

**HD Corporate: Success bidding for LED jobs in four countries**

**BY** By Ho Wah Foon

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Success Transformer Corp Bhd (STC), the shares of which unexpectedly shot up to an intraday high of RM2.03 recently from a year-low of RM1.15, is bidding for LED (light emitting diode) lighting projects in Kenya, Singapore, Australia and Indonesia.

The low-profile Malaysian **company**, which manufactures transformers and industrial lighting products, is confident of winning a government contract worth RM6 **million** to RM7.5 **million** in Kenya, thanks to its track record.

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"We are bidding for a LED lighting project in Kenya and tendering for government and private sector LED projects in Singapore, Australia and Indonesia," managing director and founder Tan Ah Ping @ Tan Ah Bah tells The Edge.

"In Kenya, I am confident we will win a LED lighting job as for the past five years, we have been supplying lighting products for the streets from Nairobi airport to the city area."

This is also why Tan is unfazed by the fierce competition from Philips and other players.

Philips had collaborated with the Kenyan Urban Roads Authority in 2012 to ensure the streets of capital city Nairobi were lit by **solar**-powered LED lighting. This pilot project was the first of its kind in East Africa.

Tan says STC's lighting solution for customers — from the design stage to manufacturing and after-sales service — enables it to compete with local and foreign players. Products from its Sungai Buloh factory are exported to over 40 countries, including France, Australia, the United Arab Emirates, Japan, South Korea, India, **Hong Kong** and Singapore.

"As many countries are now switching to the eco-friendly and **energy**-saving LED lighting system, LED will become a big market for us," remarks the 62-year-old Tan in Mandarin.

STC, which sells its transformers and lighting products through more than 800 dealers and distributors, is involved in highway lighting projects and supplies lights for commercial buildings, shopping complexes, warehouses and factories.

Due to the vast business opportunities in the sector, the **company** may need to expand via mergers and acquisitions (**M&A**) to position itself for future growth. "We are talking to some parties on **M&A** but nothing has been firmed up. As the LED market is huge, we will need more funds in the future to expand our business," says Tan, who set up the **company** in 1980.

Perhaps due to the bright outlook for the LED industry and STC's stronger financials, the previously boring stock began to sizzle last month. It hit a record high of RM2 on Sept 25 but has since eased.

Tan insists that STC's directors had nothing to do with the unusual activity in the stock.

A source says institutional funds could have bought STC on the open market, seeing the upside potential of the under-researched and undervalued stock, which has been consistently trading below its net tangible asset (NTA) value.

As at June 30, its NTA stood at RM2.25. Based on the stock's closing price of RM1.71 on Oct 10 and annualised FY2014 earnings per share of about 28 sen, STC was trading at an undemanding price-earnings ratio of 6.2 times. It closed at RM1.74 last Thursday.

In the first six months ended June 30, 2014, STC's net profit rose to RM16.7 **million** from RM13.6 **million** in the previous corresponding period while revenue grew 27.8% to RM189.64 **million**.

Last week, Tan told The Edge Financial Daily that he expected higher revenue and profit in FY2014 and FY2015 ending Dec 31, spurred by the **company's** LED lighting segment, which has grown exponentially in recent years.

Still, investors are puzzled by filings with Bursa Malaysia that show that some STC directors and even the founder himself have been selling the shares. Tan, who holds a 42.26% **stake** in STC, explains: "Some of the directors of our subsidiaries have held the stock for years and if they see this [share price surge] as an opportunity to cash out, we cannot blame them. As for my **sale**, it was a friendly and direct deal in June and it was not on the open market."

Moving forward, Tan says STC may revalue its assets and properties, and issue bonus shares or warrants as a reward to loyal shareholders and to improve liquidity, as proposed by its investment bankers. But no decisions have been made on these corporate exercises yet.

Research house UOB-Kay Hian has a "buy" recommendation on the stock, a target price of RM2.03 and stop-loss below RM1.74 following a steep correction in the shares after their recent rally.

STC was listed on the Second Board of Bursa Malaysia in 2005 and transferred to the Main Board in 2007.

In September 2008, it was listed as one of the 13 "Best Under a **Billion**" Malaysian companies by Forbes Asia magazine.

It was also one of the stocks in The Edge Media Group executive chairman Datuk Tong Kooi Ong's Momentum Portfolio published in The Edge Financial Daily of Oct 10.

**CO**    suetra : Success Transformer Corporation Bhd

**IN**    iled : LED Technology | i3302 : Computers/Consumer Electronics | i34531 : Semiconductors | ielec : Consumer Electronics | iindele : Industrial Electronics | iindstrls : Industrial Goods | itech : Technology | i342 : Electrical Components/Equipment

**RE**    kenya : Kenya | austr : Australia | malay : Malaysia | africaz : Africa | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | eafz : East Africa | seasiaz : Southeast Asia

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