



# Chemlite Innovation

## A Niche Growth Opportunity

**Ace Market**  
**Industrial Products & Services**  
**Sector**  
**SUBSCRIBE**  
IPO Price: RM0.25  
Fair Value: RM0.36

### Valuation / Recommendation

We have a **SUBSCRIBE** recommendation on Chemlite Innovation Berhad (“Chemlite”) with a **FV of RM0.36 based on 14.5x FY26F EPS**, offering 45% upside to its IPO price. Our target PE implies a 10% discount to the average FY26F semiconductor and E&E players’ on the basis of Chemlite being a support services provider. We like the stocks for its strong FY25F-FY27F earnings CAGR of 29%, underpinned by stronger order flow from customers and capacity growth.

### Investment Highlights

**Promising growth prospects.** Chemlite’s 23% revenue CAGR (FY21-FY24) is expected to accelerate to 29% in FY25F-FY27F, driven by several key factors. The National Semiconductor Strategy (NSS) and Penang Silicon Design Park reinforce Malaysia’s position in advanced semiconductor manufacturing and design, benefiting Chemlite as a strategic support services provider. Additionally, we foresee that the China+1 strategy will continue to drive new investment into Southeast Asia, particularly for Chemlite’s key markets in Malaysia and Philippines. Lastly, Malaysia recent USD\$250m deal with Arm Holdings could bring indirect benefits as local semiconductor players ramp up production and require additional plating solutions.

**Diversified customer base and revenue growth.** Chemlite is strengthening its non-metal plating segment by onboarding two new customers, enhancing diversification while reducing concentration risks. Customer D is set to commence operations in April 2025, with full-scale processing by 3QFY25, while another customer is expected to be onboarded in early 2026. By then, both automated anodizing lines are projected to reach 90% utilisation, contributing RM13.5m in FY25 and RM20.9m in FY26. At the same time, Customer B is expected to rebound to RM13m in FY25 from the previous RM8.5m in FY24. Meanwhile, Customer A remains optimistic on order growth, with revenue projected to increase to RM32m in FY25 (89% utilisation) and RM34m in FY26 (92%).

**Margin expansion on track.** We expect Chemlite to maintain a strong GP margin of 40–50% from FY25 to FY27, supported by a new revenue streams such as cleanroom cleaning and packaging services, which offer higher margins (above 50%). The company also benefits from favourable raw material pricing, particularly in gold and silver, where it secures materials at lower costs and passes on price markups to customers. Meanwhile, PAT margin is projected to improve to 25–29%, driven by new customer onboarding, the ramp up of the non-metal plating segment as the management is targeting a 50% revenue contribution by FY26, and stronger order flow from key customers—Customer A and Customer B.

**Risk factors** for CLITE include 1) Dependence on major customer and suppliers, 2) Fluctuations of raw material prices, and 3) Absence of long-term contracts.

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Revenue (RM m)	28.0	34.2	45.4	54.9	73.3
EBITDA (RM m)	13.3	11.6	16.9	22.7	30.7
PAT (RM m)	9.0	9.3	11.1	15.0	21.0
PAT Margin (%)	32.1	27.1	24.5	27.4	28.6
EPS (sen)	1.9	1.9	1.9	2.5	3.5
EPS Growth (%)	183.1	2.9	20.4	34.9	39.5
BV Per Share (sen)	2.1	4.0	10.1	12.6	16.1
PE (x)	13.3	13.0	13.5	10.0	7.2
Net Gearing (x)	1.5	0.7	0.2	0.2	0.1
ROE (%)	88.6	47.7	18.4	19.9	21.7

### Business Overview

Chemlite Innovation Berhad is an engineering support services provider, focusing on surface finishing treatment services. The company primarily specialise on metal plating with multi-layer coatings (gold, silver, palladium, nickel) and offer non-metal plating services, including anodizing, on an ad-hoc basis.

### Listing Details

Listing date	26 Mar 2025
New shares (m)	120.0
Offer for sale (m)	60.0
Funds raised (RM m)	30.0

### Post Listing

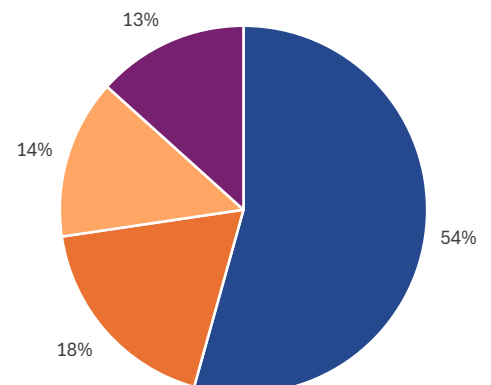
Ordinary shares (m)	600.0
Market cap (RM m)	150.0
Free float	30.0
P/E (FY25F)	13.6

### Top 3 Shareholders

Chong Yuen Fong	38.5%
Heng Chee Khiang	31.5%

### Utilisation of Proceeds

	RM m
Business expansion	16.3
Repayment for bank borrowings	5.5
Working capital	4.2
Estimated listing expenses	4.0

