Pasdec confident of returning to the black

Group expects to reduce losses in FY16 before the rebound

By CHERYL POO
cherylpoo@thestar.com.my

'We have had to allocate a lot of funds for the relocation of our manufacturing facilities from South Africa to Botswana.'

– Goh Song Gan

Watch the video
thestar.com.my/Videos/

KUALA LUMPUR: Although Pasdec Holdings Bhd is confident that it would return to the black by the financial year 2017 (FY17), its FY15 numbers could continue to look bleak before the turnaround.

Corporate resources senior vice-president Goh Song Gan said the group would first be able to reduce its losses in FY16, the same year its African operations were expected to break even, before being profitable again the following year.

"We have had to allocate a lot of funds for the relocation of our manufacturing facilities from South Africa to Botswana, around the region of 20 million South African Rand for the relocation, training and retrenchment costs.

"This will have to go into our profit and loss and this is what dragged down the performance of the group this year," Goh told reporters after a signing ceremony of ordinary shares subscription agreement and shareholders agreement between Pasdec Automotive Technologies (Pty) Ltd (PAT) and Botswana Development Corp yesterday.

PAT's new assembly plant in Lobatse, Botswana was in the final stages of construction and would be 20,000 sq m after completion, making it one of Botswana's largest manufacturing facilities.

"We are sure of the positive impact this will have on our top line and bottom line in the next two to three years," he said.

Pasdec Holdings was a member of the Pahang State Development Corp Group, while Pasdec Automotive Technologies was its South African subsidiary, which supplied automotive wiring harness to the original equipment manufacturers of Nissan, Renault and Volkswagen vehicles.

The signing ceremony was witnessed by Pahang Mentri Besar Datuk Seri Adnan Yaakob. For the third quarter ended Sept 30, Pasdec posted a net loss of RM6.9mil, some 976% lower than the net loss of RM699,000 sustained in the same period last year.

Revenue came in at RM54.9mil, 40% higher than RM39.2mil last year.

In a filing with Bursa Malaysia, the group attributed the losses mainly to relocation, training and retrenchment costs of RM6.84 million following the relocation of manufacturing activities from South Africa to Botswana.

"Next year, some of the costs will still be accounted for as not all can be absorbed into one year (FY15). But in 2017, we are expecting contribution in 2016," Goh said.

"In 2016, we look into the rest of our operations especially the property segment in Malaysia," He said Pasdec expected the contribution from the manufacturing segment to increase from its current level of 30% as new contracts worth 1.2 billion Botswana Pula and over one billion Botswana Pula from Volkswagen and Nissan, respectively, came in.

On Pasdec's property development segment, Goh said the group was running several projects and had recently identified a joint venture partner for its Bandar Putra development in Kuantan, Pahang.