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New Hoong Fatt to step up presence in S. America

> Auto replacement parts maker to focus on expanding market there in next 2 years

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KUALA LUMPUR: Automotive replacement parts manufacturer New Hoong Fatt Holdings Bhd has set its sights on further expanding into the South American market over the next two years, said managing director Chin Jit Sin.

Speaking to reporters after the company's AGM, he said this is part of the company's strategy to increase overseas contribution, which stood at 43% last year.

"We started off with quite a small percentage in South America. These two years, we will concentrate on growing the South American market," noted executive chairman Kam Foong Keng.

Currently, the Central and South America market makes up 20% of the company's total export revenue.

New Hoong Fatt, which exports to more than 50 countries, has set a target for overseas markets to contribute 70% to its top line by 2020. Of that, Asean, as the company's key growth region, is expected to contribute 30%, with the remainder coming from other regions.

Chin said the local operating environment is getting more competitive with the influx of automotive replacement parts from Thailand and China.

"That's why we've moved the concentration from the local market to much bigger markets – we're looking at Asean and outside Asean," he added.

The company has an extensive distribution channel of more than 1,000 wholesalers and retailers throughout Malaysia.

NORMAN HIU/ THESUN

Kam (left) and Chin after the company's AGM yesterday.

Asked about plans to diversify the business, Chin said the company is always on the lookout for new income streams, "but nothing is on the table" for the time being.

He noted that 2015 is a challenging year for New Hoong Fatt due to the slowdown in the global economy, but it still hopes to register double-digit sales growth this year.

In terms of profits, Chin expects the company to perform better this year, taking the cue from its stellar results in the first quarter, which saw a 76.21% jump in net profit to RM4.37 million.

Last year, New Hoong Fatt's earnings declined 40.6% to RM12.0 million from RM20.2 million, due mainly to unfavourable product mix as well as higher manufacturing and operating costs.

Meanwhile, the company has allocated RM20 million for capital expenditure (capex) this year, mainly for the design and manufacture of new automotive parts. Last year's capex was at RM60 million.

The company's plant in Klang is running at a utilisation rate of 60% to 70%, which is deemed comfortable.