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New Hoong Fatt expects double-digit revenue growth this year

It is going full speed ahead on its automotive operation expansion in Indonesia

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KUALA LUMPUR: Automotive parts maker New Hoong Fatt Holdings Bhd (NHF) is gearing up for an exciting time ahead with a forecast of double-digit revenue growth for 2014, as it goes full speed ahead on its automotive operation expansion in Indonesia.

"Barring any unforeseen circumstances and with sufficient capacity going forward, we look forward to a double-digit (revenue) growth this year," its managing director Chin Jit Sin told *The Edge Financial Daily* in an interview.

It registered a net profit of RM22.8 million on revenue of RM217.5 million for the financial year ended Dec 31, 2012 (FY12).

The group targets to hit sales of over RM10 million a year by 2016 from the Indonesian market alone, as it looks to sell replacement parts of popular cars like Toyota and Isuzu there.

It plans to increase the contribution from the Indonesian market to 30% of the group's revenue from about 5% currently.

"There is great potential for growth in Indonesia. We are looking at the Indonesian auto market to become as big, comparable in size to the Malaysian market very soon because of the [high] car volumes," said Chin.

"If you look at the numbers, the Malaysian market is already maturing," he said, citing statistics released by the Malaysia Automotive Institute (MAI).

According to MAI, Malaysia's total industry volume (TIV) grew by 3.9% to 627,753 units last year, while Indonesia's TIV rose at a faster rate of 13.9% to 1.23 million units. Motorisation level per 1,000 people in Malaysia was 361, while Indonesia and Thailand stood at a mere 21 and 157 respectively.

Despite registering a relatively flattish topline since 2010, Chin remains optimistic about the Malaysian market.

"As unveiled in the new National Automotive Policy, Malaysia will grow its TIV from 650,000 to one million units by 2020.

"Based on that figure, Malaysia is still growing and this augurs well for us. We are looking forward to a bigger (domestic) market in the coming years," he said.

"We make body parts, be it for diesel, hybrid or petrol cars. We can produce parts that suit any cars or the markets," he said.

NHF, a manufacturer and distributor of genuine and alternative auto replacement body parts in Malaysia, has come a long way since its establishment as a family trading company in 1977.

NHF was listed on the second board of Bursa Malaysia on June 1998 and transferred to the main market in July 2001. It had 1,156 employees as at June 30, 2013.

It now exports to over 50 countries worldwide and runs a factory, warehouse and head office spanning 27 acres (10.93ha) in Klang, Selangor, producing more than 1,000 replacement parts.

Chin said NHF has expanded its production capacity in recent years in preparation for further expansion.

"Last year, we spent almost RM50 million expanding our product range and putting in machines and ramping-up our capacity to be ever ready to meet potential orders — not only from the Asean region, but from the rest of the world.

"Our production revenue stood at RM163 million (in FY12). Based on the capacity that we have ramped up, we can have an additional RM80 million going forward if we were to use up the entire capacity," he said, adding that it is currently hovering around 60% capacity usage.

After disposing of its 60% stake in a joint-venture trading company in Malaysia for RM3.6 million in 2011, NHF has been focusing on building its team in Indonesia to increase its growth potential.

SUHAIMI YUSUF

Chin foresees more opportunities as well as heightened competition as trade barriers within Asean are lifted in 2015.

"The Indonesian market is totally different from the Malaysian one. There, they don't know you exist and you don't know where they (customers) are.

"For the last one year, we have identified the people involved in the business, educated them, told them what we have, taken their orders, shipped the parts to them, gone through all the customs or trade barriers and now is the time we can really move forward," said Chin, adding that it has 249 spare parts customers in Indonesia as at Dec 31.

Chin foresees more opportunities as well as heightened competition as trade barriers within Asean are lifted come 2015.

"We do foresee more competitors [coming into the market] and we're taking steps to make sure that we continue to stay relevant and competitive.

"We have been spending about 10% of our revenue on research and development, especially in the last few years. We are in the growing phase and want to make sure that we are ready for the market [when the free trade agreement kicks in] by 2015," he said.

Chin added that effective cost management remains imperative.

"Managing cost is important to us [to remain competitive] — labour as a component of our total operating cost is about 20%. Another 40% is on raw materials like plastics and steel, and the remaining 40% on product development and factory maintenance," he said.

"Nevertheless, the biggest issue to us is human capital — we have expanded our capacities, we have bought in machinery, robots, and all sorts of equipment, and we need basic technical people to be trained to ramp up all this technology.

"It's one thing that you can't really put a number to," said Chin.