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Property developer Teladan Setia debuts on ACE Market with 25% premium

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KUALA LUMPUR (March 16): Melaka-based property developer Teladan Setia Group Bhd made a commendable debut on the ACE Market of Bursa Malaysia with a 12 sen or 25% premium over its initial public offering (IPO) price of 48 sen.

The counter, which opened at 60 sen, pared some of the gains to close at 57 sen for a first-day gain of nine sen or 18.75%, with a market capitalisation of RM459.02 million.

Teladan Setia, however, could not match the opening-day performance of two other recent ACE Market listings.

HPP Holdings Bhd, which began trading on Jan 20 as the year's first listing, closed that day at 71 sen for a 97.22% premium over its IPO price of 36 sen.

ACE Market IPOs since August, 2020

Company	Date listed	IPO price (RM)	Closing price on first day of trading (RM)	First day premium/discount (%)	First day premium/discount (RM)
Optimax Holdings	Aug 18, 2020	0.30	0.685	128.33	0.39
Samaiden Group	Oct 15, 2020	0.48	0.805	67.71	0.325
Southern Cable Group	Oct 16, 2020	0.34	0.33	-2.94	-0.01
Aneka Jaringan Holdings	Oct 20, 2020	0.33	0.29	-12.12	-0.04
Econframe	Oct 27, 2020	0.28	0.37	32.14	0.09
HPP Holdings	Jan 20, 2021	0.36	0.71	97.22	0.35
Mobilia Holdings	Feb 23, 2021	0.23	0.555	141.30	0.325
Teladan Setia Group	March 16, 2021	0.48	0.57	18.75	0.09

Source: Bursa Malaysia

Mobilia Holdings Bhd, which was listed on Feb 23, commanded a 55.5 sen or 141.3% opening-day premium over its IPO price of 23 sen.

In terms of trading volume, Teladan Setia was the ninth most actively traded counter on Bursa Malaysia today with 196.8 million shares changing hands.

Opening performances of the past five ACE Market IPOs

Company	Premium at opening (%)	Premium at opening (sen)	Opening price (sen)	IPO price (sen)
Aneka Jaringan Holdings	6	2	35	33
Econframe	23	6.5	34.5	28
HPP Holdings	58	21	57	36
Mobilia Holdings	183	42	65	23
Teladan Setia Group	25	12	60	48

During a virtual press conference following its listing, Teladan Setia managing director Richard Teo said of the IPO's RM77.3 million proceeds, RM35 million will be used for future land bank acquisitions in Melaka.

"The future projects for this land bank will be landed properties. This is because we see that there is still [a] very strong demand for landed properties in Melaka, and we also focus purely on residential property units.

"From this IPO, we are targeting land bank for landed and residential property units," he said.

Citing National Property Information Centre figures, Teo said the property overhang of residential units in Melaka last year was 925 units, compared with the national average of 3,450.

He said the group is planning for its land bank to eventually house affordable residential units priced between RM400,000 and RM500,000 each, noting that this class of properties are the most sellable.

Teo said Teladan Setia's land bank has a gross development value of RM1.6 billion, inclusive of ongoing and future projects. As of September 2020, the group had a property inventory of RM43 million.

Moving forward, Teo believes that the implementation of government stimulus plans, low interest rates and the Home Ownership Campaign will help homebuyers buy their first homes. He said for the Melaka housing market, most buyers are first-time house buyers, a consumer segment the developer is targeting.

Asked if the property developer will expand its operations to other states, Teo said it is still focused on Melaka at the moment.

He, however, noted that Teladan Setia had bought a piece of land in Seri Kembangan, Selangor, opposite the Serdang KTM station, marking its first project outside of Melaka.

This land will be used for a high-rise project, Teo said, while reiterating that its main focus is residential properties in Melaka.

The group will be launching Phase 3B and Phase 4 of its Taman Desa Bertam development, which consists of double-storey semi-detached houses and single-storey cluster houses. It will also be launching its Bertam Heights development, which is next to its Taman Desa Bertam properties. Bertam Heights will be a gated and guarded property development.

In terms of potential margin compression, Teo said the group's gross profit margin for the past three to four years was between 33% and 35%, while its net profit margin stood at 17% to 18%.

“Even last year, during the hardest of times during the pandemic, we still maintained our gross margin of 33% to 35% and PAT (profit after tax) margin of 17% to 18%. We didn’t see margin compression. In fact, if house prices do go on an uptrend, we might enjoy an even healthier margin,” he said.

Teo said Teladan Setia is one of the top three developers in Melaka. Purely based on residential units, it commands a 9% to 10% market share of the property market in the state.