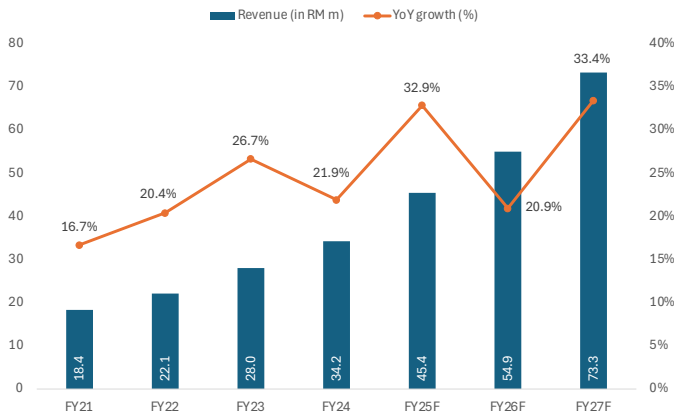


Source: Company, Mercury Securities



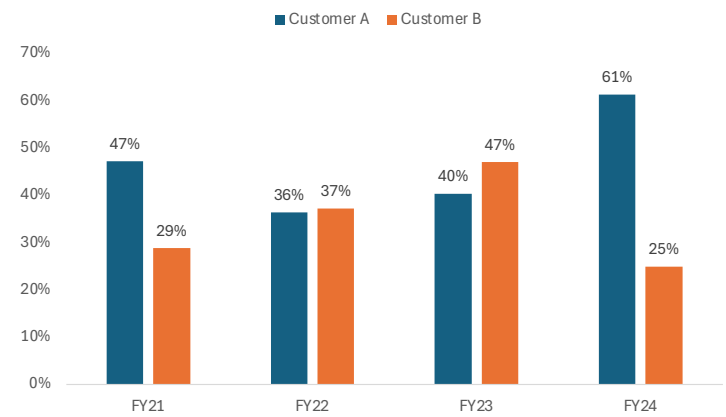
## Financial Highlights and Valuation

**Figure 1: Revenue trend (in RM m)**



Source: Company, Mercury Securities

**Figure 2: Major customer contribution (%)**



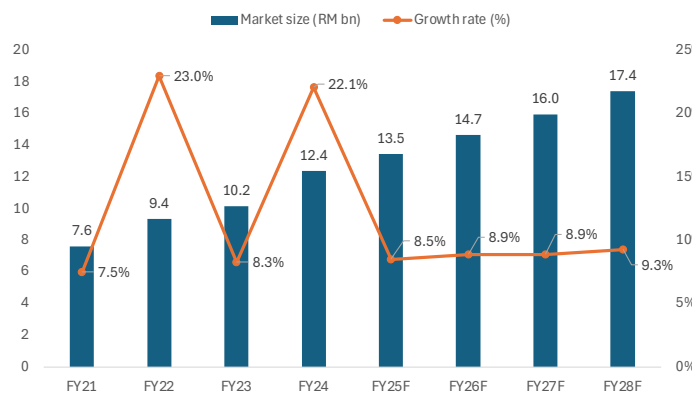
Source: Company, Mercury Securities

**Resilient performance.** Chemlite Innovation Berhad (“Chemlite”) has shown consistent strong revenue growth with an impressive 3-year CAGR of 23%, expanding from RM18.4m in FY21 to RM34.2m in FY24. This momentum is largely driven by its focus on the semiconductor sector, where clients benefit from surging demand in chip making, artificial intelligence (AI), internet of things (IoT), and micro-electro-mechanical systems (MEMS). We believe this was largely thanks to the revenue contributions from key customers—Customer A and Customer B, whose combined contributions accounted for 76% in FY21, 74% in FY22, 87% in FY23, and 86% in FY24. Although Customer B saw a 35% revenue decline in FY24 (from RM13.2m to RM8.5m) due to a slowdown in semiconductor demand, Customer A has successfully helped to mitigate by increase purchase orders on E&E industry with its revenue increasing by 85% from RM11.3m in FY23 to RM21m in FY24.

**Promising growth prospects.** We expect Chemlite to achieve a robust 3-year CAGR of 29% in FY25F-FY27F, underpinned by several key factors, which are:

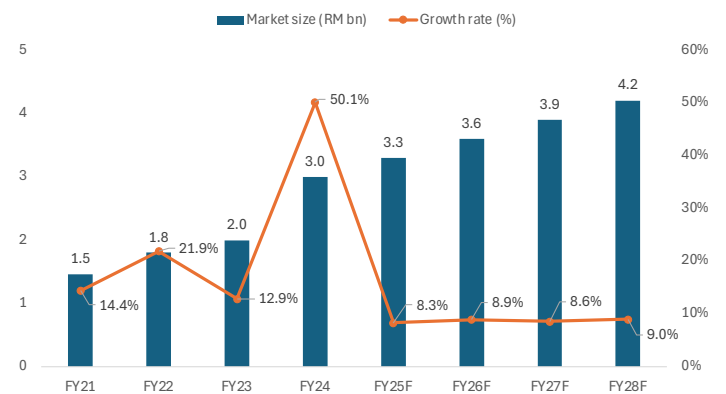
**1. The launch of NSS with key government initiatives.** Launched in May 2024, the National Semiconductor Strategy (NSS) aims to elevate Malaysia’s position in the global semiconductor supply chain over the next ten years. By focusing on high-value activities like IC design and advanced manufacturing, the initiative seeks to attract investments, accelerate R&D, develop skilled talent, and offer fiscal incentives to establish Malaysia as a leading semiconductor hub. A major highlight is the Penang’s Silicon Design Park, a 5km+ innovation hub designed to foster semiconductor design and high-end engineering—strategically aligning with Chemlite’s presence in Penang.

