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Free tax period to boost auto sector

The country's automotive sector is expected to perform better during the three months "free tax period" from June to August, as the zero-rating of the Goods and Services Tax (GST) starting this month would stimulate sales.

"We are looking forward to a better second half this year and hopefully, the consumer market will be more aggressive," New Hoong Fatt Holdings Bhd MD Chin Jit Sin *(picture)* said after the company's AGM in Kuala Lumpur last Friday.

Chin said despite the Malaysian automotive market reaching a saturation point, its sales of auto parts to regional markets such as Indonesia, Thailand, Vietnam and the Philippines have continued to grow.

New Hoong Fatt posted RM132.5 million in revenue from its exports in 2017, of which 32% came from Asean countries. Its local market recorded about RM118.1 million of revenue.

"We are looking to reach out to bigger markets abroad where there are opportunities for us to grow," he said.

According to Chin, the company aims to leverage on countries like Indonesia and Thailand that have a higher total industry volume (TIV) of around one million and 800,000 vehicle sales annually respectively.

Both countries have larger populations compared to Malaysia (with 31 million). Indonesia has around 261 million population, while Thailand has about 69 million population.

“Vietnam and the Philippines would be interesting to explore as both of them have respectively achieved TIV of 400,000 and 300,000 respectively.”

As of 2017, Malaysia’s TIV was 576,635, a 0.6% drop compared to the previous year. According to the government, the industry has reached its maturity point and that it will not grow beyond double digit.

Chin said the group is not worried. “We are an automotive replacement parts player, and as the numbers of vehicles on the roads are increasing daily, they need parts. That is where we come in,” he said.

Chin also highlighted the possibility of the implementation of a scrap policy by the government as urged by various industry players, to mitigate the matured market’s challenges and how they will impact the businesses.

“People would still purchase new cars after scrapping the old ones. Thus, they will still be cars on the road. Therefore, we do not think there will be much impact,” said Chin.

On the National Automotive Policy, which is to be tabled this month, Chin said the company has yet to be informed of any update on the matter from the government.

In the first quarter ended March 31, 2018 (1Q18), New Hoong Fatt’s net profit fell to RM1.82 million from RM7.37 million posted in the same period last year. Revenue decreased slightly to RM60.09 million from RM62.47 million in 1Q17.

The company’s shareholders approved a final dividend of 8% in the meeting, which brought it to a total of 11% for the financial year ended 2017.

The shareholders also approved the issuance of 7.5 million new ordinary shares on the basis of one bonus share for every 10 existing company shares. The exercise is expected to be completed before the end of this month.

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