

Cover Story: Precision smart farming, Penang Automation Cluster areas of focus

29 July 2021



AS ViTrox Corp Bhd celebrated its 20th anniversary with yet another record-breaking year, with the highest revenue of RM470.4 million and net profit of RM105.6 million in the financial year ended Dec 31, 2020 (FY2020), the group is not resting on its laurels.

In a virtual interview with The Edge, ViTrox co-founder, CEO and president Chu Jenn Weng reveals that the group has ventured into precision smart farming as it aims to revolutionise the regional agriculture industry by designing, creating and promoting innovative, high-tech, smart agriculture solutions.

"This will be a very exciting area for us in the next five years because it is well aligned with our core values. We want to use machine vision, artificial intelligence (AI) and robotics to help farmers grow their crops in a more sustainable and cost-effective manner. We want to provide them with a solution that will allow them to reduce as much pesticide as they can to grow their plants in an organic way," he remarks.

Last year, ViTrox started a series of R&D activities in precision smart farming, under its newly set up 70%-owned subsidiary ViTrox Agritech Sdn Bhd. While the R&D is still in its infancy, Chu highlights that the group intends to develop agriculture solutions that address pressing challenges such as the high dependence on foreign labour, unreliable yields impacted by unpredictable weather conditions and excessive use of pesticides in the country.

"With our vision inspection system, we can help farmers check the progress of their plants and keep track of the colour. Meanwhile, we can use IR4.0 (Fourth Industrial Revolution) sensors to identify the bacteria and make sure the plants grow healthily. We can even use robots to harvest the crops and do a food inspection," he elaborates.

Chu opines that food safety, food security and global warming will be major issues 10 years from now. "If we successfully develop precision smart farming, we may be able to solve the global hunger crisis," he says.

"We haven't even talked about medical and life sciences. There are so many things we can do with technology. We are only at the beginning.

"To me, ViTrox is still on Day 1. There are still a lot, and I mean a lot, of things for us to accomplish. We still need to work harder. We want to contribute to the advancement of society and the well-being of humankind through compassionate innovation."

Going forward, ViTrox plans to build an industry-centric university, as it hopes to produce a sustainable pool of skilled workers for the next decade and beyond.

Chu urges more companies to be a force for good, or to adopt core values that are similar to those of ViTrox. Together, he

says, businesses can solve a lot of problems in the world by using technology.

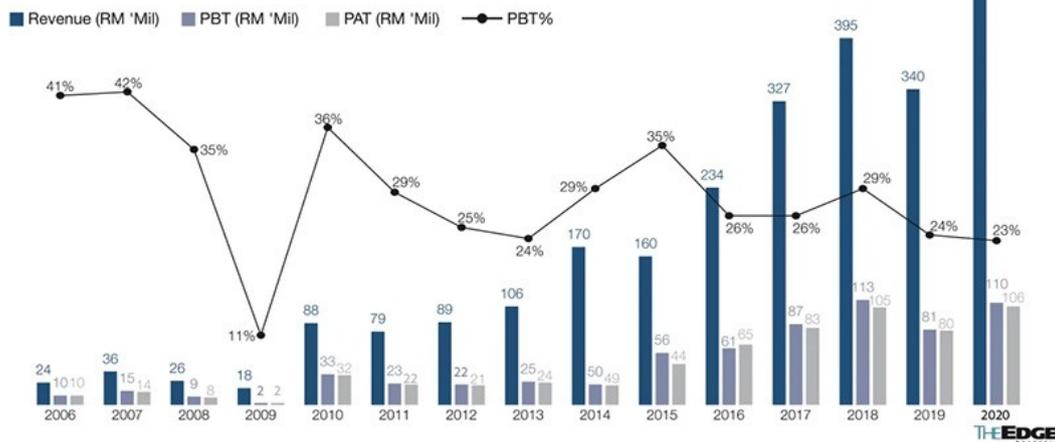
“Today, technology companies such as ViTrox are blessed with an opportunity to do this meaningful thing for the world. How can we not do this? I hope our story can inspire and influence more people. Hopefully, we can all wake up and work harder to do something wonderful for the world,” says Chu.

Creating a local ecosystem

Those who have been following ViTrox should know that the group formed a joint-venture partnership with Pentamaster Corp Bhd and Walta Engineering Sdn Bhd in January 2017 to develop a one-stop metal component supply chain hub, dubbed the Penang Automation Cluster (PAC).

