

Hing Yiap Set To Deliver Bumper Earnings

Aug 04, 2008

By Kang Siew Li

LOCAL apparel retailer Hing Yiap Knitting Industries Bhd is set to deliver a bumper net profit for the fiscal year ended June 30, thanks mostly to streamlined operations that begun in 2005.

Chief operating officer Edwin Saw said the company is expected to post a more than 50 per cent growth in its net profit for the fiscal year just ended. Net profit for the year ended June 30 2007 was RM4.4 million on revenue of RM132.5 million.

Hing Yiap will release its 2007/2008 results this month.

However, Saw warned that it does not expect to achieve the same level of growth in the current fiscal year amid rising inflation, fuel prices and domestic political uncertainty.

"But we still expect our 2008/2009 net profit and revenue to be better than in the fiscal year just ended," he told Business Times in an interview.

"The increase will be driven by improved profit margins from the streamlining of our operations over the past three years," he added.

Saw said with consumers made skittish by the recent rise in fuel and power prices and political uncertainty, retail sales are likely to soften moving through July.

"July is crucial for us (retailers). It will give us an indication as to whether sales has slowed and by how much. But we are anticipating slower sales due to the recent fuel price hike and shoppers with less disposable income.

"Personally, I think retailers will feel the full impact on their sales in September during the pre-Hari Raya shopping spree," he said, adding that he hopes the political uncertainty will end soon as it disrupts consumers' spending patterns.

"Consumers' perceptions of political instability will result in them looking to cut discretionary purchases. Retailers like us will feel the pinch as consumers tighten belts.

"Demonstrations (against the government) are not helping our sales either as consumers stay at home," said Saw.

Hing Yiap group chief executive officer Howard Khoo Henn Kuan said the company has taken measures to weather the period of slower spending, including freezing recruitment and controlling inventory and costs six weeks ago.

"For example, we try not to over-purchase our stocks. Previously, our orders are placed with the suppliers at a single go. Now we placed them in two or three separate orders," he said.

Having gone through several crises, Khoo said, the company sees opportunity for brand-building and expansion in a slowdown. It has five moderately-priced apparel brands namely Antioni, Bontton, B.U.M. Equipment, Diesel and Unionbay.

"During the 1997 Asian financial crisis, we saw an expansion opportunity and grew our Diesel brand from 15 to 40-45 outlets. We took over stores of rivals who had dropped out of business," he said.

Khoo said the company remains on track in regard to its expansion. "For our apparel business, our expansion plans are dependent on the opening of stores by the major department store groups such as Parkson, Sogo, The Store, Jusco and Metrojaya. So far, they are still on track to open the number of new stores that it had planned," he said.

Hing Yiap has about 600 outlets in the country, including standalone stores and store counters within department stores.

Although the company's dependence on the domestic market is high, Saw said it will not be expanding overseas anytime soon.

"We believe we still have considerable opportunity for continued growth in Malaysia for many years," he added.