

NHF eyes new manufacturing plant in Indonesia

By [Samantha Ho](#) / The Edge Financial Daily | March 27, 2017 : 9:23 AM MYT

KLANG: New Hoong Fatt Bhd (NHF), which exports auto replacement parts to over 50 countries, is looking to open a factory in Indonesia after establishing a manufacturing subsidiary there last year.

Managing director (MD) Chin Jit Sin said the Indonesian factory may have a similar capacity as the group's existing factory here, which stands on some nine acres (3.64ha).

It is, however, too early to put a figure on how much will be spent on establishing manufacturing operations in Indonesia as further market studies have yet to be done and land for the factory has yet to be acquired, Chin said in an interview with The Edge Financial Daily.

PT Auto Global Parts Indonesia was incorporated in June 2016 as a wholly-owned subsidiary to undertake manufacturing and distribution activities.

"If we were to cover the whole of Asean as it expands, capacity would need to be increased in the future," Chin said, reiterating the group's intention to continue growing its regional presence. However, for the next couple of years, its existing factory will be enough to meet demand, he added.

The auto-parts maker recently saw a spike in investor interest which sent its share price rocketing to a record high of RM3.85 last Monday. This marks a 19.38% increase from RM3.22 year-to-date, and a 46.95% leap from RM2.62 over a one-year period. Last Friday, the stock closed at RM3.78, giving the group a market capitalisation of RM284.09 million.

Chin reckons that the stock's surge is timely considering the 55.8% growth in net profit posted by the group for the year ended Dec 31, 2016 (FY16) to RM29.99 million. Revenue, meanwhile, rose 12% to RM231.89 million compared with FY15.

The group paid a total dividend of 14 sen per share in FY16, translating roughly into a 35% payout ratio, although Chin maintains that the company will not have a dividend policy.

NHF has had a track record of profitability every year since it was listed on the Main Market of Bursa Malaysia in 1998.

The group has attracted growing attention from Singapore investment fund Yeoman Capital Management Pte Ltd, which recently mopped up an additional 50,000 shares to increase its stake in the company to 6.86%. NHF executive chairman Foong Keng Kam, who is also Chin's wife, remains the majority shareholder of the firm with a 34.09% stake. Meanwhile, her sister Foong Sim Kam holds a 2.4% stake and Chin owns a 1.12% stake in the firm.

On Feb 28, Hong Leong Investment Bank Research had initiated coverage on the counter with a target price (TP) of RM3.78 and a "buy" recommendation.

Meanwhile, BCT Asia Advisory kept its "buy" call on NHF with a TP of RM4 as at Feb 28.

Chin is confident about recording double-digit growth in the group's top line for FY17 as it continues to grow its exports, eyeing the expanding Asean market in particular.

In Indonesia, total vehicle sales of 1.06 million in 2016 is a figure with potential to grow considering the country's population of about 260 million people, Chin noted. The Indonesian Automotive Industry Association (Gaikindo) projected total vehicle sales to reach 1.1 million this year.

The Philippines also recorded higher sales with the total industry volume (TIV) for 2016 rising 24.59% to 359,572.

Vietnam, meanwhile, saw its TIV increase 29.41% to 270,820 vehicles in 2016.

Back home in Malaysia, which Chin described as a "maturing market", TIV dropped 13% to 580,124 in 2016 from 666,674 in 2015. The Malaysian Automotive Association has forecasted TIV to grow marginally to 590,000 units in 2017 despite prolonged weakness in the ringgit and rising economic uncertainties.

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