**Figure 3: ESI market size and growth forecast in Malaysia**



Source: Protégé Associates

**Figure 4: SES market size and growth forecast in Malaysia**

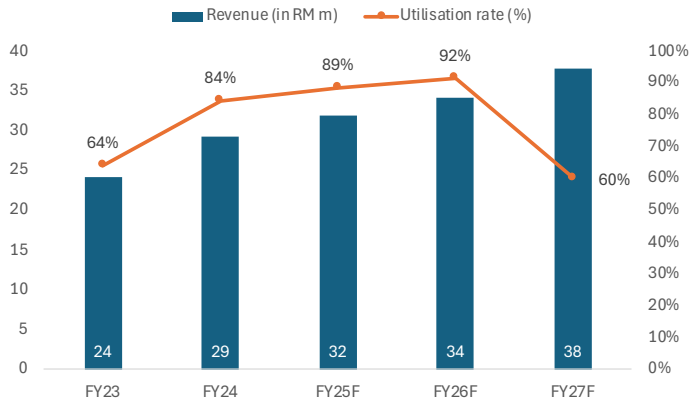


Source: Protégé Associates



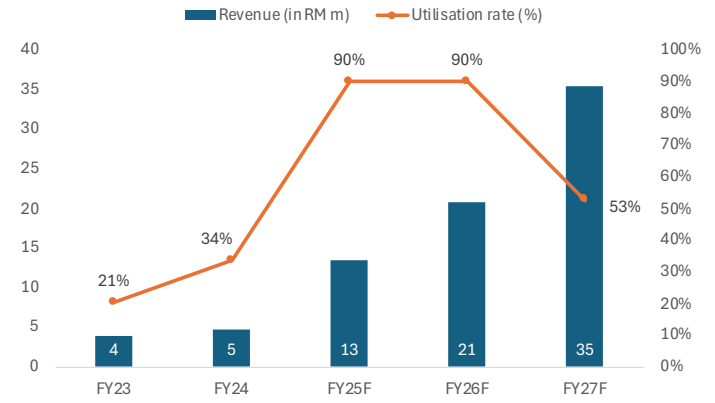
**2. Continuous grow on the ESI and SES market.** After the recent growth spike on FY24, the market size for electronics system integration (ESI) and surface engineering services (SES) have remained to expand with an average grow rate of 9% (see figure 3 and 4). This resurgence will be fueled by increased demand for electric components and semiconductor, thanks to the widespread application of artificial intelligence (AI).

**Figure 5: Utilisation rate for metal plating (%)**



Source: Company, Mercury Securities

**Figure 6: Utilisation rate for non-metal plating (%)**



Source: Company, Mercury Securities

**3. Diversified customers base and revenue growth.** The group is set to onboard two new customers for its non-metal plating segment, which will enhance its customer diversification while mitigating concentration risks. The first new customer is currently in the preliminary stages, with onboarding expected in early 2026, while the second, Customer D, is set to begin operations in April 2025, with full-scale processing by 3QFY25. By then, both automated anodizing lines are expected to ramp up to 90% utilisation, contributing an estimated RM13.5m in FY25, in line with expectations that Customer B will return to previous levels of RM13m in FY23, and grow to RM20.9m in FY26. Additionally, the group has also introduced a value added services—cleanroom cleaning and packaging services, a higher-margin business (above 50%), adding as a new revenue stream. Throughout the management discussions, it was indicate that Customer A remains optimistic on order growth, with projected revenue increasing to RM32m (89% utilisation) in FY25 and RM34m (92%) in FY26.

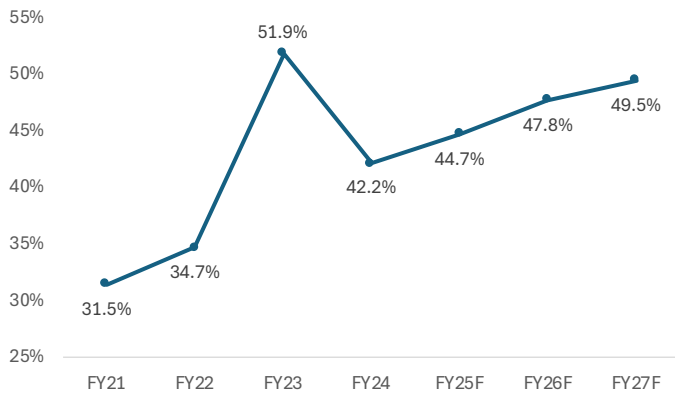
As part of its expansion strategy, the group is developing a new facility on a 3-acre industrial land parcel in Penang, featuring a 100,000 sq. ft built-up area. In FY27, this facility will house four fully automated anodizing lines and four semi-automated metal plating lines, bringing the group’s total capacity to nine metal plating lines and six non-metal plating lines. Given the expected ramp-up period of 6–9 months in FY27, utilisation rates may temporarily dip to 60% (metal plating) and 53% (non-metal plating), though revenue is expected to remain stable and continue its growth trajectory.

**4. China+1 strategy driving investment into Southeast Asia.** Due to ongoing trade tensions, semiconductor and E&E companies are actively diversifying away from China and establishing additional manufacturing hubs in other regions, such as Southeast Asia. This shift has led to increased investments across the region, with Malaysia and the Philippines emerging as key beneficiaries—both of which are core markets for Chemlite. To attract foreign direct investment, these countries are offering a range of incentives, including tax breaks, land subsidies, and workforce development support.

Further strengthening Malaysia’s semiconductor ambitions, the country recently secured a USD\$250m deal with Arm Holdings for chip design blueprints. This milestone investment indicate a move toward high-value semiconductor activities, driving greater demand for precision plating and cleanroom services. Given Chemlite’s proven expertise in surface finishing for semiconductor applications, the company is well-positioned to capture potential indirect benefits should local semiconductor manufacturers ramp up production and require additional plating solutions.

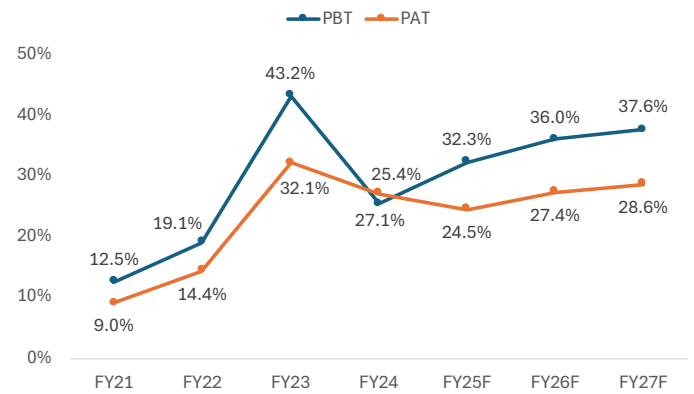


**Figure 7: GP margin trend (%)**



Source: Company, Mercury Securities

**Figure 8: PBT and PAT margin trend (%)**



Source: Company, Mercury Securities

**Margin expansion on track.** We expect Chemlite to maintain a strong GP margin of 40–50% from FY25 to FY27, supported by a new revenue streams such as cleanroom cleaning and packaging, which offer higher margins (above 50%). The company also benefits from favourable raw material pricing, particularly in gold and silver, where it secures materials at lower costs and passes on price markups to customers. Meanwhile, PAT margin is projected to improve to 25–29%, driven by new customer onboarding, the ramp up of the non-metal plating segment as the management is targeting a 50% revenue contribution by FY26, and stronger order flow from key customers—Customer A and B.

