

PCB companies diversify

Makers of printed circuit board products going into new markets in search of growth

BY DAVID TAN

davidtan@thestar.com.my

GEORGE TOWN: Companies which produce printed circuit board (PCB) products in the country are expanding into new markets, as certain segments of the consumer electronics market have become matured and volatile, while others are adopting new business to tap into niche markets.

GUH Holdings Bhd and Qdos Flexcircuits Sdn Bhd, a subsidiary of Suivah Corp Bhd, are making strategic moves to tap into new higher growth markets.

To enhance its competitive edge, Kontron Design Manufacturing Services (KDMs) has changed its electronic manufacturing service (EMS) business model to focus on design and research and development work for printed circuit assembled boards and embedded computer technologies, following the sale of its assets at its plant in Seberang Prai to Plexus Manufacturing Sdn Bhd early this year.

Embedded computers are electronic brains used in varied system and equipment to provide intelligence.

KDMs is changing its name to Kontron Asia Pacific Sdn Bhd before the year ends to better reflect the nature of the new business.

GUH, for example, is tapping into the market of new power-saving



H'ng: GUH tapping into power-saving household appliances and LED markets.

household appliances and also the light-emitting diode (LED) lighting segment with their double-sided and multi-layered PCB products.

"We are increasing the monthly production of double-sided and multi-layered PCBs to 70,000 sq m in 2012 at our plants in Penang and Suzhou, compared to 55,000 sq m per month a year ago," GUH managing director Datuk Kenneth H'ng said.

"These will serve the branded white goods segment such as air-conditioners, refrigerators, and washers, and also the LED commercial lighting market. We are seeing orders from customers in AP coming

now for the second and third quarter. We are (investing) RM18mil this year to produce the double-sided and multi-layered PCBs."

The reason for GUH enlarging its white goods business segment is because of the slower growth in the LCD/LED television market.

"In the first quarter 2012, we expect slower sales for the PCB business, due to slower sales of LCD/LED-backlit televisions worldwide," H'ng said.

GUH's high-end PCBs, which are largely used in branded LCD and LED-backlit televisions, generate about 40% of the group's revenue.

H'ng said the household appliance business in Asia-Pacific was expected to experience steady growth, according to *Marketline*, a web portal that provides comprehensive information on major industries, which has offices in London, New York, Frankfurt, Hong Kong, Sydney, Hyderabad and San Francisco.

Its findings showed that the Asia-Pacific household appliances market would reach a value of US\$150.2 mil by the end of 2016, compared with total revenues of US\$110.981mil in 2011, growing at a compounded annual growth rate (CAGR) of 6.2% for the five-year period 2011 to 2016.

The sale of LED lighting systems is also expected to rise rapidly over the next 10 years, accelerating sharply after 2015, according to Colorado-

based Pike Research, a research house which specialises in clean technology industry.

"The unit shipments, including lamps and luminaires, will rise from 66 million in 2011 to 542 million in 2021, an increase of more than 700%."

"Policy makers in Asia-Pacific believe that improvements to buildings' lighting can offer the most visible and easiest to achieve energy efficiency gains."

"That will translate into cumulative revenues of US\$11bil from 2011 through 2021 for LED lighting in Asia Pacific," the report said.

Qdos Flexcircuits Sdn Bhd business development manager Jeffrey Hwang said Qdos was now tapping into the branded automobile business to reduce the company's dependency on consumer electronics and telecommunication devices business.

According to the latest International Data Corp (IDC) report, the 42.5% growth of global smartphone sales for quarter one 2012 was lower than the 57.4% growth in the fourth quarter 2011.

"We have recently secured orders for our flex circuits from new European customers in the branded automobile segment, which will contribute to the group in 2013 financial year.

"We have also received orders from first-tier manufacturers of dig-

ital audio and visual products for the second and third quarter, which will boost our performance this year," he said.

Hwang said the company had recently invested substantially to upgrade its production lines technologically and recruitment of design and chemical engineers for its Bayan Lepas plant, which had increased its competitive edge in the market, and its ability to attract new customers.

"Overall the 2012 year should be better than 2011, as we are still seeing growth in the global PCB market," he said.

According to Prismark, an electronics industry consulting firm, the global PCB market will reach US\$59bil, up 4.7% from 2011.

"Of the US\$59bil PCB market value projected for 2012, about US\$10bil comprises flex PCBs," Hwang said.

Prismark also forecasts that from 2011 to 2015 the global PCB will maintain a steady growth at rate of 6.5%, the overall size of the global PCB industry in 2015 is expected to reach US\$69.8bil.

Meanwhile, Kontron Design Manufacturing Services (M) Sdn Bhd (KDMs) chief executive officer Michael Riegert said the company's new products such as the machine to machine interface modules, opened plugable standard devices, and smart meter system would drive its growth this year.