

Financial Year End	31/12/2013
Reporting Period Ending	30/06/2013
Reporting Quarter	2Q-2013

<b>Recommendation</b>	<b>BUY</b>
Target Price (MYR)	0.18
Current Price (MYR)	0.14

<b>Industry Group</b>	Housewares
<b>Industry Sub Group</b>	Housewares

Key Company Statistics	
Bloomberg Ticker	NHR MK
Bursa Stock Code	7215
Issued Capital (mn shares)	236.6
Market Capitalisation (MYR mn)	31.9
52 week High (MYR)	0.19
52 week Low (MYR)	0.12
Average Volume (3 month) '000	10.4
1 Yr Return (%)	-12.6

Major Shareholders (%)	
Hsiao Family	59.1
Ng Shw u Ching	0.3
Yiew Kiang Chong	0.0

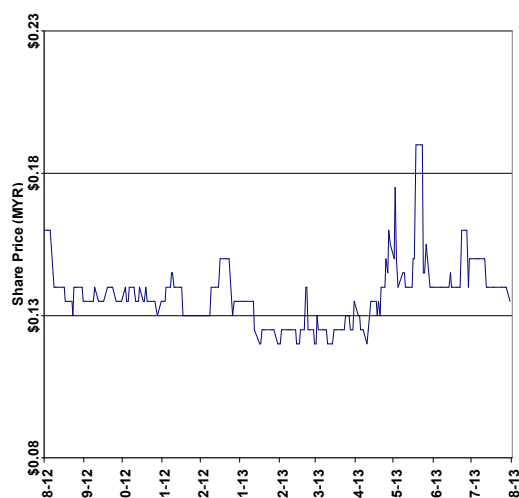
## FTSE-BURSA INDEX MEMBERSHIP

FBMKLCI	FBM70	FBMEMAS	FBMHJRAH
No	No	No	No

## REPORT INDEX

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## SHARE PRICE LAST 12 MONTHS (MYR)



## MALAYSIA EQUITY NI HSIN RESOURCES BHD

## RESULTS REPORT

YTD 2Q FY13 revenue rose 23.9% vs YTD 2Q FY12. Sales in Japan and Malaysia are growing very strongly and now account for about 64% of total cookware sales. Over the last several quarters NHR has been developing new markets in North America and Europe. Prospects in North America seem promising, however, we expect slower growth in most other major economies. Though NHR has been making commendable progress, we remain cautious on demand. In addition, the weaker Ringgit may raise the company's cost of goods sold. NHR continues to make good progress in revenue growth, now the challenge is to lift its operating margins a bit higher from 3-4% to 6-7%.

## INVESTMENT RISKS

Risks to our recommendation and target price include: i) weakness in the MYR exchange rate, ii) rising promotional costs, iii) a sharp slowdown in the general level of economic activity in Malaysia, Japan and North America, and iv) continued rises in stainless steel prices would be an additional concern.

## RECOMMENDATION

Ni Hsin Resources Bhd continues to make good progress in its marketing efforts, relying more on its own efforts rather than other channels. In addition, management has put in place a number of initiatives that are likely to result in improved sales and higher factory utilisation. However, the global outlook appears to be weakening. Nonetheless we rate the shares a BUY with a fair value of MYR 0.18.

The company's up to date manufacturing assets alone are worth some MYR 0.15 per share. Thus there is not a great deal of downside for the shares at current levels. The balance sheet is very clean, and management should be able to maintain dividends at the current level. Moreover, should stainless steel prices come off, or capacity utilisation increase further in the quarters ahead, net margins could trend toward levels of 5-6%.

## COMPANY PROFILE

Ni Hsin Resources Bhd ("NHR") is one of the leading cookware manufacturers listed in Malaysia. The company has its roots in Taiwan, and was incorporated in Malaysia in 1989 and listed in 2005. About 26% of total revenue is realised in Malaysia, with Japan and Taiwan accounting for the lion's share of the company's substantial export revenue. Group YTD 2Q FY13 revenue comprised 66% cookware products, 12% convex mirrors, 20% clad metals and 2% other.

