

# Aspen eyes transfer to Mainboard; to diversify into glove-making

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At 26 years old, Murly Manokharan listened as his friends grumbled about how the world property market, including Malaysia's, was vibrant and moving. "Yet, many middle-income young people couldn't access quality properties, while juggling other aspects of life, like starting a family or getting married," he recalls.

Sufficiently inspired, he ditched his job at Bursa-listed **Ivory Properties Group** — where he claims he was Malaysia's youngest-ever executive director and chief operating officer at just 23 years old — to begin his own venture, **Aspen (Group) Holdings**, with the aim of providing affordable and quality housing to the young and middle-income community.

"Well, I've always wanted to do something on my own. But I never thought that I would do it this fast," says Aspen's founder, president and group CEO in an interview with *The Edge Singapore*.

It wasn't all smooth sailing at the beginning. Manokharan recalls how Aspen's first year "failed miserably, because of the heavy capital tax and regulatory requirements". But he learnt quickly and managed to turn the company around the following year.

At first, his goals were simple, and he was comfortable with just small-scale projects. "But I eventually learnt that I can't do things small. I need to grow big if I want to be more relevant in the industry and make a significant difference as well," says the 34-year-old.

## Focus on trends

At its core, Aspen is a property developer with a focus on Penang. But that is just the beginning, as Manokharan is quick to spot trends and wants to plant Aspen's flag into different sectors and different industries that hold promise for growth.

From just residential projects, Aspen has formed a joint venture with Ikea Southeast Asia to build Aspen Vision City (AVC), a mega-scale mixed development. Spanning over 245 acres (99ha) of prime freehold land in Batu Kawan, Penang, the development will comprise mid- to high-end housing, serviced suites, hotels, offices, medical centres, schools, malls, and much more. AVC will also be home to Penang's first-ever Ikea store.

With already more than RM3 billion (\$980 million) poured into this project by both Aspen and Ikea, this "city in the making" is about 40% completed today. Manokharan intends for the whole project to be completed in the next 10 years.

"AVC started because we wanted to create the best and most affordable dream. We wanted to create a well-connected living area within mainland Penang. Other key considerations for building this is for the future, such as technology advancement, which we have already invested in and considered while building AVC," he explains.

Still sticking to Aspen's core of properties, Manokharan noticed the growing popularity of online shopping and e-commerce a few years ago. He had a feeling that this business segment would take off. Hence, he invested in a RM600 million to develop an acquired industrial site in Shah Alam, Selangor, into a "sustainable integrated logistics and warehousing hub" spanning some 71 acres of built-up area.

Currently, Aspen is finalising a deal for this project with Logos SE Asia, the South-

east Asian arm of South Australian logistics service provider Logos, which also manages Singapore-listed **ARA Logos Logistics Trust**. This development complements the Digital Free Trade Zone, the brainchild of Jack Ma, the founder of **Alibaba Group**.

"Our logistics centre has been extremely in demand today. Even before we built this, the take-up rate was almost full. As far as property is concerned, we want to concentrate on logistics," says Manokharan. "To say that we are completely diversifying is not right. We are still in the property sector, but we are moving towards logistics, warehousing and industrial property, compared to heavily relying on residential and commercial properties."

billion when the subsequent phases are rolled out. Funding, for now, will come from internal resources and borrowings.

"The pandemic has put a lot of our plans on hold. So, we do not foresee any new [property] launches in the next nine months," says Manokharan, who intends to rely on the new glove business to bring in revenue and mitigate any revenue disruptions to his property projects. With this new business, he expects "a significant improvement in revenue from 2021 onwards".

"I also would not be surprised if the glove business becomes a 60% to 70% revenue and profit contributor, compared to property development, about five years from now," he adds.



Manokharan: I need to grow big if I want to be more relevant in the industry and make a significant difference as well

## Joining the glove fray

Aspen has shown the appetite to diversify beyond the property sector — perhaps out of necessity. Earlier this year, as the Covid-19 pandemic raged on, the property market quietened down, as buyers stayed away and launch schedules were postponed. Yet, Malaysia's clutch of glove-makers enjoyed supernormal earnings growth — and Aspen joined the fray, through a joint venture with CMY Capital.

Despite incumbent giants such as **Top Glove** already in the business, the company believes that there is still a global demand for more gloves — and other medical consumables. "The opportunity that Covid-19 has created is in the healthcare sector," says Manokharan.

On Oct 28, the glove-making venture received approval from Malaysia's Ministry of International Trade and Industry to set up a glove-manufacturing plant in Kedah, which is slated for completion next March and with full production to follow in June.

