

03/01/1997

Move to assume Perwaja losses seen positive

David Ong-Yeoh

THE decision by the Government to assume the losses of debt-ridden steelmaker Perwaja Steel is seen as a positive development by analysts.

"It will certainly make Perwaja more attractive for any party considering taking up a stake in it," according to one analyst.

Prime Minister Datuk Seri Dr Mahathir had said in Kuala Terengganu on Wednesday that the Government would take over the losses, estimated at some RM2.8 billion.

Dr Mahathir also said the present equity structure with Maju Holdings holding 51 per cent and the Government the remaining 49 per cent will be maintained.

Maju holds 51 per cent of Equal Concept, the consortium set up as Perwaja's interim manager until end of this month. The Lion Group was awarded a 31 per cent equity in the consortium but had subsequently opted out.

Maju group managing director and Perwaja Steel chief executive officer Abu Talib Mohamed said it is the first public announcement of Maju's appointment, although there has been no official notification by the Government.

It is still unclear whether it is Perwaja Steel, Perwaja Terengganu or Equal Concept that Maju will be taking up the 51 per cent stake. This and other details will only emerge when Maju receives the official letter from the Economic Planning Unit.

"Once we have heard officially from the Government about our appointment, we will be in a position to talk about the details of our plans," said Abu Talib in a statement yesterday.

Perwaja was set up as Perwaja Terengganu Sdn Bhd on April 22 1982 as a joint venture between Hicom (51 per cent), a Japanese consortium (30 per cent) and the Terengganu Government (19 per cent).

In 1989, the equity held by Hicom and the Japanese consortium was transferred to the Finance Minister Inc. Perwaja Terengganu was restructured the following year with all its debts remaining with the company, while its assets and operations were transferred to Perwaja Steel Sdn Bhd. As at December 31 1995, the Government's involvement in Perwaja totalled more than RM5 billion.

Analysts also said the Government's decision was to help Perwaja recover faster, reduce interest expense, and allow fresh investors to come in.

Abu Talib said everyone at Perwaja Steel and Maju was "extremely excited by the Prime Minister's statement".

"We are humbled and extremely grateful for the confidence which the Prime Minister and the Government of Malaysia has bestowed upon us.

"All of us are fiercely committed to meeting and exceeding the high expectations which the Government, our customers and the nation have for us," he said.

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