## ANNUAL RESULTS AND METRICS (MYR mn)

FY Dec	2011	2012	2013F	2014F
Revenue	39.3	49.9	60.4	66.5
Revenue g (%)	9.6	26.9	21.0	10.0
Net Profit	-0.2	0.9	1.6	1.8
Net Profit g (%)	na	na	89.6%	9.9%
Dividends Paid	2.3	2.3	1.4	1.4
Owners' Equity	59.5	60.4	60.6	60.9
Total Liabilities	11.8	12.8	14.4	14.6
Debt/Equity (%)	19.9	21.3	23.8	24.0
EPS (sen)	-0.1	0.4	0.7	0.8
P-S (x)	0.7	0.7	0.5	0.5
P-E (x)	na	38.5	19.6	17.8
P-BV (x)	0.5	0.5	0.5	0.5
ROE %	-0.3	1.4	2.7	2.9

**QUARTERLY RESULTS TABLE (All figures in MYR mn unless otherwise indicated)**[illegible]**COMPETITOR'S METRICS (All figures in MYR mn unless otherwise indicated)**

\*Consensus data used for peers where available

MALAYSIA EQUITY  
NI HSIN RESOURCES BHD**PROFIT & LOSS (All figures in MYR mn unless otherwise indicated)**

FY Dec	2011	2012	2013F	2014F
Revenue	39.3	49.9	60.4	66.5
Operating Profit	0.8	1.7	2.7	2.6
Other Income	0.0	0.0	0.0	0.0
Share of Associates	0.0	0.0	0.0	0.0
Depreciation/Amortization	-3.1	-2.8	-2.9	-3.2
Finance Costs	-0.1	-0.2	-0.3	-0.3
Pre Tax Profit	0.7	1.5	2.4	2.4
Tax	-0.9	-0.6	-0.7	-0.6
Minority Interest	0.0	0.0	0.0	0.0
Net Profit to Shareholders	-0.2	0.9	1.6	1.8
Operating Margin (%)	2.0	3.4	4.4	4.0
PBT Margin (%)	1.8	3.0	3.9	3.6
Net Margin (%)	-0.4	1.7	2.7	2.7
Effective Tax Rate (%)	na	na	31.4	25.0

**BALANCE SHEET (All figures in MYR mn unless otherwise indicated)**

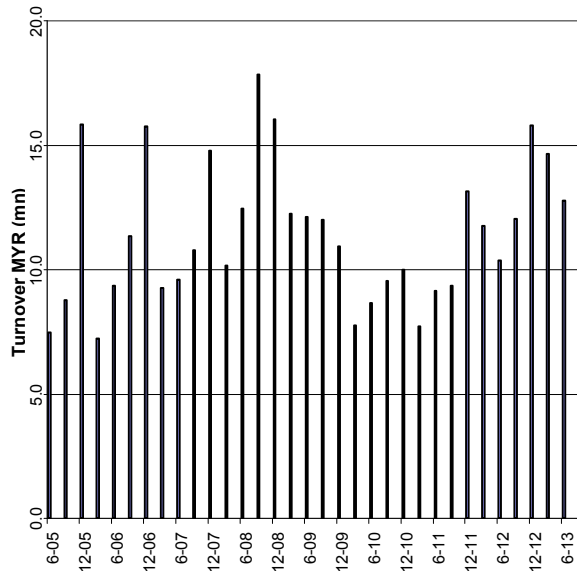
FY Dec	2011	2012	2013F	2014F
Total Assets	71.3	73.2	75.0	75.6
Fixed Assets	36.6	35.1	34.5	35.9
Current Assets	29.6	33.0	35.4	34.6
Other LT Assets	5.1	5.1	5.1	5.1
Current Liabilities	9.6	11.0	12.7	12.8
LT Liabilities	2.3	1.9	1.7	1.8
Total Liabilities	11.8	12.8	14.4	14.6
Share Capital	47.3	47.3	47.3	47.3
Minority Interest	0.0	0.0	0.0	0.0
Owners' Equity	59.5	60.4	60.6	60.9
Total Equity	59.5	60.4	60.6	60.9
Total Liabilities & Equity	71.3	73.2	75.0	75.6

