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KPB sees another busy year

THE positive macro indications of the economy will augur well for logistics group Konsortium Perkapalan Bhd (KPB). With double-digit growth forecast for the manufacturing sector and higher trade volume expected, the group is looking forward to another busy year for its container haulage operations.

Its group executive chairman, Encik Mirzan Mahathir, said in his latest annual statement that KPB will also benefit directly from the continued investment in road infrastructure and port development since these initiatives affect the utilisation rate of its prime movers and trailers.

In a review of the group's operations, Mirzan said KPB has gained international shipping expertise and the right vessels for its target market with the acquisition of Pacific Basin Bulk Shipping Ltd (PBBS) of Hong Kong.

He says PBBS is ideal for KPB to spread its costs over a larger fleet, acquire additional ship management expertise and supervise new buildings effectively throughout Asia.

Following that, in order to be able to tap the capital market directly, KPB has combined its existing shipping concerns with PBBS to be injected into an existing listed company.

This action culminated in the reverse takeover of Diperdana Corp Bhd by PBBS, which was completed last September. Following this, a restructuring exercise was undertaken whereby Diperdana Corp's haulage operations were sold to KPB while KPB's shipping concerns went to Diperdana Corp.

As a result, Diperdana Corp will become a sea-based logistics group while KPB will concentrate on land-based logistics and related services.

"We anticipate substantial synergies and economies of scale to arise from the acquisition (of Diperdana's haulage operations) which will contribute positively to our shipping operations and future plans," said Mirzan, adding that this will further entrench the group's position as the premier haulier in Malaysia.

On the other hand, the amalgamation of shipping activities under Diperdana Corp will transform the company into a sizeable shipping company in the region and set the stage for further growth.

On a broader perspective, Mirzan said the outlook for most sectors of the shipping market this year should be brighter than last year. All indications are that rates have now bottomed and they are expected to remain firm throughout 1997.

"Despite the cyclical nature of shipping, we are relatively insulated by freight rate fluctuations since most of our ships are tagged to medium- to long-term charter contracts which provides us with the stability of earnings," he said.

He adds that the group is also in the midst of establishing a pre-eminent ship management company which is expected to attract ship management contracts from third parties. Mirzan said that in spite of a hectic corporate diary during the year, KPB's operation units has performed credibly. This is clearly reflected in the group financials for the year ended December 31 1996.

KPB's group turnover increased more than fourfold to RM417.4 million while group pre-tax profit was about three times better at RM74.7 million. The results include the earnings of PBBS for the first time.

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