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CORPORATE

Recovery in logistics industry to spur AGX

Improvement in working capital a plus factor for firm

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PETALING JAYA: ACE Market-bound AGX Group Bhd is poised for a better year in 2024, following an improvement in its working capital and operational efficiency amid a recovery in the logistics industry, says executive director and chief executive officer Datuk Ponnudorai Periasamy (*pic*).

The freight forwarding and aerospace logistics provider has a strong presence in five countries in the South-East Asia region.

Ponnudorai told *StarBiz* that group is set to further strengthen its presence in Penang and Johor.

"Both of these two states have large exporters and importers coming in, so we will definitely benefit from the expansion of our offices and warehouse there," he said.

In addition, with Malaysia and Singapore eyeing for a special economic zone (SEZ), Ponnudorai believes that this will be a plus factor to AGX's expansion plans in Johor and Singapore.

"Even before this SEZ, we had planned to open a warehouse in Pelabuhan Tanjung Pelepas to support both our operations in Malaysia and Singapore. But with the SEZ, it will definitely be good for both parties," he pointed out.

On the current Red Sea crisis, Ponnudorai expects this will not bear any impact on the group's operations.

However, he said there will undoubtedly be an increase on the cost of freight and transit time, which would particularly impact its customers.

"With the group implementing the Cost+ model, both importers and exporters will likely have to face some hike in the cost," he added.

Ponnudorai said the Red Sea situation now is not as bad in comparison during the pandemic because clients have other options in case the sea freight logistics services are potentially affected.

On the group's aerospace logistics services, Ponnudorai is optimistic about this segment's performance, which will likely show resilience in 2024.

He believes the aerospace industry is recovering and is now appearing as a growing market in the Philippines and Indonesia.

"The aerospace industry is also gaining more attention from the Malaysian government and Invest Selangor.

"This is in addition to the arrival of new maintenance, repair and operations as well as new hangars expected in the second quarter of 2024.

"More airlines are coming to Indonesia and the country's market is very big and is growing significantly.

"Hence, we believe that our Malaysian team will leverage this growth as it supports the logistics operations in both Indonesia and Thailand," explained Ponnudorai.

On the group's sea freight and air freight logistics services, he said AGX is also expecting some growth in line with its aerospace segment, especially after the group obtain its International Air Transportation Association (IATA) status post-its initial public offering (IPO) exercise.

"After we obtain the status, it will be easier for us to deal directly with the airlines instead of having to go through freight brokers," he noted.

Meanwhile, another licence which will further increase the group's efficiency and remain competitive is the non-vessel operating common carrier (NVOCC) licence.

According to Ponnudorai, via the NVOCC licence, the company can also deal directly with shipping liners as well as having the ability to export to the United States market.

As its entity in the Philippines has received the NVOCC licence from the US Federal Maritime Commission in June 2022, AGX's entire operations will be able to leverage on this process.

However, as for the IATA status, AGX's other regional operations aside from its Philippine operations that was awarded the status in March 2023, will not be able to benefit from it.

In light of this, Ponnudorai said the group is in the process of applying for its Malaysian office's IATA status.

With the two licences, he believes the group will be able to witness a 5% to 8% growth as well as improving its margins.

"This is why we have allocated 48.7% of our IPO proceeds as our working capital. which is primarily to support the two licences secured," he noted.

In addition, he said the need for additional working capital will also serve as a requirement for shorter payment terms imposed by common carriers.

"Airlines usually give us only about 15 days, so once we improve our working capital and we have the funds, we aim to settle the payment terms for airlines in 14 days, giving us a better margin," he said.

Ponnudorai said the group will also be implementing the enterprise resource planning system from its Singapore operations to its other offices.

It will also adopt more environmentally friendly practices and technology such as Internet of Things, data analytics and artificial intelligence, as well as hiring more skilled professionals in its workforce in the near future.

This is an effort by the group to address the gaps identified in most logistics services players, he added