**PER SHARE DATA (All figures in sen unless otherwise indicated)**

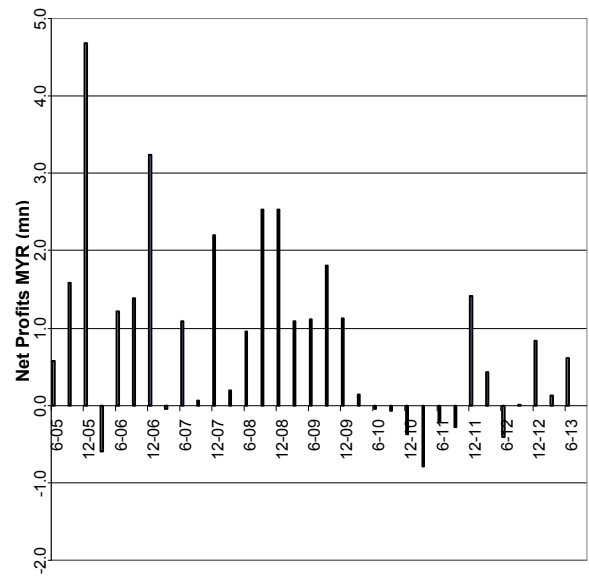
FY Dec	2011	2012	2013F	2014F
Revenue	16.6	21.1	25.5	28.1
Cash Flow	1.2	1.6	1.9	2.1
Earnings	-0.1	0.4	0.7	0.8
Dividends	1.0	1.0	0.6	0.6
Book Value	25.1	25.5	25.6	25.8
Payout (%)	na	na	85.9	78.2
P-S (x)	0.7	0.7	0.5	0.5
P-CF (x)	9.8	9.0	7.0	6.4
P-E (x)	na	38.5	19.6	17.8
P-BV (x)	0.5	0.5	0.5	0.5
Dividend Yield (%)	8.1	7.0	4.4	4.4
ROE (%)	-0.3	1.4	2.7	2.9
Total Debt/Equity (%)	19.9	21.3	23.8	24.0

**MALAYSIA EQUITY  
NI HSIN RESOURCES BHD**

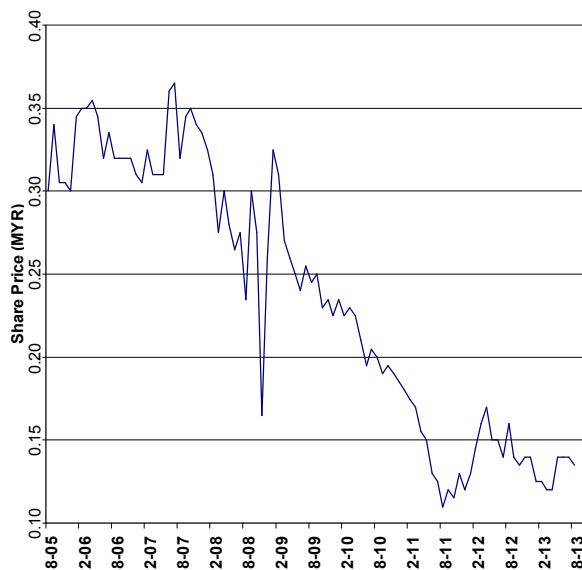
**REVENUE - QUARTERLY LAST 8 YEARS (MYR mn)**



