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PERWAJA STEEL MAY STILL SEE RESCUE DESPITE BIG LOSSES

KUALA LUMPUR, May 22 (Bernama) -- Perwaja Steel Sdn Bhd could still see a rescue despite being saddled with enormous accumulated losses of RM2.98 billion, industry sources said today.

The enormity of the losses would not detract those who can turnaround the company, according to the sources who also held out the possibility of a rescue plan in the form of getting foreign expertise.

Prime minister Datuk Seri Dr Mahathir Mohamad visited a steel facility in Chiba Prefecture during his working visit to Japan. The sources said the comments by the prime minister that the government had failed in the steel project might point towards privatisation of Perwaja Steel.

Privatising Perwaja Steel was one of the options mentioned by Price Waterhouse, the company which prepared the audit report for the government.

The contents of the audit report were released by Deputy Prime Minister Datuk Seri Anwar Ibrahim in Parliament yesterday.

Two other options mentioned in the audit report were to maintain Perwaja's equity and appoint a group of recovery experts to turn around the company for eventual listing on the Kuala Lumpur Stock Exchange; and forming a joint venture with interested parties with strong financial resources and expertise in the steel industry.

Asked whether his visit to Chiba had anything to do with Perwaja Steel's rescue, Dr Mahathir had said it was connected with the overall steel industry in Malaysia.

So far, four local consortia led by Renong Bhd, Maju Group, Lion Group and Wing Tiek Holdings Bhd have submitted their plans to the Economic Planning Unit in the Prime Minister's Department.

Of the four, Lion Group and Wing Tiek are viewed as having considerable experience in the steel industry.

One of the sources said although Perwaja Steel was declared insolvent, it was still operating.

"Somebody must be providing it with funds to stay afloat or else its operations would have grounded to a halt," he said. "Perwaja is either operating on credit or receiving funds from certain sources."

According to Price Waterhouse's report, 78 percent of the group's accumulated losses were caused by financing costs and foreign exchange losses. -- BERNAMA

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