**Strong balance sheet.** The company has maintained a solid balance sheet, with a net gearing ratio of 0.7x for FY24. With cash proceeds from the IPO, its balance sheet will be strengthened and turned into a net cash position post-IPO. However, we believe Chemlite is unlikely to declare any dividend in the near term as it preserves internal funds for future growth.

**RM0.36 FV based on FY26F PER of 14.5x.** While Chemlite lacks direct listed peers in Malaysia due to its niche in surface finishing (plating and anodizing), its valuation is benchmarked against selected local semiconductor and E&E players. Our target PER multiple implies a 10% discount to the average FY26E semiconductor and E&E players' of 14.5x on the basis of Chemlite being a support services provider, focusing on surface finishing treatment services primarily for the semiconductor and E&E sector. Applying it our FY26F EPS forecast of 2.5sen, we arrive at our fair value of RM0.36 for Chemlite.

**Selected semiconductor and E&E players comparison (as of 11 Mar 2025)**

Company	Bloomberg Ticker	Share Price (RM)	Mkt Cap (in RM m)	EPS (sen)	P/E FY24	P/E FY25F	P/E FY26F	P/B (x)	ROE (%)	Net Yield (%)	PATM (%)
<b>Malaysia</b>											
Vitrox Corporation Berhad	VITRO MK	2.50	4,729.0	5.0	52.3	30.2	24.4	4.6	9.1	0.6	16.5
Inari Amerton Bhd	INRI MK	1.95	7,388.0	6.0	30.3	25.8	20.5	2.6	8.9	3.2	20.3
Aimflex Bhd	AIMFLEX MK	0.11	153.6	1.0	18.7	-	-	1.1	5.2	0.0	10.4
PIE Industrial Bhd	PIE MK	2.88	1,106.0	14.0	21.2	12.5	10.5	1.7	8.5	1.7	5.5
Mi Technovation Berhad	MI MK	1.61	1,434.5	8.0	21.1	15.7	14.9	1.4	6.5	3.7	14.7
Northeast Group Sdn Bhd	NE MK	0.32	236.8	2.0	17.2	11.3	9.8	1.5	9.2	0.0	15.1
Cnergz Berhad	CNERGEN MK	0.37	184.3	2.0	16.1	-	-	1.2	3.5	2.2	8.8
<b>Simple Average</b>				<b>5.4</b>	<b>25.3</b>	<b>19.1</b>	<b>16.0</b>	<b>2.0</b>	<b>7.3</b>	<b>1.6</b>	<b>13.0</b>
Chemlite Innovation	CLITE MK	0.25	150.0	1.9	13.0	13.5	10.0	6.2	47.7	0.0	27.1

Source: Bloomberg, Mercury Securities



## Company Background

Chemlite Innovations is an engineering support services provider specializing in surface finishing treatment. The company primarily focuses on metal plating for intermediate metal products, with expertise in multi-layer metal coatings involving gold, silver, palladium, and nickel. In addition to metal plating, Chemlite also offers non-metal plating services, including anodising, with other treatments available on an ad-hoc basis to meet specific customer requirements.

**Figure 9: Business overview**

<b>Principal activity</b>	Provision of surface finishing treatment services	
<b>Business segments</b>	<p><b>Metal plating</b>  <i>(a process which involves the deposition of additional layers of metal coatings onto the surface of the intermediate metal products)</i></p>	<p><b>Non-metal plating</b>  <i>(a process which changes the surface characteristics of the intermediate metal products without any deposition of additional metal coatings)</i></p>
<b>Techniques</b>	<p>(i) <u>Electroplating</u>          Deposition of 1 or more layers of metal coatings onto the surface of an intermediate metal product using electrical current</p> <p>(ii) <u>Electroless plating</u>          Deposition of 1 or more layers of metal coatings onto the surface of an intermediate metal product without using electrical current</p>	<p>(i) <u>Anodising</u>          Formation of a metal oxide layer onto the surface of an intermediate metal product (which is typically aluminium based) through an electrochemical process</p> <p>(ii) <u>Other services</u>          Electropolishing and other non-metal plating services as and when requested by our customers on an ad-hoc basis</p>
<b>Desired surface characteristics</b>	Electrical conductivity, solderability, durability and resistance to corrosion as well as enhance the aesthetic appearance (in terms of lustre, colour and thickness) of the intermediate metal products	Electrical resistance, durability, hardness and resistance to corrosion as well as enhance the aesthetic appearance (in terms of colour and thickness) of the intermediate metal products
<b>Type of service offerings</b>	<ul style="list-style-type: none"> <li>• Gold plating</li> <li>• Silver plating</li> <li>• Palladium plating</li> <li>• Nickel plating</li> <li>• Metal alloy plating – a combination of 2 or more metal chemical components</li> <li>• 2-layer metal plating – separate layers of nickel and silver plating / nickel and gold plating</li> <li>• 3-layer metal plating – separate layers of nickel, palladium and gold plating / nickel, silver and gold plating</li> <li>• 4-layer metal plating – separate layers of nickel, silver, nickel and gold plating</li> </ul>	<ul style="list-style-type: none"> <li>• Aluminium anodising</li> <li>• Hard anodising</li> <li>• Stainless steel electropolishing</li> </ul>
<b>Industry coverage</b>	<ul style="list-style-type: none"> <li>• Semiconductor</li> <li>• E&amp;E</li> <li>• M&amp;E</li> <li>• Others (which include automotive and life science and medical technology industries)</li> </ul>	

