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Grand Flo: Diversification key to growth

Tracking solutions provider to expand presence in six countries in region

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PETALING JAYA: The recent bad times have given Grand-Flo Solutions Bhd time to rethink its business strategy and now it is intensifying efforts to diversify its customer base to minimise risk and enhance long-term sustainability, said its managing director Derrick Tan.

The tracking solutions provider, he said, had been targeting mainly customers in the manufacturing sector but now wanted to grow its presence in the government sector and seek opportunities in the fast-

moving consumer goods (FMCG) industry and healthcare services.

Tan said in the government sector, the implementation of key performance index (KPI) would demand a more efficient tracking system and Grand-Flo was keen to tap the market. "So that they (government officials) won't spend unnecessarily," he said.

In an interview with *The Edge Financial Daily*, he said Grand-Flo's solution was already being used to help the government improve the efficiency of its National Asset & Facility Management (Nafam) programme.

"We are not directly involved in putting the barcode and tracking movement... we are just supporting," Tan said, adding that the government had allocated RM500 million in its drive to enhance service efficiency.

He said contribution from government sector projects accounted for more than 20% of the company's revenue from the domestic market in the first three quarters of its financial year ending Dec 31, 2009. As of Sept 30, he said, domestic sales amounted to RM33 million or 90% of total revenue for the nine-month period.

Tan said its Enterprise Data Collection and Collation System (EDCCS) division contributed RM17.35 million of the domestic sales while its label division contributed RM15.74 million.

EDCCS solutions use barcode and radio frequency identification (RFID) technology. Grand-Flo combines the technology with other applications enabling companies to undertake tasks such as sales force automation, monitoring of warehouse activities, mobile data synchronisation and continuous tracking of the production floor. The company offers both software solu-

tions and hardware.

"When the company was listed in 2004, the manufacturing sector, such as electronics and electrical as well as semiconductor, was our main source of revenue with 80% contribution, but since diversifying the market, the manufacturing sector is expected to contribute less than 30% to revenue for FY09," Tan said.

Other than diversifying its market reach, the group has also expanded its product range to include supplying labels, which also generates recurring income from maintenance work.

The label business would likely contribute about 40% of revenue in FY09, Tan said.

Grand-Flo currently has three label factories, one each in Malaysia, Thailand and Vietnam, with another factory due for completion next year.

Tan said while the company intended to continue expanding its

business in the country, its goal of becoming a regional player was intact. The company would strive to grow its business in the six countries where it had gained a foothold, notably Thailand, Vietnam and China/Hong Kong, he said.

He believed that by 2011 or 2012, revenue from its overseas operations would be able to eclipse that of the domestic market.

Commenting on the company's financial performance, Tan said it did not show favourable results in the first half of FY09 but the second half should be stronger.

In the first and second quarters, the company posted a net profit of RM27,000 and RM177,000 respectively, on the back of RM7.8 million and RM10.2 million in revenue. Last week, it announced a net profit of RM1 million on the back of RM13.3 million revenue for the third quarter.