

Property to drive future growth of TSI

SPECIALIST contractor TSI Holdings Sdn Bhd is shifting its core business to a "safer", more lucrative, area of property development.

Its revenue from property business is building up strongly, and by the end of next year, it expects the segment to contribute 40%-50% to group total turnover.

TSI expected property development to drive its future growth, group managing director Lim Seng Kok told *StarBiz*.

The TSI group registered RM200mil in revenue last year, "or RM150mil if contributions of associate companies are excluded."

"We expect to grow by 15%-20% this year, largely from property development," Lim said, adding that with all the projects the group had in the pipeline, growth could only accelerate in the future.

"If you have the landbank and are not over-gearred, property development is pretty safe."

In comparison, TSI would have to keep watch and "be on its toes all the time" if it held on to its traditional core businesses in general and specialist contracting services, he said.

"The margin is not very attractive. It may take profits from 20 projects just to make up for one bad debt. We have done quite well over the years. Our bad debt is less than 1% and does not affect our business. However, we don't really want to have to keep watch all the time," Lim said.

He said TSI had weathered the 1997 crisis, maintaining profitability throughout.

"And because of our financial strength, we were able to accumu-



Lim Seng Kok with some of the company's products

late land banks in good locations, and lay the groundwork for expansion into property development," he said.

The gross development value of the properties TSI had launched to date totalled some RM250mil, Lim said.

TSI, formed in 1987, first ventured into property development in 2000, with a small 158-unit housing project in Kuantan. Since then, its development projects have been concentrated in Kuala Lumpur.

In 2002, it launched Bukit Permai Mas at 9½ mile Jalan Cheras in Kuala Lumpur. The project com-

prises 29 bungalows and 16 three-storey link-houses.

In April 2003, it launched Vila Tropika (a 268-unit mid-cost apartment project) and Vila Shoplex (27 three-storey shoplots) at Jalan Pudu Ulu, Kuala Lumpur. The second and third phases of the two projects were launched recently.

In May 2003, TSI also launched the first block of Queen's Avenue Plaza. The second block was launched on Feb 11. The nine-storey blocks have shoplots on the first three levels and offices on the rest.

"We've sold 85% of the first block

and 40% of the second," Lim said.

In early 2002, TSI took over a half-completed project in the Chow Kit area, Plaza GM. The 20-storey commercial tower cum apartment block was completed in September last year.

Other than Plaza GM and the Kuantan project, all TSI's existing projects are under construction.

Lim said the company planned to complete and hand them over by the middle of next year.

TSI has many new projects earmarked to kick off in the next few months.

These include a RM160mil project comprising 690 apartments and 72 shoplots in the vicinity of Vila Tropika, slated for launch in the second half this year.

Another mixed development, an RM85mil project comprising 474 mid-cost apartments and 29 shoplots along 6th mile Jalan Kepong, would be launched latest by the first quarter in 2005, Lim said.

"In the vicinity of Jalan Kepong, we also have another three acres of industrial land on which we plan to build four-storey light industrial factory units. The project is currently in the planning stage," he added.

Opposite its office in Wisma Denmark, Jalan Ampang, TSI also aims to build two 42-storey towers, one for serviced suites and the other, serviced apartments.

TSI's largest development in the near future will be to develop a 22-acre plot, adjacent to its current Queen's Avenue project, into an integrated residential cum com-

mercial project.

"The gross development value of the entire project, currently in the planning stage, is expected to be about RM1.6bil. Development of the first parcel of land will begin by the second half this year. We'll be cornering off five acres for a street mall," Lim said.

Though TSI has the expertise to take on the construction of its properties itself, it will not.

"We've gone into property development within a short time so we cannot manage all the projects ourselves," Lim said.

He also said TSI preferred its subsidiaries and associates to compete for sub-contracting jobs for competitive reasons.

"If we keep awarding them the projects without having to compete, we risk them becoming incompetent, complacent, and uncompetitive," he added.

Meanwhile, TSI will also focus on exporting its specialised contracting services. Overseas projects have contributed some 10% to total group revenue. To date, the group has completed projects in Indonesia, the Philippines, Singapore, and Abu Dhabi.

"We aim to gain a foothold in Thailand within the next one to two years. We're in discussion with potential partners to form joint ventures," Lim said.

Asked if TSI would consider a listing in the near future, Lim replied in the negative.

"Now that we're in property development, we can very well finance our expansion. We need not go into the capital market to raise funds. Besides, the premium accorded to property developers is not very high," he said.