Source: Company, Mercury Securities



**Figure 10: Corporate milestones**

Year	Key milestones of our Group
2007	<ul style="list-style-type: none"> <li>Incorporation of Chemlite Industries</li> </ul>
2008	<ul style="list-style-type: none"> <li>Commenced business operations at the Previous Facility to provide surface finishing treatment services, specialising on functionality-focused metal plating on intermediate metal products (other than aesthetic appearance related enhancements). Our Group's initial service offering was gold plating</li> <li>We secured our first purchase order for 2-layer metal plating services from one of our major customers, Customer A (who is a multinational company involved in the manufacturing of micro-electro-mechanical system (MEMS) based microphones)</li> </ul>
2009	<ul style="list-style-type: none"> <li>Chemlite Industries was assessed and certified with ISO 9001:2008 and ISO 14001:2004 accreditations, both of which are under the scope of provision of metal surface finishing</li> </ul>
2010	<ul style="list-style-type: none"> <li>We began to offer anodising services with the aim to serve customers within the semiconductor and E&amp;E industries</li> </ul>
2012	<ul style="list-style-type: none"> <li>We acquired the vacant Penang Science Park Land with the intention to relocate and expand our Group's operational capacity</li> </ul>

Source: Company, Mercury Securities

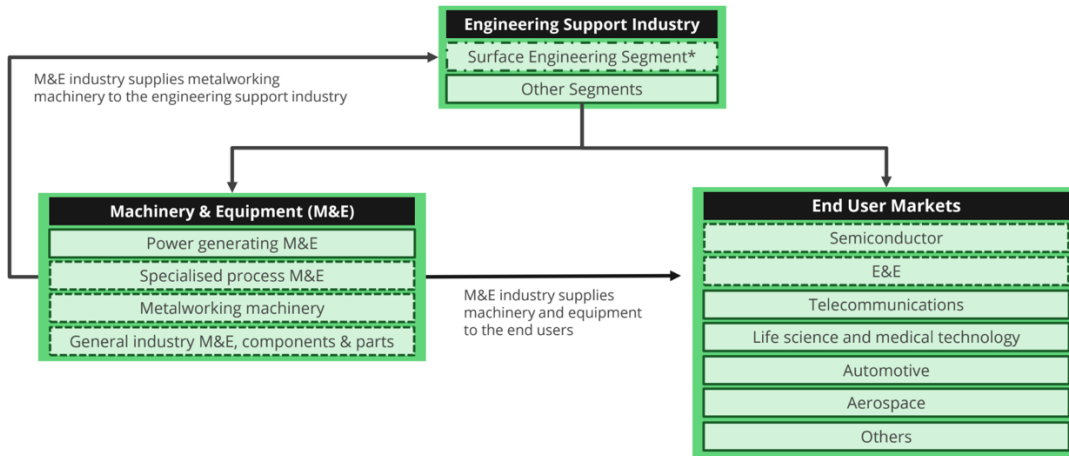
**Figure 11: Corporate milestones**

Year	Key milestones of our Group
2014	<ul style="list-style-type: none"> <li>We secured our first purchase order from Customer B1*, a company involved in the provision of testing and diagnosis solutions for the semiconductor and E&amp;E industries to provide gold plating services</li> </ul>
2015	<ul style="list-style-type: none"> <li>We expanded our metal plating service offerings to include 3-layer metal plating comprising of separate layers of nickel, palladium and gold plating</li> </ul>
2017	<ul style="list-style-type: none"> <li>We expanded our metal plating service offerings to include 4-layer metal plating comprising separate layers of nickel, silver, nickel and gold plating</li> </ul>
2019	<ul style="list-style-type: none"> <li>We secured our first purchase order for 3-layer metal plating services from the Philippines through Customer B2* (a company within Customer B Group of Companies)</li> </ul>
2020	<ul style="list-style-type: none"> <li>Commenced construction of the Penang Science Park Facility on the vacant Penang Science Park Land in line with our strategic plan to operate in a larger built-up area to accommodate the increasing purchase orders and growing demand from customers</li> </ul>
2023	<ul style="list-style-type: none"> <li>Completion of the construction of the Penang Science Park Facility with a total built-up area of approximately 50,000 sq ft, housing 5 semi-automated metal plating lines and 1 fully automated anodising line</li> <li>Obtained CCC for the Penang Science Park Facility on 25 July 2023</li> <li>We gradually relocated our operations from the Previous Facility to the Penang Science Park Facility in early November 2023. We completed the relocation to the Penang Science Park Facility and commenced operations on 28 November 2023 after obtaining the approval from MITI on 21 November 2023</li> </ul>
2024	<ul style="list-style-type: none"> <li>We secured our first purchase order for 2-layer metal plating services from customers based in Japan and Singapore respectively, both of whom are within the Customer B Group of Companies</li> <li>We constructed an additional fully automated anodising line in the Penang Science Park Facility to capitalise on the growing demand for non-metal plating services from the semiconductor and E&amp;E industries</li> </ul>

