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Maju Holdings happy to be given controlling stake

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MAJU Holdings Sdn Bhd is happy with Prime Minister Datuk Seri Dr Mahathir Mohamad's confirmation of its 51 per cent controlling stake in national steel company, Perwaja Steel Sdn Bhd.

Managing director Abu Talib Mohamed expressed his gratitude to the Government for having confidence in the company to rescue the ailing steel maker.

Abu Talib, who is also Perwaja chief executive officer, said this when contacted in Kedah yesterday.

However, he declined comment on the award or amount of accumulated debt the Government was taking over as there was no official notification yet from the Economic Planning Unit of the Prime Minister's Department.

In his announcement, Dr Mahathir said the Federal Government would have a 30 per cent stake while the Terengganu Government would hold the rest.

The State Government's stake had been 19 per cent when Perwaja Terengganu Sdn Bhd was set up on April 22, 1982, as a joint venture between Hicom Holdings Bhd (51 per cent) and a Japanese consortium (30 per cent).

Following a restructuring in 1989, soon after Tan Sri Eric Chia was appointed managing director in June 1988, the equity held by Hicom and the Japanese consortium was transferred to the Minister of Finance Incorporated.

Perwaja Terengganu was restructured with all its debts remaining with the company, while its assets and operations were transferred to Perwaja Steel Sdn Bhd. Another company, Perwaja Rolling Mills Sdn Bhd, was also incorporated.

Another question left unanswered is how much Maju Holdings would be paying for its 51 per cent stake in Perwaja.

Dr Mahathir had stated that the Government would take over Perwaja's debts, and added that no more public funds would be pumped into Perwaja.

With many analysts estimating that about RM1 billion would be needed to fully revive Perwaja's operations, it is not clear if this would be in addition to the cash amount Maju Holdings would need to pay for its Perwaja stake.

Also, no clear indication has been given as to how much of Perwaja's debts would be taken over by the Government - perceived to be RM2.985 billion - or how the Government plans to recoup the sum to be absorbed.

Last reported accounts of Perwaja, as announced by Deputy Prime Minister Datuk Seri Anwar Ibrahim showed Perwaja having accumulated losses of RM2.985 billion as at Dec 31, 1995, of which financial cost and foreign exchange fluctuations accounted for 78 per cent.

This was made up of operational losses amounting to RM607 million (20 per cent) and net financial cost of RM1.416 billion (47 per cent), including RM562 million used to service interest on loans taken by Perwaja Terengganu.

Other major factors were foreign exchange losses of RM910 million (31 per cent), largely due to the yen's appreciation and other losses totalling RM52 million.

Anwar had also said Perwaja had expanded its operations by building new facilities worth RM4.812 billion through loans obtained at high interest rates which further burdened the company.

Further, accounts as at Dec 31, 1995 show the long-term liabilities of

Perwaja stood at RM6.013 billion and current liabilities at RM926 million.

The losses resulted in negative shareholder funds of RM1.884 billion, and equity against debt ratio of 1:6.9.

With the New Year's Day announcement, it is clear Lion Group, earlier offered a 30 per cent stake in Perwaja, will not take up the offer.

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