the-counter products and 145 pharmaceutical products registered in Malaysia, as well as in the international markets that the group operates in.

Kotra was founded by the late Piong Nam Kim @ Piong Pak Kim, whose family controls 60% of the group. Interestingly, former *Nanyang Siang Pau* business editor and prominent investor Fong SiLing —

better known as Cold Eye — also owns 1.2 million shares or a 0.81% stake in Kotra.

The group is now run by the second generation of the founder's family, led by managing director Jimmy Piong Teck Onn, Nam Kim's son. Teck Onn's wife, Chin Swee Chang, also sits on the board as executive director while his brother Datuk Piong Teck Yen and nephew Piong Chee Kien are non-executive directors.

According to awards methodology, the gains in Kotra's share price over the three-year period under review translate to an adjusted compound annual growth rate (CAGR) of 29.15% — the highest among *The Edge Malaysia* Centurion Club member companies in the healthcare sector.

Its adjusted share price rallied 115% from RM2.163 on March 31, 2021, to RM4.66 on March 31, 2024. On top of that, Kotra shareholders were rewarded with 25.5 sen dividends per share for both FY2023 and FY2022, higher than the nine sen it paid out each year for FY2021 and FY2020, and the 7.4 sen it distributed for FY2019.

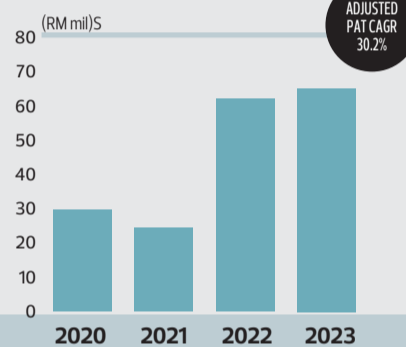
Nevertheless, it should be noted that Kotra's stock price has retreated by about 11% since the beginning of this year to close at RM4.30 sen on July 5.

Kotra, whose market capitalisation stood at over RM691.1 million as at end-March this year, saw its ROE increase from 12.31% in FY2021 to 27.56% in FY2022 before dipping to 25.3% in FY2023 for a weighted ROE of 23.4% over the three years, outperforming its peers in the healthcare sector of Bursa Malaysia whose market capitalisation was below RM1 billion.

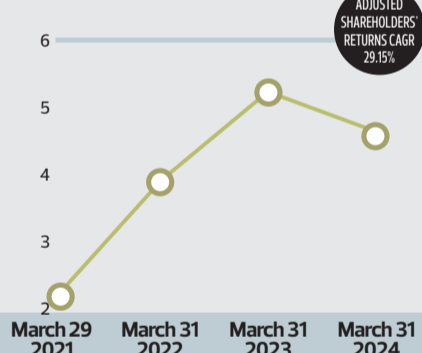
In terms of profitability, Kotra achieved an adjusted compound annual growth rate of 30.2% during the three-year review period, which also topped its peers. Although the group's net profit declined from RM29.6 million in FY2020 to RM24.4 million in FY2021, it rebounded strongly to RM62.1 million in FY2022 before growing further to RM65.2 million in FY2023.

In its Annual Report 2023, Kotra managing director Jimmy Piong says demand for medicine is generally non-cyclical, while out-of-pocket spending on private pharmacies in Malaysia is expected to rise further, driven by improving affluence and health awareness, as well as the increased prevalence of non-communicable disease.

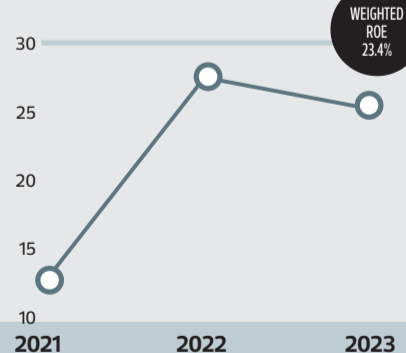
Net profit



Adjusted share price (RM)



ROE (%)



Currently, Kotra's manufacturing capacity utilisation rate is around 35% to 40%. With ample excess capacity, along with the infrastructure and resources the group has, Piong believes, Kotra is capable of handling large product orders to meet any demand spikes.

"This was proven during the year when the market was in short supply of pharmaceutical products. We managed to capitalise on the situation and increase our production to cope with market needs," he says.