Source: Company, Mercury Securities

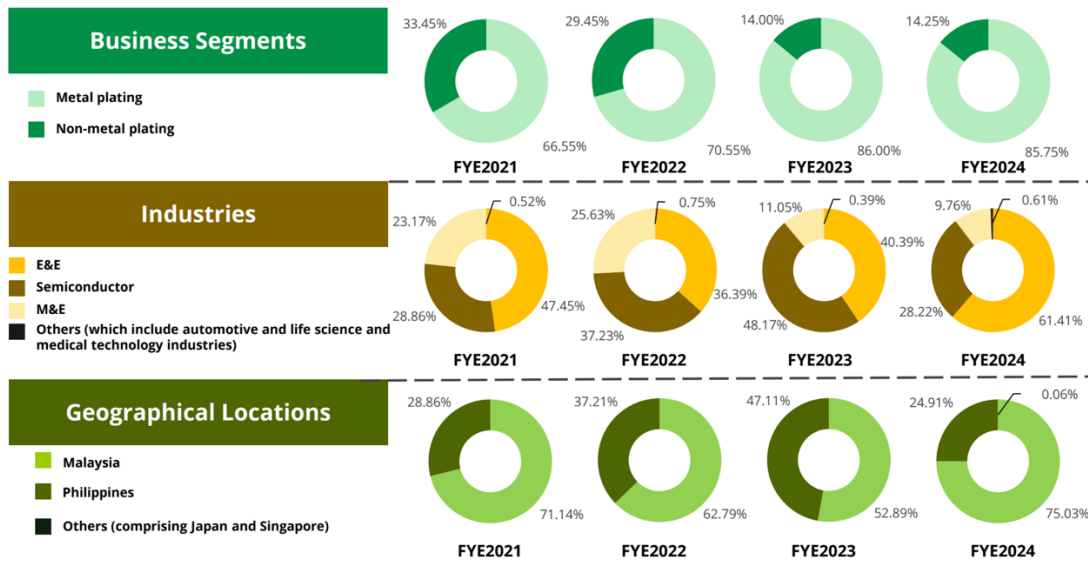


**Figure 12: Industries served**



Source: Company, Mercury Securities

**Figure 13: Principal activities**



Source: Company, Mercury Securities

**Figure 14: Major customers**

Customers	Customer's principal activities	Type of services provided by our Group	Length of business relationship as at the LPD (years)	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%
Customer A	Manufacturing of micro-electro-mechanical systems (MEMS) based microphones	Metal plating and non-metal plating	18	8,729	47.45	8,058	36.38	11,324	40.37	20,969	61.33
Customer B Group of Companies	Design, development, manufacture, and sale of semiconductor test equipment	Metal plating and non-metal plating	11	5,309	28.86	8,242	37.21	13,213	47.11	8,537	24.97
Customer C	Design, development or manufacture of assembly of various equipment, grinding of various complex parts/components, and advanced metal joining	Non-metal plating	15	^	^	^	^	^	^	455	1.33
Histotech Engineering Sdn Bhd	Precision manufacturing	Non-metal plating	3	-	-	^	^	173	0.62	380	1.11
Alliance Contract Manufacturing Sdn Bhd	Manufacture of other special-purpose machinery and medical and dental instrument and supplies	Metal plating and non-metal plating	17	^	^	^	^	^	^	347	1.01
PMC Precision Sdn Bhd	Manufacturing in jig and fixtures, automation part, CNC turning and machining and semiconductor	Non-metal plating	2	-	-	-	-	^	^	^	^
Chemlite Technology Sdn Bhd (presently known as CHAM)	Provision of anodising services	Non-metal plating	16 (as at the FYE 2023)	4,185	22.75	5,512	24.89	2,024	7.22	-	-
Customer D	Manufacturing and sale of vacuum valves	Non-metal plating	3	-	-	^	^	100	0.36	^	^
Customer E	Design and assembly of modular or complete machine and equipment	Metal plating	11	92	0.50	158	0.71	^	^	^	^
Dufu Industries Sdn Bhd	Design, development, manufacture, assembly and trading of die components and precision machining of vice, computer peripherals and parts for hard disk drive	Metal plating	17	28	0.15	101	0.46	^	^	^	^
<b>Total</b>				<b>18,343</b>	<b>99.71</b>	<b>22,071</b>	<b>99.65</b>	<b>26,834</b>	<b>95.68</b>	<b>30,688</b>	<b>89.75</b>
<b>Total revenue of our Group</b>				<b>18,396</b>	<b>100.00</b>	<b>22,147</b>	<b>100.00</b>	<b>28,048</b>	<b>100.00</b>	<b>34,192</b>	<b>100.00</b>

