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51pc of Perwaja goes to Maju (HL)

Saiful Azhar Abdullah; Sharanjit Singh

GURUN, Mon. - National steel corporation, Perwaja Steel Sdn Bhd, will be privatised to Maju Holdings Sdn Bhd which will hold a 51 per cent stake, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

The Federal Government will hold 14 per cent equity in the privatised company while the Terengganu State Government will get five per cent. The remaining 30 per cent stake will be offered to the Lion Group.

Dr Mahathir's announcement confirmed expectations that Maju, which is managing Perwaja, would be leading the privatisation of the ailing steel firm.

Speaking after opening Perwaja's beam and section mill, the Prime Minister said the shareholding agreement would be signed soon.

"We have agreed to privatise Perwaja to Maju Holdings which will hold the majority share and we also plan to allow the Lion Group a 30 per cent stake while the remainder will be held by the Government and the Terengganu State Government," said Dr Mahathir.

Asked to elaborate on Lion Group's participation in the privatisation package, Dr Mahathir said the company had never withdrawn and in fact it had expressed interest and was negotiating terms.

"I hope they come in but I'm not too sure... what we are certain of is that Maju Holdings will be holding 51 per cent and will be the majority shareholder," he added.

Asked whether the Lion Group would have any say in the management of the company, the Prime Minister said it was up to the partners to decide.

On the price of Maju Holding's 51 per cent stake in Perwaja, the Prime Minister said it would be announced later.

Asked whether Perwaja had a promising future, Dr Mahathir said: "Perwaja's future is promising because this time we are starting on a clean slate.

"They will not carry the burden of debts that were incurred before. The debts will be taken over by the Government so they start on a clean slate."

On the actual debts to be taken over by the Government, the Prime Minister said the figure was less than RM3 billion.

It was reported last year that an audit conducted by Price Waterhouse found that Perwaja had suffered losses amounting to RM2.985 billion.

The accumulated losses were the result of operational losses amounting to RM607 million (20 per cent), net financial cost of RM1.416 billion (47 per cent), including RM562 million used to service interest on loans taken by Perwaja Terengganu.

There were also foreign exchange losses of RM910 million (31 per cent) largely owing to the appreciation of the yen, and other losses totalling RM52 million.

Perwaja's unaudited accounts as of Dec 31, 1994, showed long-term liabilities of RM6.013 billion and current liabilities of RM926 million, resulting in negative shareholder funds of RM1.884 billion. Its equity against debt ratio is 1:6.9.

Dr Mahathir was also asked whether the Kedah State Government would be given a stake in the privatisation package.

To this, he replied: "Kedah has no money."

Asked what steps should be taken by Perwaja's new management to ensure the problems faced during former managing director Eric Chia's 10-year

tenure did not recur, Dr Mahathir said: "In those days Eric Chia was running the plant for the Government and he was not a shareholder.

"Maju is the majority shareholder, if they want to lose money it is up to them," he said adding that the new operators should also tighten up the management.

Dr Mahathir was also asked what Maju needed to do to reduce Perwaja's losses, the Prime Minister said: "I think Maju is quite convinced they can do something. I don't think they relish the idea of losing RM1 million every three days."

Earlier, in his speech, Dr Mahathir said in most nations, the steel industry would be a yardstick to measure the country's success.

Citing the United States, Japan, South Korea and Germany as examples, he said the steel industry had played a significant role in their development.

"Malaysia must accept this reality and strive to ensure that the industry grows in tandem with the nation's progress," he added.

He said Malaysia should surge a few steps forward by trying to become the region's steel exporter.

Stressing that in order for Malaysia to become a successful industrialised nation, the country must produce steel to cater to the construction industry's demand.

"The steel industry requires huge investments and does not necessarily offer profits in a short period," he said, adding that such difficult times had been experienced by the steel industry in US, Japan and South Korea.

The Prime Minister also called on Perwaja to be proactive with the nation's current tremendous development.

He called on the management to draw out a comprehensive and practical plan to meet the needs of the construction sector.

He said demand for steel had also soared due to the various mega projects including the Kuala Lumpur International Airport in Sepang, Putrajaya, the Multi media Super Corridor and Cyberjaya City.

Dr Mahathir said apart from producing quality steel products, Perwaja should also strive to sustain its production so that the country need not have to rely on foreign supplies.

The Prime Minister also hoped other local steel companies would become more innovative and produce new products to meet the demand of the construction sector.

Dr Mahathir also stressed that the Government would continue to be involved in the industry eventhough it had been criticised for the many problems affecting the industry.

"We will not give in and we will work harder and show greater committment to achieve success in the industry," he added.

The Prime Minister also praised the workers' morale and hoped they could sustain such a respectable commitment.

Perwaja chairman Abu Sahid Mohamed pledged that the company would have a new image.

He said the company had succeeded in proving that the critics were wrong to brand Perwaja a liability to the taxpayers.

Abu Sahid also pledged that Perwaja workers would remain committed to turning the company around.

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