KUALA LUMPUR: DSC Solutions Bhd, the ACE Market automatic identification and data capture (AIDC) solutions provider, expects a better year ahead after recording an already good performance in its financial year ended Sept 30, 2009 (FY09).

For FY09, the company posted a net profit of RM2.45 million on revenue of RM3.13 million, which works out to a margin of more than 78.4%. Why is this margin so high, and can the company continue to maintain it?

“As an AIDC software solutions and services provider, our margins are significantly higher as compared to other types of businesses. Being a niche player with few competitors is another plus point,” DSC founder and group managing director Seah Liang Chiang told The Edge Financial Daily.

DSC’s solutions include those in logistics tracking as well as access card products and services.

On its debut on the ACE Market on Dec 9, 2009, the stock soared to an intra-day high of 91.5 sen, 266% higher than its reference price of 25 sen. It had been on a downward trend since then, hitting a low of 27 sen in intra-day trade last Friday. It closed at 27.5 sen, one sen lower from the previous day.

“Going forward, it’s difficult to predict if we are able to maintain such margins as our business model has attracted new players and thus we believe that there will be more competitors in future.

“Furthermore, the economic recovery is still fragile and many companies are taking a wait-and-see approach before investing in AIDC solutions,” Seah said.

Nonetheless, he was confident the group would “do better (in 2010) compared to 2009”.

According to its listing prospectus, barriers to entry include technical expertise and a sound knowledge of the market. It being a relationship-driven industry, multi-national companies tend to work with recognised and approved vendors and high switching cost.

To a question on whether the company would be paying out dividends given its high margins, Seah said: “We were not in a position to pay any dividends for FY09 as we would like to conserve our cash for the purpose of expanding our business.”

DSC had been able to soften the impact of the global financial crisis due to its diversified customer base even though “no company was spared the existing downturn”.

“However, DSC is fortunate that despite difficulties in the two sectors (export logistics and manufacturing), other areas such as retail, government and services picked up especially in the second half of the calendar year and we were able to leverage on these market segments to achieve our profit targets," said Seah.

On its expansion plans, he said it was currently looking at expanding its business overseas but didn't have any concrete plans yet.

DSC already has manufacturing plants in China and Thailand to serve its regional MNC customer, Seagate, a well-known maker of hard disc drives.

As for the company's latest memorandum of understanding to distribute VIPColor Technologies Pte Ltd's products in Singapore, Malaysia and Indonesia, Seah said: "Our current hardware product line-up consists of barcode self-adhesive monochrome label printers. VIP printers use ink jet technology as opposed to thermal transfer which is the standard in barcode printers."

By using ink jet technology, DSC is able to offer labelling solutions that not only include barcodes but also colour printing. "This sets us apart from our competitors who are only able to offer monochrome (single colour) printing whereas we are able to offer both monochrome and colour printing for self-adhesive labels," he said.

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