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YEARENDER: BRACING FOR GLOBALISATION THROUGH ALLIANCES

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KUALA LUMPUR, Dec 31 (Bernama) -- After almost a decade of sustained strong economic growth and as Malaysia marches towards its 40th year of independence next year, local companies seem to have come of age and their actions somewhat mirror that of humans.

If we could use an analogy, getting "married" seems to be the trend this year. And such arrangements are all to enable the "newly-weds" to become stronger entities in the face of stiffer global challenges.

This new trend promises greater excitement on the corporate scene in the years ahead as corporate marriages or strategic alliances are bound to grow. Through such tie-ups, more are able to spread their wings to face increasing international competition.

The latest example of the corporate marriages was the celebrated proposed merger of DCB Holdings Bhd of Rashid Hussain Bhd and Kwong Yik Bank Bhd of Malayan Banking Bhd.

The proposed multi-billion ringgit deal took place following Bank Negara's constant reminder to local financial institutions to merge. This is to make them stronger and prepare them for a head-on competition with the goliaths of international banking when Malaysia opens up its financial services industry, sooner or later, under the General Agreement of Trade in Services (GATS).

RHB's arrangement with Malayan Banking Bhd which divested its 75 percent stake in Kwong Yik Bank is likely be the vanguard for smaller banks to merge.

Sime Darby Bhd has already indentified Oriental Bank Bhd as the mate for its newly-acquired United Malayan Banking Corporation Bhd (UMBC) or now called Sime Bank Bhd.

There are also talks of a merger of between Pacific Bank Bhd and Singapore-based OCBC Bank Ltd's Malaysian operations and between Bank Islam Malaysia Bhd and Bank Kerjasama Rakyat Malaysia Bhd.

And United Overseas Bank of Singapore has announced that its two Malaysian subsidiaries, United Overseas Bank (M) Bhd and Chung Khiaw Bank (M) Bhd, would also merge.

Besides the banking fraternity, tie-ups are also taking place in the country's telecommunication services industry in the face of high competition and the government's advice to rationalise due to the big number of service providers for a small Malaysian population of 20 million.

Leading this move was giant Telekom Malaysia Bhd which bought MRCB Telecommunications Sdn Bhd, previously the PCN (personal communications network) provider of Malaysian Resources Corporation Bhd (MRCB).

The acquisition strengthened Telekom Malaysia's footing in the cellular phone segment to face spirited challengers like Celcom, Sapura's Adam and Mutiara Telecom.

Binariang Sdn Bhd, a company controlled by tycoon Ananda Krishnan, launched two satellites, unveiled 30-channels of television and radio services and undertook contracts for many fixed lines services -- all in one year.

Ananda might not have been able to propel Binariang to its current standing without the help of US West International, its 20 percent partner, and the backing of the government.

The support given by the government include subscribing through its investment arm, Khazanah Holdings Bhd, a 15 percent equity in Measat

Broadcast Network Systems Sdn Bhd, a Binariang unit involved in providing the television and radio services.

Following the steps of Binariang in attracting telecommunication companies from developed countries to share expertise and transfer technology, Technology Resources Bhd (TRI) and Mutiara Telecommunications Sdn Bhd also found their respective foreign partners.

In TRI's case, its overseas mate was Deutsche Telecom AG which subscribed for 21 percent equity in TRI. For Mutiara Telecom, it was Swiss Telecom PTT which subscribed for a 30 percent equity. The deals for each of such marriages was worth about RM700 million.

Although the trend among telecommunication companies was to have alliances with foreign partners, the Sapura group took the traditional way by merging its PCN provider Sapura Digital Sdn Bhd and pay phone provider Uniphone Sdn Bhd, with Renong group's Time Telecommunications Sdn Bhd which owns state-of-the art fibre optics trunk networks.

The complex deal, worth a cool RM1.2 billion, resulted in the emergence of one of the strongest and largest telecommunications groups in Malaysia having full suite of telecommunication licences.

As Malaysia already allows foreign companies to take up stakes in local telecommunication firms, the country may make an offer to further liberalise its telecommunications industry for the conclusion of the telecommunication agreement mooted by developed countries under the auspices of the World Trade Organisation.

In another utility industry -- power generation -- the picture was not as colourful. In fact, it was rather dark for Tenaga Nasional Bhd following its peninsular-wide blackout in August. But it is beginning to pick up the pieces following the appointment of Datuk Dr Tajuddin Ali as chairman. Tajuddin had steered the then Standards and Industrial Research Institute of Malaysia (Sirim) into a sound corporate entity -- Sirim Bhd.

YTL Corporation Bhd, meanwhile, saw its dream of becoming world's largest power producer being dashed when it had to quash its plan to buy Hong Kong-based Consolidated Electric Power Asia Ltd (Cepa).

"It was a good deal that got away," said Prime Minister Datuk Seri Dr Mahathir Mohamad after Khazanah was criticised for its decision to extend loans amounting to RM2.5 billion to YTL Corporation in the latter's bid to gain control of Cepa.

YTL Corporation, however, went on with its plan to float all its power generation companies worldwide under one holding company, YTL Power International, on the Kuala Lumpur Stock Exchange. The listing is likely to take place next year.

Besides two power plants operating in Malaysia, YTL Corporation plans to build power plants in China and Zimbabwe and join the new breed of locally incorporated companies engaged in aggressive reverse investment after having lots of cash and experience locally -- thanks to the country's strong and sustained economic boom.

YTL Corporation is already listed on the KLSE and has a secondary listing on the Tokyo Stock Exchange.

However, Ekran Bhd was busy at home as the main developer of the RM13.6 billion Bakun hydro-electric dam. The developer awarded the main contract to construct the mammoth dam to a consortium comprising Swedish-Swiss engineering giant Asea Brown Boveri and Companhia Braseileira de Projectos e Obras (CBPO) of Brazil.

Besides the two overseas engineering giants, many local companies were also awarded lucrative jobs, especially those related to Ekran's executive chairman, Tan Sri Ting Pek Khiing.

Next year could see one of Malaysia's biggest flotation exercises,

Bakun Hydro-Electric Corporation Bhd, with an initial public offer of 1.5 billion shares at RM2 each.

In the haulage and shipping sector, Mirzan Mahathir has emerged to become the dominant player through a complex asset shuffling exercise involving Konsortium Perkapalan Bhd, Pacific Basin Bulk Shipping Ltd, DiPerdana Corporation Bhd and their subsidiaries.

Malaysia's automotive czar, Tan Sri Yahaya Ahmad, meanwhile, took a big leap when he acquired the controlling stake in legendary British sports car maker, Lotus Group International.

As for the DRB-Hicom group which he controls, it remained very much involved on the local scene. It launched Kriss -- the 110 cc "national motorcycle" and managed to lift the group's airline, AirAsia Sdn Bhd, off the ground.

This year also saw the rise of entrepreneur Abu Sahid Mohamed when he was entrusted to turn around Perwaja Steel Sdn Bhd which was reported to have accumulated losses of RM2.98 billion.

Abu Sahid's Maju Holdings Sdn Bhd, which now controls 51 percent equity in the government-owned steel company, beat more well-known companies like Renong Bhd, Wing Tiek Holdings Bhd and Lion Group to the job.

Khazanah too is making its mark as a keen investor in many key areas. It is not only actively locally in high tech areas like high-technology industry like wafer fabrication but also overseas like participating in a car-making project in China. -- BERNAMA

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