

07/01/1997

Perwaja debts: Funds to be sought (HL)

By Ashraf Abdullah

KUALA LUMPUR, Mon. - Prime Minister Datuk Seri Dr Mahathir Mohamad said today the Government would have to seek sources of funds to pay off debts owed by Perwaja Steel Sdn Bhd.

He said losses suffered by the company might have to be written off.

Dr Mahathir said this was not only to allow Maju Holdings Sdn Bhd, the Bumiputera group now undertaking the rescue and privatisation of Perwaja, to start on a clean slate but also to prevent Perwaja's debts and losses from accumulating.

Speaking to reporters after presenting the 1996 Prime Minister's Quality Awards at the Shangri-La Hotel, Dr Mahathir said:

"The Government has to separate the debts incurred from the start. The Government will take over the debts and losses.

"We will have to find sources of funds to pay off the debts. Of course, the losses may have to be written off. The debts ... we will have to pay. There is no way we can avoid paying debts."

Dr Mahathir was asked how the Government planned to deal with the company's losses and debts.

The Government's involvement in Perwaja totals more than RM5 billion as of Dec 31, 1995. This includes equity injection of RM853 million, advances of RM1.21 billion and guarantees on loans of RM3.187 billion.

Deputy Prime Minister Datuk Seri Anwar Ibrahim told the Dewan Rakyat on May 21 last year that the company had suffered losses totalling RM2.985 billion.

This was 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, foreign exchange losses of RM910 million (31 per cent) largely due to the appreciation of the Yen, and other losses totalling RM52 million.

Anwar had said that this was due to poor management and irregularities in payments and award of contracts as revealed by an audit carried out by Price Waterhouse, an independent audit firm.

Anwar had said that based on Perwaja's unaudited accounts as of Dec 31, 1995, the long-term liabilities of the company stood at RM6.013 billion and current liabilities at RM926 million.

The losses resulted in negative shareholder funds of RM1.884 billion. Its equity against debt ratio was now 1:6.9.

Dr Mahathir, when asked today whether Lion Group, which was originally offered to participate, could still take part, said any company keen on participating in the privatisation of the company was welcome to do so.

"It (Lion Group) can still take part if it wants to. We are open," he said.

He said the Federal Government and the Terengganu Government collectively held 49 per cent of Perwaja and some of the equity could be given to any interested party.

The other 51 per cent is held by Maju Holdings.

On whether Maju Holdings and Lion Group could co-operate, he said:

"What I think does not make any difference. What they (Maju Holdings and Lion Group) think is what matters."

(END)