

# Public & Private

OCTOBER 28 - NOVEMBER 10, 2017

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# Ajiya seeks greener pastures

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acquire or merge with relevant SME players

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**G**reen and sustainable are old buzzwords, but 'green building' is not merely an adage anymore. It is business. Big business.

Ajiya Berhad, a public-listed metal roll forming and safety glass manufacturer, is capitalising on the growing need for sustainable buildings and building materials to form a pillar of its future earnings.

The company, which has patented an industrialised building system which provides sustainable and fully-integrated building solutions to reduce manpower, operating costs and construction time, is now actively seeking acquisition and merger options with upstream and downstream SME players, especially in relevant technical and engineering fields.

Managing director, Dato' Chan Wah Kiang recently shared with *MALAYSIA SME*® the story of how the company grew to become an integrated green building solutions provider.

"We started as a small components manufacturer. As we grew, we could see that competition would set in at certain periodical cycles. It is cyclical. Whatever products you produce, sooner or later competition kicks in, or similar products and substitutes surface.

"We do understand as we have, from our inception, been finding ways to grow. From metal roll forming we continued to expand our product range. We ventured into safety glass manufacturing, which is also one main component of the business.

Chan continued, "We were able to capture the growth of the construction boom in the late 1990s and early 2000s. We got to participate in the construction of most of the high-rise buildings at those times.

"We also know that where metal roll forming is concerned, we have to keep on expanding the product range because as soon as competition sets in, you'll have to introduce another new range. After almost 26 years of growing, we do realise that we have actually come out with components that could put a whole house together."

"However, if we were to assemble them together, it would be all metal (and steel) and people might not like it.

"So about four years ago, we searched for a building solution suitable for a tropical climate like Malaysia, where the population base is small, there are lots of heavy downpours and the monsoon. As such people would like to have a



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solidly built house flexible enough to allow room for renovation when the family expands.

"We searched the market for a good solution. We did some re-

search, extracted the necessary features among the various systems, and made it into a new system - the Ajiya's Green Integrated Building System (AGIBS) - which constitutes

a series of our components put together, which at this stage comprises of four to five series of our manufactured components."

An eco-friendly and fast-paced method of housing construction, AGIBS is a patented Industrialised Building System (IBS) that provides sustainable and fully-integrated building solutions which can reduce manpower constraints, reduce operating costs and shorten construction time.

A distinct feature of AGIBS is that it is fast and easy to install. At the same time, it reduces the use of heavy machinery, thus improving safety, using more skilled labour, and reducing construction and delivery time, among others.

"Our pilot project in Gua Musang, Kelantan, was a success. We did not publicise it much at that time due to the patent registration which took us three years. We finally got it registered in April this year."

Recently Ajiya signed a memorandum of understanding (MoU) with Syarikat Perumahan Negara

Berhad (SPNB) to adopt AGIBS into houses to be developed by SPNB.

Asked on the future contribution of AGIBS on the groups' earnings, Chan said, "Not much at present. We are treating it as another pillar of our growth, aside from metal roll forming and glass.

"The government is also talking about IBS. It is a broad terminology where a lot of players are just component manufacturers. As users you would have to find ways to integrate all of them together. When you come to us, we provide you with a total housing solution."

Chan added that the deceleration of the construction industry is actually a blessing in disguise for the company.

"Affordable housing is still in great demand. Not many property developers want to go into this segment due to lower margins, for example. As such the bulk of the responsibility lies on the shoulders of the government."

Chan said it's a misconception that AGIBS is cheap and good ▶

# pastures

► only for low cost or affordable houses. It is just a system, he said. "Our system is applicable to the full spectrum of housing usage."

"When you build a house, the basic materials used are the same – brick and mortar. To determine if it is low cost or high-end, generally it is the volume of built, furnishings and location. Ours are just components. When you build a bungalow, we charge you more because you use more materials, vice versa.

He said that there is a shortage of affordable housing. "As long as the government continues to build (affordable housing), the industry will go on. The same goes to us as we are complementing and supplementing the overall construction industry too.

"We are seeing potential for growth but at the same time we also face a slowing down in our other component-based manufacturing as the whole construction industry is slowing down."

