

# Thakral takes stake in W Capital to hitch to growing demand for corporate finance services

BY JEFFREY TAN

jeffrey.tan@bizedge.com

A vendor can sometimes turn out to be an investment opportunity — even if it is just a minority stake. That has certainly been the case for the Thakral family, which controls Thakral Corp, an investment holding company with properties in Australia, Japan and Singapore, among other interests.

On May 4, Thakral put in \$1.05 million for a 5% stake in boutique corporate finance firm W Capital. The transaction, which was a Series A fundraising round, valued the latter at \$21 million.

W Capital is a capital markets services licensed firm approved by the Monetary Authority of Singapore. It is also an accredited Mainboard issue manager and a Catalist board full sponsor authorised by the Singapore Exchange.

W Capital provides a full suite of corporate finance services, including M&As, IPOs, pre-IPO and secondary fund raising, and financial advisory. Its clients are typically mid-cap companies that operate in Asia Pacific. Its sole client, as a Catalist sponsor, is gold miner Shen Yao Holdings, which was formerly known as LionGold Corp.

W Capital, which was founded in 2018, is led by Wayne Lee, its founding chairman and CEO. Lee has over 17 years of experience advising on cross border M&As and leveraged buy-outs, lead-managing IPOs on SGX and acting as financial adviser to SGX-listed companies.

He was previously CEO, executive director and head of corporate finance at Tata Capital Markets, a wholly owned subsidiary of Tata Group. He also held senior corporate finance positions at several financial institutions, such as AmFraser Securities, Hong Leong Finance, Daiwa Securities SMBC and UOB Asia.

Since its founding, W Capital has completed 18 capital market transactions. The Thakral family was one of its earliest clients.

As the appointed financial adviser, W Capital helped the Thakral family gain majority control of the listed company Thakral Corp. In 2019, the Thakral family had made a partial offer to acquire 26.5 million shares it did not own in the company. The partial offer was fully taken up, bumping up the Thakral family's stake in the company to 50.2%.

More recently, W Capital acted as an independent financial advisor to several companies for various kinds of transactions. These companies included JEP Holdings, Alpha DX Group, Swiber Group, Rawabi Group, Sunpower Group and GL. W Capital also acted as a financial adviser in relation to a general offer for Penguin International and a voluntary general offer for Sunvic Chemical Holdings. It was also a placement agent for Yongnam Holdings.

Speaking to *The Edge Singapore*, Thakral CEO Inderbethyl Singh Thakral says the company could not refuse the opportunity to invest in W Capital. "When you read about the news [on W Capital], you know that this company is going places. Wayne told me what his plans are [for W Capital] and he opened the door for investors to come in. For us, this is almost a no-brainer — let's go in," he says.

## 'No-brainer'

With the W Capital investment, Thakral has now branched out into a new sector. But how does it fit with the company's other businesses?

In Australia, the company — via Thakral Capital Australia (TCAP) — operates as a finance partner with real estate developers and



Thakral also develops and manages retirement homes in Australia through the GemLife brand, a joint venture with the Puljich family



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provides value-added services including originating, packaging and managing investment projects. Since 2011, TCAP has invested and committed over A\$490 million (\$502 million) for a slew of major apartment and townhouse developments there. It has so far completed 17 projects, with another 14 in the pipeline, and nine under construction.

Thakral also develops and manages retirement homes down under through the GemLife brand, which is a joint venture (JV) with the Puljich family. To date, GemLife has 10 resorts with more than 2,800 homes in various development stages. Of this, 600 homes have been occupied. It has a pipeline of five more sites, which may see the addition of another 1,600 homes.

In Japan, Thakral has a portfolio of seven commercial/office buildings and three hotels. All these properties are in Osaka. On our shores, its office property at The Riverwalk provides recurring rental income for the company.

In China and Hong Kong, Thakral is involved in the management and marketing of leading beauty, wellness and lifestyle brands. The company brings in new brands and products from Asia, especially Japan, as well as from Europe and other regions to consumers.

Thakral also operates an e-commerce retail platform for home beauty devices in China under a JV with UK-based CurrentBody.com. In addition, the company has an interior furnishing and building material business that supplies a broad range of interior decoration solutions to developers, designers and contractors in the US, Canada and India.

