

MALAYSIA EQUITY  
NI HSIN RESOURCES BHD

<b>Recommendation</b>	<b>HOLD</b>
Target Price (MYR)	0.17
Current Price (MYR)	0.17

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

**Key Company Statistics**

Bloomberg Ticker	NHR MK
Bursa Stock Code	7215
Issued Share Capital (mn)	236.6
Market Capitalisation (MYR mn)	40.2
52 week High (MYR)	0.25
52 week Low (MYR)	0.17
Average Volume (3 month) '000	124.1
1 Yr Return (%)	-26.1

**Major Shareholders (%)**

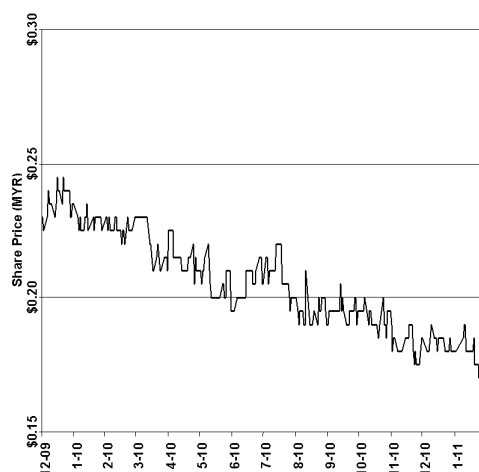
Hsiao Tsai Sheng	11.7
Hsiao Liu Lee	11.7
Hsiao Chih-Che	11.7

**FTSE-BURSA INDEX MEMBERSHIP**

FBMKLCI	FBM70	FBMEMAS	FBMHJRAH
No	No	No	No

**REPORT INDEX**

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**SHARE PRICE LAST 12 MONTHS (MYR)****RESULTS REPORT**

YTD 4Q FY10 revenue decreased by 24% year on year, while profits essentially evaporated. The convex mirror segment saw sales growth above 48%, whilst cookware and clad metals both saw decreases in excess of 30% yoy. Convex mirror and clad metal segments were both profitable over FY10, only cookware was loss-making. Ni Hsin Resources Bhd is looking to Europe for new customers. In our opinion, outside of Germany, not too much new demand in Europe can be expected for the foreseeable future.

**INVESTMENT RISKS**

Risks to our recommendation and target price include: i) increases in the MYR exchange rate, ii) rising promotional costs, and iii) a sharp slowdown in the general level of economic activity in the economies of the company's trading partners, e.g. Japan, Taiwan, Singapore and South Korea. Gross margins have held up particularly well considering the rising cost of metals; continued rises in stainless steel prices would be an additional concern.

**RECOMMENDATION**

Ni Hsin Resources Bhd is facing a number of challenges, not least of which is the appearance of new competitors in Malaysia. The company does not seem to offer a compelling investment case based on current prospects and metrics. We rate the shares a HOLD with a fair value of MYR 0.17. Should the company begin to make headway in new markets, or find ways to restore its net margins, we would re-assess our rating and fair value estimate.

On a slightly more positive note, there is not a great deal of downside for the shares at current levels. The balance sheet is quite clean, and management was able to operate two out of three of its lines profitably during the past year under some very difficult trading conditions. Moreover, should the MYR weaken in the quarters ahead, net margins would likely rise from single to double digit levels.

**COMPANY PROFILE**

Ni Hsin Resources Bhd 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 20% of total revenue is realised in Malaysia, with Japan, Taiwan, Singapore, and South Korea accounting for the lion's share of the company's substantial export revenue. Over half of the firm's revenue consists of cookware products.

**ANNUAL RESULTS AND METRICS (MYR mn)**

FY Dec	2009	2010	2011F	2012F
Revenue	47.3	36.0	41.5	44.0
Revenue g (%)	-16.2	-24.0	15.3	6.1
Net Profit	5.1	-0.3	1.1	1.1
Net Profit g (%)	-17.6	-106.4	-427.1	6.1
Dividends	3.6	1.2	1.2	1.2
Equity	59.0	57.4	57.3	57.3
Total Liabilities	9.8	7.9	8.0	8.1
Debt/Equity (%)	16.7	13.7	13.9	14.1
EPS (sen)	2.2	-0.1	0.5	0.5
P-S (x)	1.2	1.1	1.0	0.9
P-E (x)	10.6	na	37.4	35.2
P-BV (x)	0.9	0.7	0.7	0.7
ROE %	8.7	-0.6	1.9	2.0

