15 SEP, 2026

Sorento’s gross profit margin expansion set to continue in FY27

The Star, Malaysia

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PETALING JAYA: Sorento Capital Bhd’s gross profit margin is expected to be sustained above 40% for financial year 2027 (FY27), given the downward price pressure seen in ceramic bathroom products.

TA Research said the group’s FY26 gross profit margin reached 45.2%, the highest in the company’s history, despite challenging market conditions arising from the US-Iran war.

The research house said management attributes the margin expansion to a reduction in original equipment manufacturer cost in China late last year, which contributed to a stronger 47% gross profit margin in the fourth quarter of FY26.

“According to management, global brass prices rose by 50% following the onset of the US-Iran conflict, leading to higher production cost for bathroom and kitchen taps.

“However, prices of ceramic bathroom products have been undergoing price cutting. As China’s exports of ceramic products to the Middle East have been disrupted by the war, these products have been redirected to Asian markets, creating downward price pressure.

“As such, management is confident about sustaining its gross profit margin above 40% for FY27,” the research house said in a report yesterday.

TA Research said as far as project sales are concerned, the group has seen an uptick in orders for its *Sorento*-series sanitary ware. The research house said the company’s orderbook has increased to RM150mil (from RM120mil) and it expects the company to secure new orders of RM80mil each in FY27 and FY28.

“Sorento’s total net cash stood at RM42.7mil as at June 2026, a tad higher than RM40.5mil a year ago. The operating cash flow improved to RM31.8mil in FY26, which was in line with the growth in profitability. Sorento continues exercising a prudent and disciplined approach in dealing with its cash and inventory,” the research house said.

TA Research said the group’s inventories stood at RM33.8mil as of end-FY26 versus RM32.1mil a year ago.

This, coupled with its net cash, would be sufficient to support the company’s estimated FY27 revenue of RM203mil.

“Given its limited capital expenditure requirement, we expect the total debts to stay below RM1mil for FY27. Note that the group still has a balance of RM4.4mil unutilised initial public offering proceeds available for network expansion or branding and marketing activities,” the research house said.

TA Research noted that since *Sorento Lite* was launched in April 2026, Sorento has managed to expand the sales network to more than 200 hardware shops nationwide. This, the research house said, is on track to achieve the company’s target of 500 new touchpoints every year in Malaysia over the next three years.

“In addition, Sorento has added 50 new stock-keeping units to this plumbing fitting series, strengthening the complementary effect on the entire bathroom and kitchen makeover.

“Meanwhile, the group’s expansion into adjacent product categories that complement its existing offerings, such as hoods, hobs and ovens, is progressing smoothly and targeted for launch in 2027.”

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SUMMARIES

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