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## 1) The Article

# SKP Resources eyes double-digit growth

## Group has room for expansion

**COMPANY TO WATCH**

By IZWAN IDRIS  
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**PETALING JAYA:** Penny stocks offer a cheaper entry cost for investors, hence their popularity among retailers. It is also interesting to look at some of these companies, which are actually worth more than a punt.

SKP Resources Bhd, a Johor-based maker of plastic parts used in many consumer electronic gadgets like high-end television sets, in-car entertainment units and satellite radio receivers.

Its clients include household names like Sharp, Pioneer and Dyson.

SKP Resources' most recent quarter ended Dec 31 saw a 70% jump in net profits to RM4.8mil, or 0.8 sen per share. The company made a net profit RM2.8mil, or 0.47 sen per share, in the previous corresponding period.

"The third quarter was a record for the group. We also had a good start in 2007 and we hope to at least match the results in the last quarter



Date	Price (RM)
Sept 15 '06	12 sen
March 15 '07	16.5 sen

+4.5 sen (+38%)

»Margins are improving with better cost control«

IVAN GAN POH SAN

receivers bound for the US market every month.

"Our target is to register a healthy double-digit growth over the next two to three years," Gan said.

Assuming that SKP Resources would be able to repeat the performance in the last quarter, the stock is valued at around seven times its estimated earnings for the financial ending March 31. (FY07).

For the nine months ended Dec 31, 2006 net profit had risen 36% to RM10.8mil, or 1.8 sen per share, on sales worth RM119mil. The results year-to-date have already surpassed the group's performance for the whole of FY06.

The stock gained 1 sen to 16.5 sen yesterday. It has risen 28% for the year and hit a 52-week high of 25 sen on Feb 22.

But it would probably take a few more quarters of rising profits for SKP Resources, with a market capitalisation of RM100mil, to attract the attention of big investors and institutional funds.

In the mean time, the stock's growth outlook and decent valuations make it a bargain for those willing to take a bet on a promising small cap play.

that, we don't expect to make huge capital investment over the next three years."

SKP Resources had also benefitted from the trend among large multinationals to move their low-end manufacturing base to Vietnam or China, while existing factories in Malaysia shifted towards premium products.

"Margins are improving with better cost control and, at the same time, we are now able to offer value-added services like product design and customisation of certain products," Gan said.

Items produced by SKP Resources include components for liquid crystal display TVs and some 200,000 sets of digital or satellite radio

*(The real newspaper copy is attached at the appendix section of this assignment)*

Article adopted from : StarBiz (The Star newspaper's Business section)

Article written by : Izwan Idris

Article published date : Friday March 16, 2007

Article related to industry : Plastic

## **2) Summary of Article**

The article is mainly about the success of SKP Resources Berhad in making their 1 cent stock raised to 16.5 cents which is the highest value hit by their stock for the last 52 weeks on 22 February this year. They claim that this success was achieved because their company's margins are improving with better cost control. The firm had continuously cut their cost and avoided waste of resources. The firm also previously acquired SPI Plastic Industries Sdn Bhd in August last year. Besides improvement of margin, the firm also stated that they now able to offers value-added services like product design and customizations. The conclusion is SKP Resources have done many activities and changes which as result increased their stock price recently.

*(Word count: 123 words)*

### **3) Related Theory**

One of the important information extracted from the text is “the acquisition and new factory had given a lot of room for expansion”. This means the administration and operation team agrees that their newly acquired company and newly build factory giving them capability to improve their margins. This fact is related to corporation’s capacity and facilities in handling business and increasing their sales. Capacity and facilities is the key for the firm to consider carefully in operating the business. It is a part of operation management. In the article, SKP Resources acquired SPI Plastic Industries which mean they have just increased their capacity because the acquired company’s main business nature is also manufacturing plastics. This acquisition took place on August last year. They now are having bigger capacity with more man power from newly acquired company. Having the higher capacity will not help much to the business unless they consider increasing the facilities too. In this article, SKP Resource operation did it well by also increasing their facilities. They did it by building up new factory. Now, they got the facility to produce more plastics with their new factory. At the same time they have the capacity which is the man power. Both together made the firm successfully expanded their business and improved their margin. SKP Resources operation management team optimized their growth and success effectively.

*(Word count: 226 words)*

#### **4) Appendix or Reference attachments**

i) Original copy of the article