Chief executive officer Inderbethal Singh Thakral says Thakral Corp is very different from what it was 25 years ago as a distributor of electronics goods, before it diversified into property and lifestyle products. PHOTO: THAKRAL CORP

Thakral: Reinventing a Singapore stalwart

From textiles, it has evolved to become an investment firm grounded in real estate

Company Watch

Ven Sreenivasan
Associate Editor
ven@sph.com.sg

Established 115 years ago as a textile trading firm, the Thakral group has been riding the waves of Singapore history.

The company became a distributor of consumer electronics goods in the 1980s – first videocassette recorders, then TVs and eventually cameras – as then chairman Kartar Singh Thakral found the credit period for textiles too long.

But the same tide which lifted Thakral became unpredictable by the late 1990s.

Extreme margin compression in its electronics distribution unit in China amid the 1997 Asian financial crisis, coupled with missteps in foreign exchange markets, almost sank the company by 2000.

This was barely two years after Thakral Corp listed in Singapore. The stock tumbled from its highs at $7 to under a dollar.

As Thakral Corp chief executive Inderbethal Singh Thakral put it, the episode prompted a painful process of soul-searching: "The distribution space, which we dominated at one time, had become crowded and competitive. We needed to evolve."

And evolve it did.

His father Kartar, who joined the company in 1949, relinquished his chairmanship and became executive director in 2012.

Mr Inderbethal, 60, the third son of Mr Kartar, joined as managing director in 2008, then CEO in 2016.

The group diversified into property and lifestyle products, and built up a portfolio of investments.

Today, the electronics distribution business barely accounts for 10 per cent of the topline.

The lion's share of revenue and earnings comes from property development in Australia and Japan, mezzanine financing and a thriving China-based beauty and wellness products business. It also has investments in start-ups and other businesses.

Despite this, the negative impression created by the 1999 debacle is hard to shake off and shows in Thakral Corp stock, which is trading at less than half the NTA per share of $1.15.

Although the stock is up over 20 per cent over the past 12 months, it is still trading at a price-earnings multiple of about five times, despite a strong recovery in revenue and earnings in recent years.

Thakral Corp earnings for the half year to June 30 last year jumped almost 37-fold to $8.95 million from $241,000 the year before, translating into an earnings per share of 6.84 cents, compared with 0.18 cents in the first half of 2020.

Revenue for the first half rose 44 per cent to $61.8 million, thanks to a 54 per cent increase in sales from the lifestyle segment to $49.4 million.

Mr Inderbethal reckons the market does not realise that the Thakral Corp of today is a very different animal from what it was 25 years ago.

He said its best decision was to go into property, starting with Australia: "During our strategic review in 2010, we realised there was potential in the Australian property."

The firm invested A$2.75 million in a partnership in the Melbourne Harbour One project in 2010.

It then set up a 75 per cent-owned unit, Thakral Capital (T-Cap), with Australian investors in 2011 to invest in bigger projects.

A few years later, it started providing mezzanine financing for some of the projects.

As its Australian property portfolio expanded, the firm saw opportunities in the "retirement space".

Together with several Australian partners, the company set up GemLife to build retirement villages in northern New South Wales and Queensland. T-Cap has a 45 per cent stake in GemLife.

Today, GemLife is one of the fastest growing players in the retirement space, with around 25 projects and 6,000 homes under development.

GemLife has sold more than 1,500 homes, with 1,000 now occupied at five sites in Queensland, New South Wales and Victoria. Construction is under way at another six sites.

"We are growing rapidly due to the popularity of these homes among seniors who are downsizing," Mr Inderbethal said.

The business has become a significant contributor to Thakral's earnings, contributing $700,000 in net profit for the half-year.

But the group's foray into property began much earlier, when it started accumulating assets within a 40 sq km area in the central business district of Osaka in 1936.

Today, Thakral's Japanese portfolio comprises six office buildings with a floor area totalling about 430,000 sq ft and three hotels with 336 rooms.

The group's revenue from real estate during the first half of last year rose 14 per cent to $12.4 million.

In China, the company has built up a thriving beauty products business over the past two decades.

Sales of fragrances for the half year to June 30 last year surpassed that for the whole of 2020 by 50 per cent. Mr Inderbethal, who is based in Shanghai, said gross margins for beauty and wellness products can be as high as 40 per cent.

The business is now expanding to India.

About $128 million of Thakral's deployed capital is in Australia, while another $119 million is in Japan and $3 million in China.

Meanwhile, the group has also been investing in various start-ups, especially in the e-commerce and tech sector. Most are stakes of between 5 per cent to 20 per cent, with outlays of under $5 million per year.

It has drawn criticism from market insiders for taking "unmeaningful stakes" in many ventures but Mr Inderbethal sees it differently. "It is not about the stakes we buy, but what we can bring to the table," he said.

"These are investments in companies of the future which provide decent returns of about 15 per cent or more.

"By taking small stakes, we get to see more deals at different levels. The partnerships bring a lot of synergies. We love this space."

One such deal was South-east Asian e-commerce facilitator Intrepid, whose value has risen 75 per cent since Thakral's investment.

"We are not punting. We can do cross deals and see growth," said Mr Inderbethal.

"If we go in late, we are just a small investor. If we go in early, we have a first-mover advantage. The risk in some deals may be higher, but the returns are sweeter."

A younger generation of Thakrals, having graduated from top universities around the world, are now joining the business.

Mr Inderbethal's son, Ashmit, is the finance director of GemLife, while another son, Satbir, is marketing director for lifestyle businesses and oversees the Thakral interest in the blockchain and digital space. Several nephews play key management and board roles.

"Today, Thakral is an investment company grounded in real estate," said Mr Inderbethal. "Our debt-to-equity is under 0.2 and we have been providing 27 per cent return to shareholders over the past five years.

"Our dividend payout works out to about 8 per cent."

The Thakral family controls around 60 per cent, with the rest held by 7,000 or so shareholders.

"We have many small shareholders and we must make money for them," Mr Inderbethal said.

It may be time to re-rate this century-old Singaporean company.

ON TAKING SMALL STAKES

It is not about the stakes we buy, but what we can bring to the table.

MR INDERBETHAL SINGH THAKRAL, Thakral Corp's chief executive.