



- [Home](#)
- [News](#)
- [Business](#)
- [Sport](#)
- [Metro](#)
- [Tech](#)
- [Lifestyle](#)
- [Opinion](#)
- [Videos](#)
- [Property](#)
- [Jobs](#)
- [Autos](#)
- [More](#)



## Business News

[Home](#) > [Business](#) > [Business News](#)

Saturday, 5 October 2013

# Signature aims to stamp its mark

BY TEE LIN SAY





State-of- the-art kitchen designs from Signature International.

Modular kitchen and wardrobe provider Signature International Bhd looks set to make a comeback after three years of middling earnings.

For the uninitiated, Signature is a locally established operator specialising in the design, manufacture and retailing of kitchen and wardrobe systems under the brand names of Signature Kitchen and Signature Wardrobe. It is currently the market leader, with about a 50% share of the industry.

However, don't be mistaken into thinking that Signature is a run-of-the-mill furniture-based company. Its niche position has been largely due to its ability to cater to both individual retailers and project-based developments alike.

"Signature adopts a highly scalable production flow, whereby large quantity-but-low value works are outsourced and high value-but-low quantity works are performed internally to ensure direct control over quality.

"This approach to our production process is important, as it creates a strong platform for us to raise our scale of business without the need for high capital spending. This also allows us to focus on design and product innovation to maintain our premium brand equity," says Michael

Chooi, Signature's executive director.



Chooi: 'Signature adopts a highly scaleable production flow.'

To-date, the group has 26 retail showrooms operating under the Signature Kitchen brand name in Malaysia. Of these, eight are wholly owned, whereas the remaining are managed and owned by appointed dealers.

The group's overall business focus is based on a two-pronged approach, which includes servicing the retail market and the project market.

The advantage of this strategy is that while the retail market provides premium pricing, the project market gives the group the volume to achieve economies of scale.

The company currently has an order book of RM200mil, with the bulk of the work coming from Johor, the Klang Valley, Kota Kinabalu in Sabah and Penang.

It is currently following up with jobs worth RM250mil, some of which are in tender and award stages.

Separately, the company is in negotiations with a local developer for a RM100mil project in London.

Chooi explains that the orderbook breakdown between the retail and project development is now 70:30.

He says that while the modular kitchen and wardrobe business is a proxy to the property industry, its earnings are the last to be reflected, as they are also the last contractors to come in.

"We come in once the property is completed. So, if a property is being sold now, our portion of the work comes in three years later when the property is at the completion stage. In 2009, there was a slowdown in the property sector.

"So, our numbers went down in the last few years," explains Chooi.

Certainly, from a net profit of RM15.03mil in financial year 2010 (FY10), the figure came down to RM6.7mil and RM5.33mil in FY11 and FY12, respectively. These numbers are a reflection of the property sector in 2008 and 2009.

As we all know, the property sector turned around in 2011, partially fuelled by the 10:90 scheme, which gained popularity at that time.

"So, from FY14 onwards, you will start to see the upward traction. In terms of billings and earnings, the improvements will be obvious. Demand in the Iskandar region, especially, is very hot now. In fact, developers who contract with us are now worried that they cannot complete their work on time," says Chooi.

### **High-end developers**

For the fourth quarter to June 30, 2013, Signature's net loss narrowed to RM1.36mil from RM1.98mil previously. This was on the back of a 103.62% increase in revenue to RM36.35mil.

For the full financial year, net profit was down 20.11% to RM4.26mil on the back of a 24.53% increase in revenue to RM120.51mil.

Among the high-end developers who awarded jobs to Signature include One KLCC's One KL, Putra Perdana's The Marc Residence, Ireka's Kiara1@I-Zen Glomac's Suria Stonor, Bandar Raya Developments Bhd's The Troika and IGB Corp Bhd's The Hampshire Residence.

One of Signature's latest contracts is modular kitchen fittings and wardrobes for luxury condo Banyan Tree Signatures worth approximately RM35mil.

Signature currently has net cash of RM48mil. It recently entered into an agreement to sell two parcels of land in Kota Damansara to Meda Inc Bhd, for which it should receive RM50mil when the conversion of the land from industrial to commercial is approved in the next few months.

When this happens, Signature will have net cash of RM98mil.

Chooi says that Signature intends to use the proceeds for business expansion both locally and overseas, particularly in China and Indonesia.

“As it is, we already have a warehouse and retail showroom in Dali and Lecong, China. We have tested the market there and we know the demand is there,” says Chooi.

Last week, Signature, via wholly owned subsidiary Signature Cabinet Sdn Bhd, announced that it had purchased two units of serviced apartments in the township of Ara Damansara from HSB Development Sdn Bhd for RM3.7mil.

There have been rumblings of a related party transaction, as shareholder of HSB Development, Dr Lim Yin Chow, is also a major shareholder in Signature via his interest in HSC Healthcare Sdn Bhd.

As HSB Development is a wholly owned subsidiary of HSC Healthcare, it is deemed a related party of Signature.

The developer of the Ara Greens development is HSB Development, while the sub-contractor is Putra Perdana Construction Sdn Bhd.

If one recalls, on July 1, Signature announced that Putra Perdana had awarded it a RM34.4mil sub-contract job which comprised the supply, delivery to site and installation of built-in kitchen cabinets and appliances, wardrobes, toilet cabinetry and vanity tops.

“Buying the apartments from HSB Development was just a normal part of business. It has nothing to do with buying apartments from Dr Lim.

“The developer, via its sub-contractor, gave us the job to install their kitchen.

“In return, we bought two apartments. It is not a big deal.

“We have an option of either renting it out or selling the units once it is ready in two years’ time,” clarifies Chooi.

Accordingly, Lim has also abstained from all board deliberations with regards to the acquisition.

Signature, which achieved its 52-week high of 93 sen on Jan 1 this year, closed Wednesday at 90 sen.

It has a market capitalisation of RM107mil and a price earnings ratio of 23.68 times based on its recent FY13 numbers.

**TAGS / KEYWORDS:**

[Business](#), [Signature](#), [Kitchen](#), [international](#), [orderbook](#)