Staying nimble to keep margins healthy

Piling firm KHI Fuges is also in no hurry to get a public listing because it has adequate funding and bank facilities

Says Wong Wai Yin, a consultant and immediate past CEO of the company: "In this business, it’s not just about making profit, performance and relationships count.

This explains why lenders are awarded not just based on price but also credit history, the safety record. KHI Fuges has no problems with either, having been awarded the ISO 9001, ISO 14001 and OHSAS 18001 for its achievements in quality, environment, safety and management system development.

The company is involved in a wide range of civil and building construction and related foundation works, in both the public and the private development sectors. Some high-profile projects undertaken by the company include the Twin Towers, Sims Avenue, the Citic Building, the Tanjong Pagar Centre, the Marina Bay Sands and the VivoCity shopping mall.

General manager Kamal the goes by one name says: "People often do not see our work. The foundation works are mostly invisible after the completion of the building, yet you pay a heavy price if the building is not built on sound foundation. So, it should not be taken lightly.

This is so, even for the management of an organisation. A capable management team, like a steady foundation supporting a structure, allows the company to focus on fulfilling its business objectives. KHI Fuges has in place a professional and experienced team of key managers and field officers who report to the board of directors. This is unlike most family-run small and medium enterprises (SMEs), and is a change over the past years.

Mr Wong attributes making the E50 list in the short seven years since its founding to the company’s policies of financial prudence and ability to seize opportunities in a timely manner. For example, the company often chooses to purchase US and European-made machinery from China, which can be adapted with local know-how to improve its performance. The company’s ability to rid on acute market job opportunities in new areas to expand its capabilities is another crucial factor.

"We can use machines made in China with the addition of special tools that provide the same function as some big German machines to tackle new challenging jobs, but at much cheaper costs – some are lower by more than half the price," says Mr Lee, adding that all these machines are acquired on hire-purchase and not leased.

Keep an eye on costs also means minimising the customers’ costs and adding value. KHI Fuges practises value engineering, often offering alternative proposals that reduce work time and costs while contributing to the bottom line, as part of a win-win strategy with its customers.

We often offer counter-proposals on alternative pile design or piling system to lower costs," says Mr Kamal about some past projects, adding that the key is to do so in a "win-win" for the customers, who share substantial savings on project time, and the quick job completion also cuts exposure time to operational risks in very deep drilling situations especially.

KHI Fuges also offers customers a value proposition of a different kind: "We keep our soil information of past projects in a database that relates soil depth and composition as a reference to assess drill times and best work procedures," explains Mr Kamal.

It is not hard to see that with such data collected from past job sites, KHI Fuges has a competitive edge over its rivals in deciding on better work procedures that will be required during the tendering stage, resulting in better time and cost estimates.

Mr Lee believes that the market for foundation piling works in Singapore is "presently not too saturated", citing two major projects – the Mandai Coastal Expressway and the MRT Downtown Line 2 – that the company is working on, as well as the current new EDB residential projects and the long-term MRT expansion projects tendering set over the next few years.

Recently, the company completed a mixed work in the Bukit Timah region in Johor, Malaysia. Success in this project will enable the company to secure future bids when it surpasses operating milestones.

While the management acknowledges that the company is quite ready for a listing, it is in no hurry as it has adequate funding and bank facilities.

"Small companies have lower total fixed costs, and can afford to choose jobs with better margins. Large companies have minimum turnover requirements so they have to take on jobs to maintain the minimum order book size, often at the expense of margins," explains Mr Wong, suggesting that there is merit in staying nimble in the current business environment.