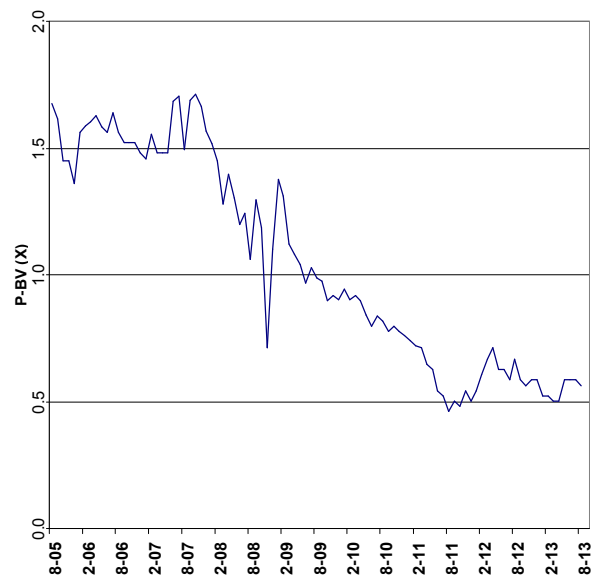
**NET PROFIT - Q'TERLY LAST 8 YRS (MYR mn)**



**SHARE PRICE - MONTHLY - LAST 8 YEARS (MYR)**



**P-BV (X) - MONTHLY - LAST 8 YEARS**



## RECENT COMPANY NEWS

## Commercial Cookware

NHR has begun development of a range of commercial cookware ranging from fry pans to pressure cookers. The company's commercial cookware will be branded under the name "Kit-Zen" and will be marketed to restaurants and hotels where high quality cookware is a "must have". The company has also successfully developed pressure cookers with a capacity of 30 litres to cater to the commercial segment.

In January 2013, NHR actively participated as a sponsor for the Audi Chef's Cup Sudtirol 2013, a prestigious cookware event which attracted 68 chefs, including Michelin starred Chefs (for a total of 33 stars), Jeunes Restaurateurs d'Europe and other emerging talent in the F&B industry. The response to the commercial series of cookware was excellent and we expect this new line to boost total cookware sales by 10-15% over the next two years.

## Clad Metals

NHR also grew its clad metal sales to European premium cookware manufacturers for the manufacture of premium multi-ply stainless steel cookware. The company indicates that this new line of business will be recurring. Indeed, clad metal sales have been a bright spot over the last two quarters rising over 50% vs. YTD FY 2012.

## ANALYST'S RECOMMENDATION RECORD

Ticker	Date	Recommendation	FairValue	Price At Recommendation	% Price Change Since
				Date	Prior Recommendation
NHR MK Equity	24-Feb-11	HOLD	0.17	0.17	
NHR MK Equity	11-Apr-11	BUY	0.27	0.15	-11.8%
NHR MK Equity	19-May-11	BUY	0.23	0.15	0.0%
NHR MK Equity	16-Aug-11	BUY	0.23	0.12	-23.3%
NHR MK Equity	21-Nov-11	BUY	0.23	0.12	0.0%
NHR MK Equity	27-Feb-12	BUY	0.23	0.13	13.0%
NHR MK Equity	23-May-12	HOLD	0.20	0.18	34.6%
NHR MK Equity	24-Aug-12	HOLD	0.18	0.16	-8.6%
NHR MK Equity	20-Nov-12	HOLD	0.18	0.14	-15.6%
NHR MK Equity	20-Feb-13	BUY	0.18	0.12	-11.1%
NHR MK Equity	22-May-13	HOLD	0.18	0.15	25.0%
NHR MK Equity	19-Aug-13	BUY	0.18	0.14	-10.0%
Return Since Inception of Coverage					-7.7%

**MALAYSIA EQUITY  
NI HSIN RESOURCES BHD****ANALYST'S DISCLOSURE**

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**BUY:** Share price may exceed 10% over the next 12 months

**TRADING BUY:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**HOLD:** Share price may fall within the range of +/- 10% over the next 12 months

**TAKE PROFIT:** Target price has been attained. Look to accumulate at lower levels

**SELL:** Share price may fall by more than 10% over the next 12 months

**NOT RATED (NR):** Stock is not within regular research coverage

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