Aggressive New Hoong Fatt determined to push up earnings

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Chin: The group is focusing on improving cost efficiencies and reducing wastage while growing its business to turn its net profit trend upwards.

PETALING JAYA: Automotive replacement parts maker **NEW HOONG FATT HOLDINGS BHD** (NHF) is undertaking aggressive measures to put the group on a stronger footing after posting a decline in earnings for the last two fiscal years - financial year 2017 (FY17) and FY18.

After hitting its highest-ever net profit of RM30mil in FY16, NHF's net profit has since been on a downtrend.

NHF's full-year net profit stood at RM14.01mil in FY18, which was less than half of the record net profit achieved in FY16.

However, things are set to change for the better for NHF as it aggressively embarks on lowering its cost while boosting efficiency and automation amid a challenging business environment.

New Hoong Fatt Holdings Bhd's high-tech automated plant in Meru, Klang.

This has translated to the company incurring a 34% growth in net profit for the first six months of the year.

NHF managing director Chin Jit Sin told StarBiz that the group is optimistic that it would be able to sustain higher profits this year and going forward.

“The group is focusing on improving cost efficiencies and reducing wastage, while growing its business to turn its net profit trend upwards.

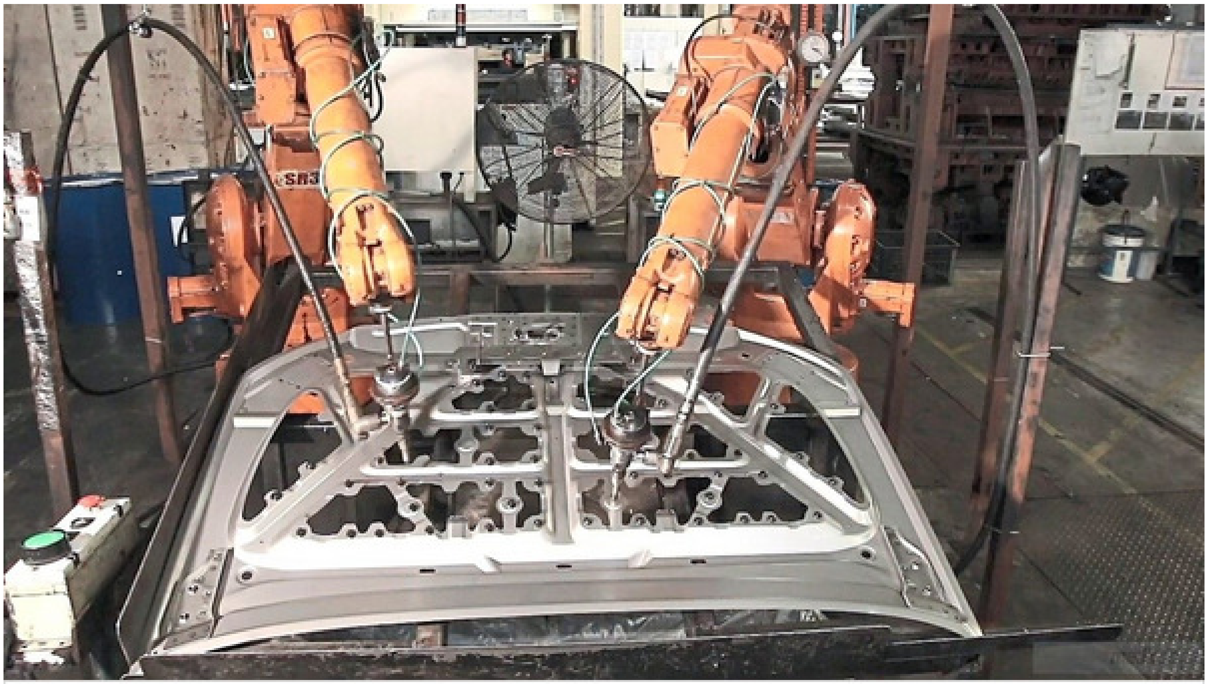
“We have implemented lean manufacturing in our production to reduce wastage and improve our cost efficiencies. This initiative has already begun to bear fruit as shown in our latest cumulative financial results. Our cumulative six-month net profit is now growing in tandem with our top-line, ” he said.

Lean manufacturing or lean production is a methodology that focuses on minimising waste within manufacturing systems while simultaneously maximising productivity. This method was pivotal to the success of auto giant Toyota becoming one of the world’s largest automakers.

Besides, he said the group is also continuously increasing its manufacturing automation levels where feasible.

Towards this end, Chin said NHF has invested heavily in the latest technology and new machines to enhance technological and production capabilities over time.

He added that for FY20, the group plans to maintain its capital expenditure (capex) at a similar level as FY19 of RM30mil. The capex for the first half of this year stands at about RM13mil.



New Hoong Fatt Holdings Bhd's high-tech automated plant in Meru, Klang.

“For us to fully automate the entire production is not easy, as some products require many processes and machinery is increasingly becoming more complex, which still requires skilled human capital.

“Nevertheless, we are constantly exploring ways to increase the automation levels as this is an ongoing process, ” he noted.

For the first six months of the year, NHF achieved a net profit of RM6.32mil, representing a growth of 34% year-on-year from RM4.70mil a year ago.

“Having turned our net profit trend back upwards in the first half of FY19, we will build on the momentum gained and strive to continue this upward trend for the remainder of the year and beyond, ” Chin said.

Despite not having a formal dividend policy, NHF has been steadily rewarding its shareholders with dividends for the past 20 years since its listing in 1998.

Asked whether NHF would continue paying dividends in the coming years, Chin said:

“We are grateful to our shareholders for their loyal support all these years. We have been consistently paying dividends for the past 20 years and we shall endeavour to continue rewarding our shareholders depending on our profitability while at the same time looking for reinvestment opportunities to fuel further growth.”

NHF currently has the capacity to manufacture up to six million automotive replacement parts per annum and it currently produces more than 3,300 different types of plastic and metal automotive parts.

Chin reiterated that Asean had tremendous potential and it would continue to be NHF's home market.

"There are about 51.40 million registered motor vehicles in the region alone and all of these vehicles would require replacement parts at some point and that is where NHF plays a key role."

The group's focus on the Asean market is also aided by the Asean Free Trade Area (AFTA) agreement, which lowers the trade barriers within the region. Under the AFTA, most of the tariff rates have been lowered to 0% to 5% and for the group, most of the products that it exports fall under the 0% category, Chin noted. NHF shares closed 29 sen higher at RM2.74 on Friday with a market capitalisation of RM227mil.

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