**MALAYSIA EQUITY**  
**NI HSIN RESOURCES BHD**

**QUARTERLY RESULTS TABLE (All figures in MYR mn unless otherwise indicated)**

FY Dec	4Q-10	4Q-09	Q-o-Q %chg	YTD FY10	YTD FY09	Y-o-Y %chg	Comments
Revenue	10.0	11.0	-8.8	36.0	47.3	-24.0	Demand sharply lower for cookware and clad metals; up strongly for convex mirrors
Operating Profit	-0.6	1.2	na	0.0	6.9	-99.4	
Other Income	0.1	0.1	68.2	0.7	1.0	-28.4	
Share of Associates	0.0	0.0	na	0.0	0.0	na	
Depreciation/Amort'n	-0.6	-0.6	-0.6	-2.3	-2.3	-1.7	
Finance Costs	0.0	0.0	>100	-0.1	-0.3	-76.5	
Pre Tax Profit	-0.7	1.2	na	0.0	6.7	-99.9	
Tax	0.3	-0.1	na	-0.3	-1.6	-79.0	
Minority Interest	0.0	0.0	na	0.0	0.0	na	
Net Profit to S'holders	-0.4	1.1	na	-0.3	5.1	na	
Dividends	0.0	0.0	na	1.2	3.6	-67.8	
EPS (sen)	-0.2	0.5	na	-0.1	2.2	na	Higher admin expense, higher material costs and unfavorable exchange rates
DPS (sen)	0.0	0.0	na	0.5	1.5	-67.8	
Operating Margin (%)	-6.5	11.0	na	0.1	14.6	-99.2	
Net Margin (%)	-3.7	10.2	na	-0.9	10.8	na	
NTA/share (RM)				0.24	0.25	-2.6	

**COMPETITOR'S METRICS (All figures in MYR mn unless otherwise indicated)**

FY1* Ending	Ni Hsin Resources Bhd Dec-11	Wellcall Hldgs Sep-11	Yoong Onn Corp Jun-11	Emico Hldgs Bhd Dec-11
Revenue	41.5	120.0	139.0	64.0
Net Profit	1.1	16.2	17.0	1.0
Equity	57.3	75.5	102.3	26.0
Dividends	1.2	18.0	6.0	0.0
Market Cap	40.2	158.2	102.0	19.2
P-S (x)	1.0	1.3	0.7	0.3
P-E (x)	37.4	9.8	6.0	19.2
P-BV (x)	0.7	2.1	1.0	0.7
Div Yield (%)	2.9	11.4	5.9	0.0
Net Margins (%)	2.6	13.5	12.2	1.6
ROE (%)	1.9	21.5	16.6	3.8
Payout Ratio (%)	107.9	111.1	35.3	0.0

\*Consensus data used for peers where available

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

FY Dec	2009	2010	2011F	2012F
Revenue	47.3	36.0	41.5	44.0
Operating Profit	6.9	0.0	3.3	3.5
Other Income	1.0	0.7	0.6	0.6
Share of Associates	0.0	0.0	0.0	0.0
Depreciation/Amortization	-2.3	-2.3	-2.3	-2.4
Finance Costs	-0.3	-0.1	-0.1	-0.1
Pre Tax Profit	6.7	0.0	1.5	1.5
Tax	-1.6	-0.3	-0.4	-0.4
Minority Interest	0.0	0.0	0.0	0.0
Net Profit to Shareholders	5.1	-0.3	1.1	1.1
Operating Margin (%)	14.6	0.1	8.0	8.0
PBT Margin (%)	14.2	0.0	3.5	3.5
Net Margin (%)	10.8	-0.9	2.6	2.6
Effective Tax Rate (%)	23.9	25.0	25.0	25.0