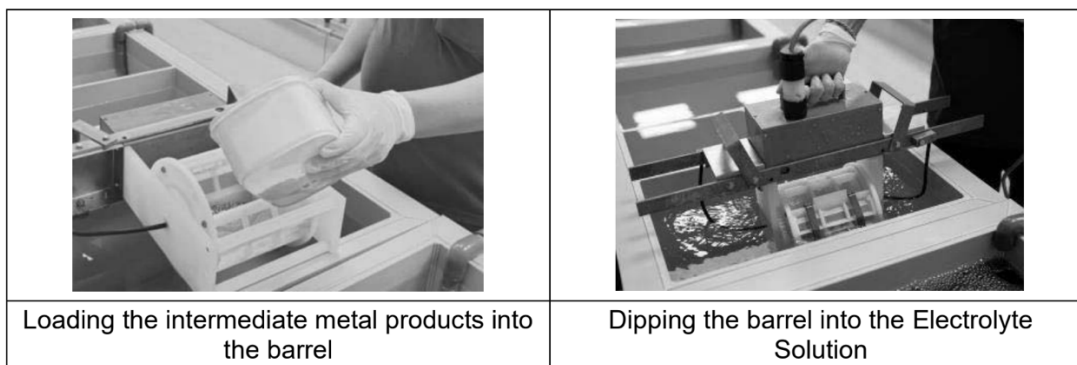
Source: Company, Mercury Securities

**Figure 15: Metal plating – (i) Rack plating**



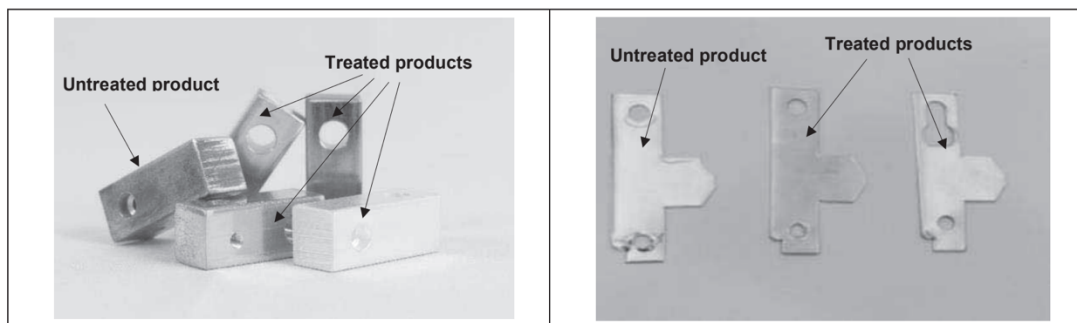
Source: Company, Mercury Securities

**Figure 16: Metal plating – (2) Barrel plating**



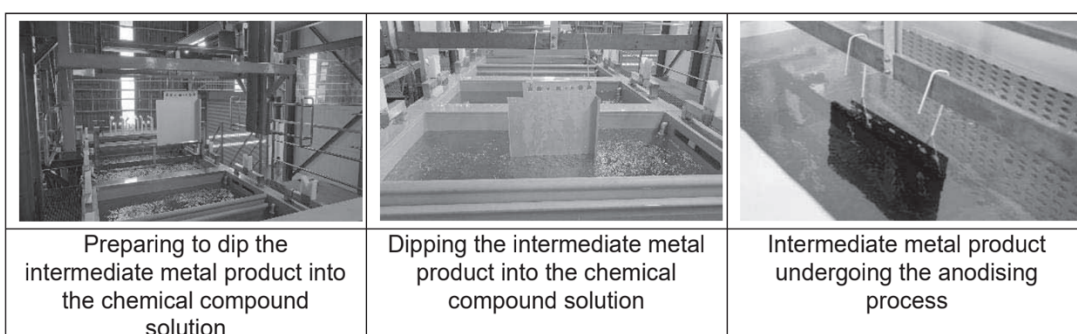
Source: Company, Mercury Securities

**Figure 17: Product treated by metal plating process**



Source: Company, Mercury Securities

**Figure 18: Non-metal plating – Anodising**



Source: Company, Mercury Securities



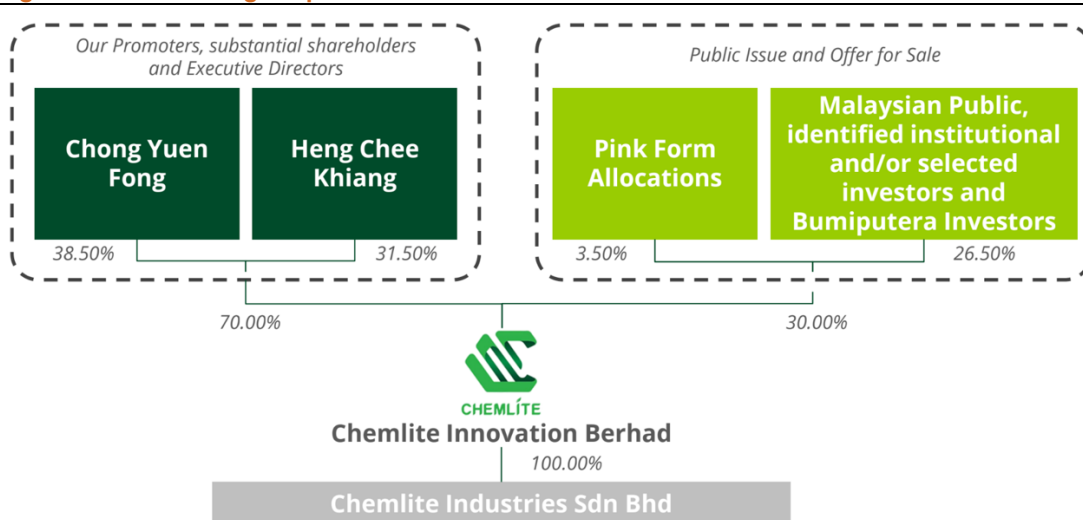


**Figure 19: Key Management Team**

Name and Designation	Age	Profile
<b>Chong Yuen Fong</b> Executive Director / CEO	56	<ul style="list-style-type: none"> <li>Drives corporate strategy and oversees supply chain management and overall Group growth as co-founder, appointed to the Board on 31 May 2024.</li> <li>Holds a Diploma in Science from Tunku Abdul Rahman College and a Bachelor of Science from Campbell University (1994).</li> <li>An industry veteran with over 20 years in surface engineering; began as a QA Engineer in 1994, progressed through key quality and production roles, and co-founded Chemlite Technology in 2003 and Chemlite Industries in 2007 to capture high-margin markets.</li> </ul>
<b>Heng Chee Khiang</b> Executive Director / COO	55	<ul style="list-style-type: none"> <li>Drives overall operations by overseeing production processes, quality assurance, and the implementation of business strategies.</li> <li>Holds a Diploma in Science from Tunku Abdul Rahman College and a Bachelor of Science from Campbell University (twinning programme, July 1994).</li> <li>Began his career in August 1994 as a Process Engineer at Precico Sdn Bhd, then advanced through QA and operational roles at Eng Teknologi, Xolox Malaysia, and PCA Mahlin Technology.</li> <li>Joined Chemlite (M) Sdn Bhd as Operations Manager in 2002, co-founded Chemlite Technology (now CHAM) in September 2003, and later co-incorporated Chemlite Industries in February 2007 to target high-margin semiconductor and E&amp;E markets, eventually discontinuing CHAM in October 2023</li> </ul>
<b>Ng Swee Ping</b> Financial Controller	33	<ul style="list-style-type: none"> <li>Manages the overall finance and accounting functions of the Group, including budgeting, forecasting, financial statement preparation, internal controls, cash management, tax planning, and trade management.</li> <li>Holds a BA (Honours) in Accounting and Finance from the University of Exeter (2014) and MSc in Accountancy and Finance from Birmingham City University (2016).</li> <li>Began as an Audit Assistant at CHI-LLTC (TNL Partners PLT) (2016–2017), advanced at BDO Malaysia from Audit Associate (Dec 2017) to Audit Senior Associate (July 2018) and Audit Assistant Manager (Jan 2021), then served as Finance Manager at Netpoint Coating Sdn Bhd (Aug 2021) before joining our Group as Financial Controller in Sept 2023.</li> </ul>
<b>Fernando Maruli</b> Operations Manager	49	<ul style="list-style-type: none"> <li>Manages day-to-day operations by overseeing the production process, executing production plans, and managing supply chain, inventory, HR, and administrative functions for the Group.</li> <li>Holds a Bachelor of Chemical Engineering from Sriwijaya University, Indonesia (February 2002).</li> <li>Began his career in 2002 as a Process Engineer at PT Multi Usage Indonesia, progressed through senior roles at ZDGP Technology, Netpoint Coating (including a secondment to NPC Technology), served as Factory Manager at PT Multi Usage Indonesia (2015–2019), joined our Group as Process Manager in 2019, and was promoted to Operations Manager in 2023.</li> </ul>

