

Corporate: Axcelasia gunning for Asean growth

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Malaysia-based professional service provider Axcelasia Inc will be utilising its initial public offering (IPO) proceeds of about S\$11.9 million (roughly RM36.5 million) to expand throughout Southeast Asia, capitalising on the Asean Economic Community that allows greater mobility of the labour force and professionals in the region.

The group is optimistic about achieving double-digit annual growth as it seeks to increase its client base in Malaysia as well as at the offices it plans to set up in nine other Asean markets over the next three years, executive chairman Dr Veerinderjeet Singh tells The Edge.

Axcelasia made a profit after tax (PAT) of RM6 million in the first half of its financial year ended Dec 31, 2015 (FY2015) — almost double the RM3.6 million achieved in FY2014. In FY2012, it recorded a PAT of RM500,000 and twice that in FY2013. The group intends to distribute dividends of at least 50% of PAT in FY2016 and FY2017.

“Besides going for organic growth, we will be looking to either acquire well-established practices that meet our standard or form a joint venture with local representatives in each of the Asean markets,” Veerinderjeet says.

The group listed on Singapore’s Catalist board on Nov 27, 2015, placing 35.52 million new shares and 12 million vendor shares at 25 cents each.

Axcelasia is the holding company of Taxand Malaysia Sdn Bhd, Columbus Advisory Sdn Bhd, PTA Corporate Services Sdn Bhd and PTA Global Business Services Sdn Bhd, which specialise in tax advisory, business advisory, enterprise management system and business support services respectively.

Executive director Ranjit Singh says that the group has earmarked 70% of its IPO proceeds for its Asean expansion and divided its growth strategy into three stages. “Besides the Malaysian market, we will tap Singapore, Laos and Indonesia in 2016. Indonesia, especially, is a big market as there is a huge demand for professionals in tax advisory, business consulting and risk management.

“In 2017, we will expand to Thailand, Vietnam and Cambodia while the following year will see us go into Myanmar, Brunei and the Philippines,” he adds.

The group chose to list on Catalist as the Singapore junior board has a track record for encouraging professional service firms to list on it.

“We compared a few countries in Asean before we decided to go for a listing and found Singapore appealing. Catalist is also targeted at small and medium enterprises with high growth capacity while Singapore’s economy in general is mainly based on the service industry. Hence its platform for service-based companies to get listed,” Ranjit explains.

“Furthermore, looking at Singapore as the financial centre of Asean, it is a place where we could tap the capital market and get the funding that we require. Over time, if there are other markets that support professional service firms to be listed, we will consider, especially since we are very large and active in the Malaysian market.”

Tax expert Veerinderjeet says the big leap in Axcelasia’s PAT in 1HFY2015 was due to the added work that came from the implementation of the Goods and Services Tax and related services.

“We saw transfer pricing jobs increasing as well as for our new IT and human resource consulting division. Meanwhile, one area that seems to be picking up momentum is risk management, where there is now a huge

demand to build this practice among organisations. We help them identify and monitor some of the risks and the organisations are not only complying with the regulation but also making it a best practice.”

There is also growing traction in companies outsourcing certain functions, such as internal audit, to be more cost-efficient. This has brought in more jobs for Axcelasia and it will be banking on more companies in the region to evolve this way over the years.

“In Malaysia, there are over 900 listed companies and we found that over 50% of them outsource their internal audit function. We come in to help organisations fill up that role. The willingness to outsource is strong in Malaysia and Singapore. This also depends on the level of corporate governance and economic development in each country,” says Veerinderjeet.

The group’s other executive director, Datuk Peter Tang, is upbeat about the group’s growth as Axcelasia provides personalised professional services to its clients with the executive directors taking the lead on projects from the beginning to the end. He believes that this is the distinguishing factor for all of the company’s subsidiaries.

“We do get invited together with the

other Big Four firms to bid for certain jobs, and very often, we come out at the top. The fact that clients call us up just shows that there is recognition and that they rank us on a par with the Big Four,” Tang observes.

He adds that all three AxcelAsia executive directors were formerly with the Big Four and are familiar with their operations. AxcelAsia has the added advantage of having lower overheads than the Big Four, he says. “Because we are smaller, we have certain advantages such as cost structure and are able to provide better value for our service.”

Furthermore, now that the four different business segments are under one roof, the company can cross-sell its services to potential clients more effectively, Tang points out.

Veerinderjeet is unperturbed by the weakening ringgit, given that the funds raised from AxcelAsia’s listing were in Singapore dollars while transactions in other Asean countries are in US dollars. “We see it [the weakening ringgit] as an opportunity for us to acquire something at a good price in the Malaysian market.”

He notes that the professional service provider will not be completely insulated from a decline in the economy but believes it will not be as deeply affected as those companies that rely on the global market. “The manufacturers, for example, suffer more when there is a downturn in the economy. When China sneezes, everyone catches a cold. Professional services tend not to suffer as much because you still need the services during a downturn.”

Veerinderjeet, Ranjit and Tang together hold about 60% of the company’s shares while three of AxcelAsia’s managing directors hold a combined 10%. Shares to the public make up 30% of the group’s total available equity.

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