Pasdec targets profit from S. African unit by end-2017

CONFIDENT: Firm expects to break even next year

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PASDEC Holdings Bhd, a subsidiary of the Pahang State Development Corporation, expects its South African unit Pasdec Automotive Technologies (Pty) Ltd to be profitable by the end of 2017.

"Next year, contribution from Africa should break even. Some of the cost will probably be accounted for next year because of the financial reporting standards. We cannot absorb everything in one year, therefore part of the cost will still go into next year.

"So starting from 2017, there will be positive contribution from this company," said Pasdec senior vice-president of corporate resources Goh Song Han.

For the nine months ended September 30 2015, Pasdec posted a net loss of RM18.13 million versus a net profit of RM981,000 a year ago.

The decline was mainly due to relocation, retrenchment and training costs of RM8.24 million for the relocation of manufacturing operations from South Africa to Botswana.

Goh said the manufacturing sector accounts for about 30 per cent of the group's total turnover.

"We expect contribution from the manufacturing sector to increase accordingly with new long-term contracts awarded by Volkswagen Group and Nissan Motor Company Ltd worth 1.2 billion Botswanan pula (RM470 million) and one billion pula (RM390 million) respectively.

"We are confident that this will have a positive impact on the top line and bottom line of Pasdec, not immediately, but it will be two or three years down the road," Goh said at a press conference after a shareholders' agreement signing ceremony between Pasdec Automotive Technologies and Botswana Development Corp.

The agreement is an option for Botswana Development to convert its 52.1 million pula (RM20.56 million) preference shares to ordinary shares within the next three years and take up a maximum of 26 per cent of Pasdec Automotive's shares in future.

The preference shares were part of an incentive for Pasdec Automotive's relocation of its manufacturing plant from South Africa to Botswana.

The relocation will cost up to 150 million pula (RM59.2 million). Pasdec Automotive's new assembly plant in Lobatse is on a 2ha site and will be one of Botswana's largest manufacturing facilities and employing over 430 people, all of whom will be sourced locally.

"Recruitment has already begun and the first 120 employees are undergoing intensive training," said Pasdec Automotive chief executive officer Datuk Kevin Pather.

*Pasdec Resources South Africa chairman **Datuk Kamarudin Mohammed** (left) and Botswana Development Corporation managing director **Bashi Gaetsaloe** exchanging documents after the signing ceremony yesterday. Looking on was Pahang Menteri Besar **Datuk Seri Adnan Yaakob.*** Pic by Mohd Yusni Ariffin