Source: Company, Mercury Securities

**Figure 20: Post-Listing Corporate Structure**



Source: Company, Mercury Securities



## Future Plans & Business Strategies

**Construction of additional operating facility.** Chemlite plans to expand its operations with the construction of an additional facility, primarily focusing on anodising services to capture growth opportunities in the semiconductor and E&E industries. The facility will be equipped with at least four fully automated anodising lines, enhancing its capabilities in the non-metal plating segment. Additionally, production capacity for metal plating services will be expanded with the installation of at least four semi-automated plating lines to better serve both existing and new customers. To support this expansion, the company has secured a 3-acre parcel of industrial land from PDC for RM9.8m, with the acquisition expected to be completed by Q2 2025. The new facility, with a built-up area of at least 100,000 square feet, is slated for completion by Q4 2026.

**Expansion of service offerings.** The company plans to expand its service offerings by introducing cleaning and packaging services in a cleanroom environment, catering to customers in the semiconductor and E&E industries. A cleanroom is a controlled environment with low levels of pollutants, reducing contamination in treated intermediate metal products and minimizing defects caused by particles and chemical residues. This value-added service is expected to enhance product quality, improve yield rates, and increase cost efficiency for customers. By handling cleanroom cleaning and packaging in-house, Chemlite will eliminate the need for customers to rely on third-party providers, streamlining logistics and reducing external dependencies. This expansion is expected to attract new customers while providing additional solutions for existing clients, with operations targeted to commence in Q3 2025.

**Capex on the suitable technological equipment.** The company plans to enhance its production capabilities by adopting advanced automation technologies to improve precision in surface finishing treatments and increase throughput. As part of this initiative, the company intends to acquire masking and dispensing robotic arms to automate pre-production non-metal plating processes. Automating the masking process is expected to significantly improve throughput and reduce cycle times, leading to greater efficiency in plating operations. This investment in automation aligns with the company's strategy to optimize production workflows and enhance service quality for its customers.

**Continuous innovation and R&D.** Chemlite is focused on expanding its service offerings to meet the evolving needs of its customer base by continuously innovating surface finishing treatment techniques. To support this initiative, the company is actively conducting R&D on metal alloy plating using a combination of three metal chemical components. To further enhance its technical capabilities, the company plans to establish a dedicated R&D department, staffed by three engineers and equipped with a fully functional R&D laboratory. This strategic move will enable the company to stay at the forefront of technological advancements in the surface engineering segment while improving the quality and efficiency of its treatments.



## Key Risks

**Revenue dependence on major customers.** The company has been heavily reliant on three major customers—Customer A, Customer B Group of Companies, and CHAM—contributing over 94% of total revenue from FY21 to FY23. However, with CHAM ceasing operations in 31 October 2023, the company is now dependent on just Customer A and B, which accounted for 86.3% of revenue in FY24. This concentration poses a risk, as any adverse changes in the business relationships with these customers could significantly impact the company’s financial performance.

**Absence of long-term contracts.** The company does not engage in long-term contracts, as sales are based on ad-hoc purchase orders due to the evolving technical requirements in the semiconductor and E&E industries. This exposes the company to the risk of customers reducing order volumes or discontinuing services at any time. As a result, financial performance relies on consistently securing new purchase orders from existing and potential customers. Any loss of key customers or a decline in order volume, if not quickly replaced, could negatively impact financial stability and operations results.

**Dependence on major suppliers.** The company relies on key suppliers—LJV Chemicals Sdn Bhd, Supplier A, and Netpoint Coating Sdn Bhd—for gold chemicals and other chemical materials, accounting for over 74% of total purchases from FY21 to FY24. While these supplier relationships span up to 16 years, there is no guarantee of continued supply. Any disruption in their operations or loss of these suppliers could lead to raw material shortages, production delays, and potential challenges in securing alternative suppliers at similar pricing and quality.

**Exposure to raw material price fluctuations.** The company relies heavily on metal chemicals like gold, palladium, and silver, which accounted for over 67% of total purchases from FY21 to FY24. Raw material prices are influenced by global economic conditions, supply chain disruptions, and forex fluctuations, posing a risk of increased costs. While pricing is reviewed quarterly with customers, there is no guarantee that cost increases can always be passed on, potentially impacting margins.

## IPO Details

	Offer for Sale (m)	Public Issue (m)	Total (RM m)	(%)
Malaysian Public	-	30.0	7.5	5.00
Eligible Persons	-	21.0	5.3	3.50
Private Placement to Institutional and Selected Investors	-	54.0	13.5	9.00
Private Placement to Selected Bumiputera Investors	60.0	15.0	18.8	12.50
<b>Total</b>	<b>60.0</b>	<b>120.0</b>	<b>45.0</b>	<b>30.0</b>

Source: Company, Mercury Securities



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