For the plant's initial phase, Aspen, which has a 70% stake in the joint venture, is planning for a production capacity of between 1.6 billion and 1.8 billion pieces a year. The company has plans to steadily scale up to hit between 26.4 billion and 28.1 billion pieces per year come 2025. According to an Oct 14 presentation deck, the plant calls for an initial investment of RM200 million, and up to RM1.5

## Singapore flavour

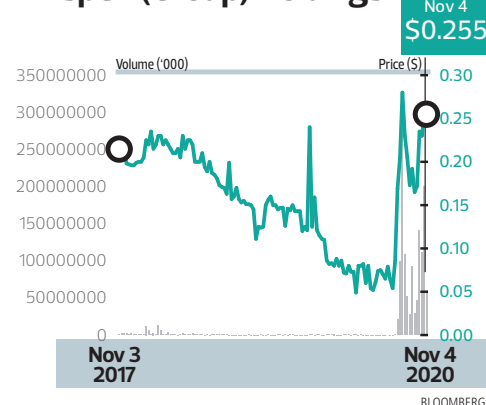
By and large, Aspen is a Malaysian company with its businesses mostly in Malaysia. But it decided to list in Singapore instead of in its home market. "Oh, we tried to list in Bursa, but we had three failed attempts," Manokharan recalls.

"A property company is quite unique because of its capital impact, and a lot of [property] companies do not have positive operating cash flows. And some property companies take a much longer time to execute their projects and secure sales," he explains.

"We have a very unique business model, which the Bursa did not comprehend back then. They did ask us to keep trying, but the growth of the company [would be] in jeopardy if we continued to wait for Bursa. So, we engaged **SGX** [Singapore Exchange], which is much more open. They understand what we want to do and they are happy with our projects, as well as the partnerships we have formed," he adds.

At the time of listing, Aspen did not have a presence in Singapore, neither did it think of bringing its property business here. "That's for the big boys," says Manokharan, without making direct reference to the field here that is dominated by several property giants. One of them is his strategic shareholder, **Oxley Holdings**, which has a 10.3% stake. Oxley is in a joint venture with Aspen in a mixed-use integrated project in Paya Terubong, Penang.

## Aspen (Group) Holdings



In Singapore, he is instead capitalising on the locals' love for food. He has secured the master franchise from famous Japanese ramen brand Kanada-Ya for exclusive rights in Singapore, Malaysia and Thailand. Aspen opened its first Kanada-Ya outlet in Singapore at Paya Lebar Quarter (PLQ) last December; and on Oct 15 this year, the second outlet at Change Alley Mall was ready for business. Two more will follow by the end of the year at Marina Square and Paragon, making a total of four outlets in Singapore. Expansion into Malaysia and Thailand will follow suit, says Manokharan.

## Stock surge

Aspen listed on SGX's Catalist back in July 2017. However, from the IPO price of 23 cents, it went on a gradual downtrend to as low as four cents earlier this year. But news of its planned diversification into glove-making announced in August sent it surging to as high as 28 cents on Aug 28, before closing at 25.5 cents on Nov 4.

Now, with new-found investor interest in the stock, Aspen is trying to hitch on the momentum by applying to transfer its listing to the Mainboard, and by doing so, gain a bigger profile and attract more investors. Manokharan hopes for the transfer to be completed by the end of this year or early next year.

However, one key area that separates Catalist listings from Mainboard ones is that those on the latter need to have an operating track record of at least three years, a market value of at least \$150 million, and be profitable in the latest financial year.

At Nov 4's closing price, Aspen is valued at just over \$250 million, and it has sufficient years in operation too. However, in its latest 1HFY2020 results ended June 2020, Aspen recorded a loss of RM13.8 million, compared to earnings of RM9.2 million in 1HFY2019, as revenue dipped 38% y-o-y to RM108.2 million, mainly due to the deferment of construction for approximately two months for all ongoing projects. This was due to the movement control order imposed by the Malaysian government to contain the spread of Covid-19.

However, Manokharan is not worried. He expects the group to be profitable, overall, for the full year. "This is the first year that we recorded losses in the first half of the financial year, due to the Covid-19 pandemic which brought about a complete halt for revenue and profit. But [as the economy is gradually reopening] we are catching up very fast and we expect to be in the black for FY2020," he says.

"We have never been in the red [for our full financial year] in our entire history, and we manage our cash flow and operating costs very stringently. So, we are intervening and putting a lot of effort to be in the black for FY2020, but to what extent, I cannot give a guidance," adds Manokharan. ■