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

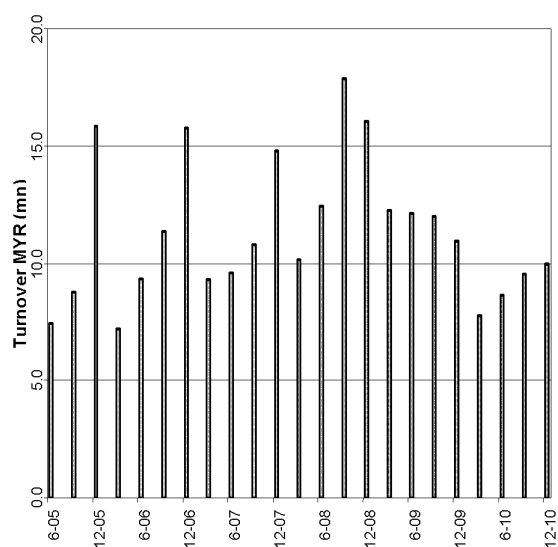
FY Dec	2009	2010	2011F	2012F
Total Assets	68.8	65.3	65.3	65.4
Fixed Assets	34.5	34.3	35.7	37.2
Current Assets	29.2	25.9	24.5	23.1
Other LT Assets	5.1	5.1	5.1	5.1
Current Liabilities	7.2	5.7	5.7	5.8
LT Liabilities	2.7	2.2	2.2	2.2
Total Liabilities	9.8	7.9	8.0	8.1
Share Capital	47.3	47.3	47.3	47.3
Minority Interest	0.0	0.0	0.0	0.0
Owner's Equity	59.0	57.4	57.3	57.3
Total Equity	59.0	57.4	57.3	57.3
Total Liabilities & Equity	68.8	65.3	65.3	65.4

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

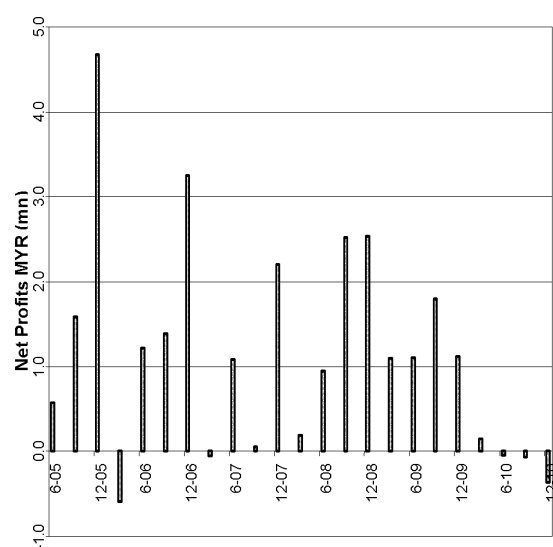
FY Dec	2009	2010	2011F	2012F
Revenue	20.0	15.2	17.5	18.6
Cash Flow	3.1	0.8	1.4	1.5
Earnings	2.2	-0.1	0.5	0.5
Dividends	1.5	0.5	0.5	0.5
Book Value	24.9	24.3	24.2	24.2
Payout (%)	70.4	na	107.9	101.6
P-S (x)	1.2	1.1	1.0	0.9
P-CF (x)	7.3	20.8	11.8	11.2
P-E (x)	10.6	na	37.4	35.2
P-BV (x)	0.9	0.7	0.7	0.7
Dividend Yield (%)	6.6	2.9	2.9	2.9
ROE (%)	8.7	-0.6	1.9	2.0
Total Debt/Equity (%)	16.7	13.7	13.9	14.1

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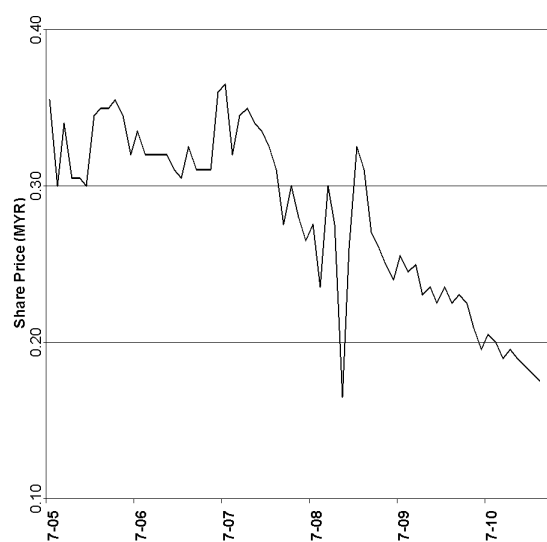
**REVENUE (QUARTERLY, LAST 6 YEARS, MYR mn)**



**NET PROFIT (Q'TERLY, LAST 6 YRS, MYR mn)**



**SHARE PRICE (MONTHLY, LAST 6 YEARS, MYR)**



**P-BV (X) (MONTHLY, LAST 6 YEARS)**



**MALAYSIA EQUITY  
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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

**NEUTRAL:** 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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