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Tongkah pursuing deals with MNCs

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THE manufacturing division of Tongkah Holdings Bhd could well be the group's "saviour", said chairman and chief executive officer Mokhzani Mahathir.

Speaking to reporters after the company's annual general meeting and extraordinary general meeting at its new corporate headquarters in Damansara yesterday, he said contributions from its services, manufacturing and healthcare divisions to the group's bottom line have so far been "very much balanced".

Tongkah's manufacturing sector covers plastic injection moulding and precision plastic components, sub-assembly of printed circuit boards, high-precision engineering, processing and supplying of granite and stonework and manufacture of consumer electrical appliances.

Mokhzani said despite the slowdown in the electronics industry, demand for such products is still good as foreign companies are taking advantage of the cheaper cost of manufacturing in Malaysia amid the depreciation in the ringgit.

"We are in fact pursuing deals with some big MNCs to do turnkey work for them," he said, adding that its deal with a US-based company to manufacture computer parts is expected to be concluded next month.

"So we are pushing the sector to do more as it is attractive now to manufacture in Malaysia. We are probably going to get better business through manufacturing this year," he said.

Despite a slowdown in several sectors of the electronics industry, Mokhzani said, Tongkah is still being approached by certain MNCs as it is cheaper to manufacture in Malaysia.

He said Malaysia's manufacturing sector is mature although some MNCs have shifted some of their production to other countries where labour is cheaper.

"But because of the present exchange rate, Malaysia now is more attractive as a package to MNCs. Despite other countries being able to offer cheap labour, they are unable to offer the kind of quality that Malaysia is able to provide," he added.

Mokhzani said with the current market conditions, he expects Tongkah's stockbroking arm, Kestrel Securities, to generate less income for the group in the current year.

"From a 35 per cent pre-tax profit contribution last year, we expect a drop to 20 per cent this current year, if the market continues with its downtrend," he said.

For the financial year ended June 30 1997, the group recorded a pre-tax profit of RM100.3 million against RM57.8 million previously while turnover was RM468.7 million, against RM528 million in 1996.

On Tongkah's view on the call for stockbroking companies to merge, Mokhzani said: "We are very interested to pursue this, given the opportunity."

On the company's stock price, he expressed confidence that the performance of the company is stable and that "the price does not reflect the true value of the company".

He said the company, through prudent and cautious management, will continue to grow.

"We will try not to slip from the current performance level that we have today. It is important that we stay afloat and I believe we can do that."

And when the economy recovers, we will be in a better position to expand."
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