Chu points out that PAC’s main objective is to build a strong local ecosystem in Penang, whereby it can attract more high-end, high-value investments to the country.

Financial performance



“We want the local small and medium enterprises to grow together with us. We want to create a tech ecosystem that is strongly supported by local companies. The way I see it, automation and robotics are trends of the future,” he says.

PAC, which is just a stone’s throw from ViTrox’s corporate headquarters in Batu Kawan Industrial Park, focuses on designing, developing and manufacturing high-precision metal fabrication components, modules and systems for various industries.

The cluster — which commenced operations in October 2019 — offers services such as technological design and development, value-added engineering development, metrology shared services, 3D prototyping, smart manufacturing systems and technical training for the automation cluster companies.

Chu expects PAC to develop more second- and third-tier players in the supply chain as he sees more local suppliers and precision metal fabrication companies coming on board.

“We will invest in equipment and machines, we will train them and we will buy their products. In other words, we are giving them business. Of course, their product quality and delivery time have to meet our stringent requirements. That’s how we intend to groom them,” he explains.

“If they can meet our criteria, they should be able to meet the criteria of multinational corporations too. Indirectly, we are preparing them for more opportunities in the future.”

Currently, PAC has about seven to nine business partners, some of which have expanded their operations, says Chu. Through automation and digitisation in manufacturing and other sectors such as agriculture, local tech players will be able to reduce their dependence on foreign workers and hence, reduce the outflow of funds overseas, and move up the value chain.

“Our long-term vision is to build a strong and sustainable high-tech ecosystem in Malaysia for the world, where we will be able to design and manufacture a Malaysian brand of high-end automated equipment, robots and AI solutions for various high-growth industries around the world. With this strong local ecosystem, we will be able to attract more talents to return to Malaysia, and this will further strengthen the talent ecosystem in the region,” he says.

After registering a turnover of more than RM300 million for three consecutive years, ViTrox generated RM470.4 million in revenue in FY2020 — an all-time high — representing a year-on-year (y-o-y) growth of 38.5%. The increase was contributed by favourable sales from its machine vision system (MVS) and automated board inspection (ABI) business segments as a result of greater demand for fifth-generation (5G) and IT infrastructure after the Covid-19 outbreak. The group recorded a profit before tax and net profit of RM110.3 million and RM105.6 million respectively, representing a y-o-y improvement of 35.4% and 32.6%.

Quite remarkably, ViTrox share price has grown by about 150 times since its listing on Bursa Malaysia in 2005, when the company was valued at just RM56 million. At its closing price of RM15.96 last Friday, ViTrox had a market capitalisation of

RM7.54 billion, making it one of the largest semiconductor-related firms in the country. The counter is currently trading at a historical price-earnings ratio of 63 times and price-to-book value of 12 times.

Although ViTrox has consistently paid out dividends, its trailing 12-month dividend yield of 0.37% is understandably low at the moment, considering that the stock has delivered explosive capital appreciation since 2017.

As at Dec 31 last year, the company's net cash and cash equivalents stood at a record high of RM258.1 million, while the total equity attributable to shareholders came in at RM569 million.

MAJOR CORPORATE MILESTONES

2000

ViTrox is established

2004

Launches the first 3D vision inspection system for semiconductor components

Converts into a public limited company

2005

Lists on the ACE Market, previously known as Mesdaq

Launches five-sided vision inspection system for semiconductor components

2006

Moves to ViTrox Innovation Centre at Bayan Lepas

Sells to first overseas client and sets up support office in Suzhou, China

2009

Forms the Automated Board Inspection (ABI) business unit

Launches first 2D advanced optical inspection (AOI) for electronics assembly

Transfers to the Main Market

2010

Establishes machine vision system tray (MVST)

Launches 3D advanced X-ray inspection (AXI) for electronics assembly

2011

ViTrox's refined core values — Integrity, Accountability, Courage, Trust & Respect, Gratitude & Care (IACTG) — are formed

Launches tray-based vision inspection handler

2014

Launches the Centre of Excellence for Machine Vision

2014

Launches the Centre of Excellence for Machine Vision

2018

Relocates to ViTrox Campus 2.0 at Batu Kawan

2019

Penang Automation Cluster (PAC) begins operations

Sets up overseas offices in Hamburg, Germany and Shenzhen, China