According to Inderbethyl, the W Capital investment is part of Thakral's push to further diversify from its property investment business. This has been the strategy for the last two to three years, he explains.

In late 2018, the company announced that it entered a JV with CurrentBody.com. Last year,



Lee: Our clients trust us. They know what W Capital is capable of

Thakral announced that it co-led a pre-Series B fundraising round of an "undisclosed amount" into Intrepid Group with existing investor Sun SEA Capital. Intrepid Group is an e-commerce service provider that helps brands and SMEs accelerate their growth on e-commerce platforms such as Lazada and Shopee. "So, we always keep doing this mix of different areas," he says.

Inderbethyl says W Capital ticks all its investment criteria. "It will create value for our internal rate of return," he says.

On the part of W Capital, Lee says it aims to be one of the top corporate finance firms in Singapore. He is confident that W Capital can achieve this so as the corporate finance firm has M&A and IPO bankers in the same team, which believes provides a unique advantage over competitors. Moreover, W Capital has "deep" relationships with more than 300 private equity funds, multi-family offices and ultra-high-net-worth individuals.

"Our clients trust us. They know what W Capital is capable of. They always come back to us for more [solutions] to corporate actions, such as [M&A] and fundraising," he tells *The Edge Singapore* in the same interview.

Although the Covid-19 pandemic put many M&A deals on hold last year, things are improving this year in tandem with the economic recovery, Lee says. "So, we are seeing a lot of M&A activities, such as takeovers and trade sales," he says.

Lee also sees opportunities in the IPO space. Like M&A deals, IPOs have also been delayed because of the Covid-19 pandemic. But this year, IPO deals have seen a resurgence. W Capital, he says, has five IPO mandates in the pipeline.

On the other hand, delistings are also an opportunity for W Capital. "Owners of SGX-listed companies, of which their share prices have yet to recover from the impact of Covid-19, may take the opportunity to delist the companies," says Lee.



## Holding on

While Thakral is focused on growing its non-property investments, the company is not paying any less attention to its property investments.

Inderbethyl says the company is still keen to sell its three hotels in Osaka, but at the right price. He recalls that Thakral had received the bids for the hotels in January last year. But when Covid-19 struck in Japan, the bids were put on hold. The hotels also saw a drop in value, he says.

Thankfully, however, the commercial/office buildings picked up the slack, says Inderbethyl. The company's commercial/office buildings have a vacancy rate of below 2%, he says.

For now, Thakral is in no rush to divest of the hotels, he says. One of them has already resumed operations with its existing operator at an occupancy level of 70% to 86%. "These are mostly [domestic] business travellers," he says.

Another one of the hotels will be operated by the Hoshino Group, of which Thakral had signed an agreement with on Feb 21. Although the hotel was supposed to commence operations on April 21, it has yet to do so. Inderbethyl says the company is still discussing with Hoshino about when to commence operations as the room rates are "horrible".

As for the last hotel, Thakral is still deciding on its options. The hotel's lease agreement was terminated in the second half of last year.

In Australia, things are relatively better for Thakral, though it did not translate to higher revenue in FY2020. Notably, GemLife doubled sales of its retirement homes in FY2020 ended Dec 31, beating the company's internal targets.

Inderbethyl says GemLife's higher sales of retirement homes is the result of retirees wanting to live their remaining years in comfort and ease by the unlocking of value of their assets. He notes that the existing homes of retirees are probably worth between A\$900,000 to A\$1 million.

But GemLife's retirement homes cost only about half a million. By selling their existing homes and moving to a GemLife retirement home, retirees can use the extra cash for discretionary spending, such as travel, or for savings.

Nevertheless, revenue from Thakral's businesses in Australia almost halved to \$3.7 million in FY2020 from the year before. Revenue from the company's businesses in China and Singapore also fell 7.7% y-o-y and 56.6% y-o-y, respectively, to \$76.4 million and \$6.2 million. Only revenue from other geographical locations nudged up 2.7% y-o-y to \$3.8 million.

Overall, Thakral's revenue fell 16.5% y-o-y to \$90.1 million and its earnings tumbled 19% y-o-y to \$16.2 million. The company's net asset value, however, grew 12.6% y-o-y to \$1.13.

Shares of Thakral are up 14.7% year-to-date to close at 47.5 cents on June 24. ■