

The real deal amid copycats

In a 10-part series sponsored by Spring Singapore, we examine fast-growing companies that are taking on the world. **Yasmine Yahya** looks at precision engineering company Patec.

PATEC chief executive Michael Wee will be the first to tell you that he has not had an easy time as an entrepreneur, what with the economic downturns, global recessions and copycat competitors that have come his way since the company started in 1992.

But Patec has cleared the hurdles, and is enjoying such rapid growth that Mr Wee is even planning to list it on the Singapore Exchange next year.

The company started out making robotic systems for use in metal stamping, but within two years, competitors from Taiwan began replicating its systems and selling them at half the price.

Mr Wee realised Patec would have to shift its business focus. That led to the company becoming the first in Singapore to design its own metal-stamping machine, one that was sought by manufacturers of metal components for automobiles, electronics and other goods.

But the copycats were soon on the trail again, making similar machines and selling them at much lower prices.

"We faced a very difficult time from 1998 to 2000, because of all the copying. Our sales dropped," Mr Wee recalled.

"But we were lucky that they only copied the external look of the machine, not its insides, so when customers started using their machines, they realised these machines could not achieve the same results as Patec's, so the customers gradually returned to us."

Despite the fact that Patec's superior technology withstood the assault from competitors, that difficult period made him realise yet again that he had to diversify the company's business further.

In 2001, Patec bought a company in China, injected funds and technology into it, and started manufacturing its own metal components.

It also began designing and manufacturing tools. These are installed within a metal-stamping machine to determine what the final product looks like.

A sheet of metal is placed in a metal-stamping machine. What comes out – whether it is a hard disk component or a seatbelt buckle – depends on what kind of tools are installed within the machine.

Patec's efforts to expand its capabilities have attracted customers, who turn to the company for their full range of precision engineering services. Some just want to buy the metal-stamping machine; others want Patec to manufacture components for them as well.

Its major customers include blue-chip companies such as Volkswagen, Audi and BMW. Patec makes components such as car locks, seatbelt buckles and engine parts for them.

Its solid technology and diversification strategy have reaped results: Sales have almost doubled since 2007 to \$45 million at the end of last year, and the company expects the figure to hit \$72 million by the end of next year.

The company reaped a net profit of \$4.2 million last year. It expects to post a net profit of \$6.7 million this year, and \$10.5 million next year.

Much of this growth will be driven by Patec's units in Indonesia and China – markets that the company entered before they became fashionable in the business world.

Said Patec chief financial officer Raymond Chua: "When the group decided to invest in China, to trust the local Chinese to run our business there, people questioned us."

"Similarly, when we decided to invest in Indonesia in 2006, everybody asked, 'Why Indonesia?' They said it was politically unstable, it's hard to do business there, but now everybody is asking how we managed to identify Indonesia as a growth market so early."

Last year, the Chinese and Indonesian units together contributed over 80 per cent of group sales and profits.

And now, Patec is in the midst of preparing for an initial public offering, which it hopes to launch in the second half of next year to raise funds to expand its European unit in Hungary.

The company is also seeking partnerships and business opportunities in new markets such as India and Vietnam.

Spring Singapore describes this as an encouraging trend among companies in the precision engineering sector, which are focusing on niche markets and capabilities to gain a stronger foothold.

Said Mr Simon Lim, Spring's director of industry development for manufacturing and engineering: "Some are looking at vertical integration, looking for suitable suppliers to merge or acquire for better cost-effectiveness and control of lead times."

"This gives them a leg-up in moving up the value chain, from being simple contract manufacturers to becoming one-stop solution providers with contract design services."

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Patec chief executive Michael Wee realised that the company would have to shift its business focus after rivals began copying its robotic systems and selling them at half the price. ST PHOTO: DESMOND LIM

Patec: Stamp of quality

PATEC was founded in 1992 by chief executive Michael Wee, a Japanese investor and Mr Wee's brother, who has since left the firm.

It began making robotic systems for the metal-stamping industry, but today focuses on designing and building metal-stamping machines, tools

and components for a variety of industries. Its major customers include car firms Audi, BMW and Volkswagen, which need the firm to make components such as door locks.

Patec, which has about 600 employees in Singapore, China, Indonesia and Hungary, had sales of more than \$45 million and a

profit of \$4.2 million last year.

The company plans to list on the Singapore Exchange later next year.

While it mainly serves the automotive and electronics industries, Patec is seeking to enter new business areas such as the aerospace, medical and green energy industries.