

16/10/1997

Bakun delay dams up cashflow for Ekran

THE government's decision to reschedule the development of the multi-billion ringgit Bakun dam in Sarawak is expected to squeeze cashflows at Ekran Bhd and other companies controlled by its executive chairman, Tan Sri Ting Pek Khiing.

Press reports in early September quoted analysts as saying the Bakun dam project was projected to contribute a quarter of Ekran's earnings in the 1997/98 financial year, but this is no longer likely in view of the government-imposed delay. In addition the floatation of Bakun Hydro-Electric Corporation (BHEC), in which Ekran holds a 32% stake, might be set back for more than a year.

Analysts say Ting had planned to award lucrative sub-contracts from the dam project to Ekran and other companies linked to him including PWE Industries, Pacific Chemicals, Granite Industries and Wembley Industries.

The decision to delay the dam was precipitated by the ongoing currency crisis afflicting South East Asian currencies. To address foreign concern over Malaysia's current account deficit - a key factor in the ringgit's slide - Prime Minister Datuk Seri Dr Mahathir Mohamad announced several import-intensive mega projects, including Bakun dam, will be rescheduled.

A series of problems have plagued Ting in his attempt to build the massive Bakun dam, touted a project of national importance, in the hinterlands of Sarawak.

Early this year a rights issue by Ekran to finance its equity stake in BHEC was severely undersubscribed, a pretty rare occurrence in corporate Malaysia and a major blow to Ting's strategy to finance the project. As the underwriter, he also was forced to raise around RM1 billion to pick up the unsubscribed shares.

More recently a simmering row between Ekran and the project's contractor, a Swiss/Swedish-Brazilian consortium led by Asea Brown Boveri (ABB), over who will be responsible for cost overruns led to Ekran terminating its contract with the consortium.

(END)