Chan commented that Ajiya's capability in supplying to the PRIMA housing project is testament to their competitive pricing. "PRIMA houses are equally good as any but at 20% cheaper than those in the market. Our prices are competitive because we cannot have a system pricier than the conventional methods of construction.

"In business sustainability, we have to actually look into the conventional value-add industry. In Malaysia, in terms of industrialisation, we are very much in Industry 2.0 going into 3.0. As a developing country, we are not so into Industry 4.0, where there is automation, robotics or big data.

"Even like us, we are also talking about knowledge economy. From the traditional value-adds, now we see what else we can do to value-add as well as doing some research and development.

"Here, there are restrictions and constraints on the scale of R&D that can be done. Being a local company, whatever best we can do, we have to do the best. That's why we see the importance of intellectual property and k-economy.

"These will spur any range of products we are selling. Technical solution provider rather than value add-on components. Now we are providing a packaged solution and no longer individual items.

"As with other industries, we are also facing a labour shortage, mainly blue collar workers. Even the professionals prefer to work in neighbouring countries or they do not stay long."

Chan attributed this to the com-

placency and non-competitiveness of the workforce as compared to countries like Taiwan or Hong Kong.

"The currency does affect us. To a certain extent, it pushes up the salary bracket. Coupled with the rising costs of living, we have to pay more (to foreign workers) to scale down the inflation. Many are also hesitant to work here due to the exchange rate. Additionally, not many Malaysians (white collar employees) like to travel overseas to work, a problem we face at our factory in Thailand.

"We export mostly down south to Singapore, other SEA countries, Australia and New Zealand. Previously, we faced fierce competition from China but due to over-capacity there, we are seeing them restructuring the industry. I feel sooner or later we would be able to compete."

On the outlook of the industry and how current local and global markets are bearing on the company's projects and plans, he said: "If given the opportunity and looking at the digitalised economy, instead of going into regional growth, our main focus now is merger and acquisition (M&A).

"Due to business evolution, what we are looking into are small players who can no longer continue in the business. We acquire or be acquired, to be a bigger conglomerate to provide better total solutions or be part of a bigger solution.

"It is kind of difficult for small players to survive in this industry. They must have uniqueness and be more knowledge-based. You cannot run away from big data. We are now talking about digitalisation of the whole construction industry.

"For example, as an owner you can log on to the internet, book a house, key in all the features that you want and you are able to see a three dimensional end result. It is augmented reality.

"So, for things that we can't do on our own, we have to be part of a bigger consortium. We are preparing ourselves to do that. E-construction. Digitalisation is already penetrating the construction industry.

"The same with SMEs. We do have interaction with them. Regular services that we require from them are in areas like engineering backup, technical services such as beam services, etc.

"Presently, it is actually more on the acquisition part. We are now talking with some synergistic parallel, upstream or downstream players on whether we acquire them or merge with them. These are mainly SMEs.

"Their workforce is stable albeit most have financial constraints. As we have the advantage, we can support them in this area. They work



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more on the technical part."

Chan said the Group is also expanding into East Malaysia. "It is ongoing. However, the plan has been restructured in a way that instead of acquiring a company, we will form a new company, a joint venture, to develop business opportunities over there.

"We have already agreed in

principle and are now fine-tuning the details such as shareholders agreement. If we are able to put our foothold more solidly in Malaysia pertaining to AGIBS, we will venture overseas. We have our own building bylaws and so do others. We have to adopt test reports according to each country's requirements which are gov-

erned by their particular bylaws or regulations.

"We establish local partners, understand the details and perform any further tests that are required. For example, in Indonesia, a seismic resistance report is required. Before we go into big scale, we settle down to domestic market and expand gradually."

On a final note, Chan had this to say, "Everybody has to awaken. Technological evolution is here and we just have to adapt and change, otherwise we will be out.

"Whether or not you are an SME, there are changes that we have to adapt, adopt and willing to be a part of. The Malaysian market is too small compared to, for instance, ASEAN. You must be part of a consortium, be part of a bigger team or make yourself bigger." **MSME**