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PERWAJA STEEL'S PRIVATISATION AGREEMENT TO BE SIGNED SOON

GURUN, May 12 (Bernama)-- Perwaja Steel Sdn Bhd's privatisation agreement will be signed soon, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

It was expected to be signed before the prime minister goes on leave on May 19, said Encik Abu Sahid Mohammed, chairman of the executive committee of Perwaja Steel.

Speaking at a press conference at the launch of Perwaja Steel's beam and section mill and products here, Dr Mahathir said Maju Holdings Sdn Bhd, which has been involved in the rescue of Perwaja Steel since the middle of last year, would hold a 51 percent stake.

The price of Perwaja Steel in the privatisation exercise would be announced at the signing of the agreement, he said.

He also hoped that the Lion Group would take up a 30 percent stake while the Terengganu state government would hold a five percent stake and the balance by the federal government. The Terengganu state government now holds a 19 percent stake in Perwaja Steel.

Dr Mahathir said the Lion Group was still negotiating the terms of the privatisation agreement and had not withdrawn from the privatisation proposal.

He also said that the question of Lion Group being involved in the management would depend on the terms of the agreement.

Following the privatisation agreement, he said Perwaja Steel would start on a clean slate as its debts would be absorbed by the government.

Perwaja Steel had accumulated debts and losses amounting to about RM6.0 billion.

Dr Mahathir said the government's obligation in shouldering the debt would be less than RM3.0 billion, thus contradicting many other reports which claimed that it would be as high as RM10 billion.

Asked on what type of fresh guidelines to be put into Perwaja to ensure that mistakes under the tenure of then managing director Tan Sri Eric Chia would not be repeated, he said the management has been tightened.

He said the difference was that Eric Chia ran Perwaja for the government while Maju would run Perwaja Steel as a shareholder. "If they (Maju) want to lose money, it is up to them," he said.

Asked about what more could Maju do after reducing Perwaja Steel's loss to RM10 million a month from RM40 million per month previously, Dr Mahathir said Maju was convinced it could do something to turn Perwaja Steel around and do not relish losing RM1 million every three days.

Abu Sahid said what Maju would pay for Perwaja Steel's stake would reduce the government's burden.

But the price was yet to be determined and still being negotiated although Maju knew roughly what the terms would be, he said.

On how Perwaja Steel would finance its stake in Perwaja, Abu Sahid said it would come from bank borrowings and some would come from the restructuring of the Maju group which may involve the listing of Maju's subsidiaries.

Maju Holdings could also be listed, he added.

Saying that the group was looking at all possibilities, he said its financial advisers were Deutsche Morgan Greenfell and Banque Nacional de Paris, which had formed a consortium to advise Maju on its restructuring and privatisation projects including Perwaja.

"There are a lot of banks interested to be involved with the group because it has become more exciting now," he added.

Earlier at a ceremony officiating Perwaja's beam and section factory, Abu Sahid said there had been clear evidence of the potential in investing in Perwaja and claims that it would be a burden to the taxpayer could be produly rebutted.

With a capacity of producing 700,000 tonnes a year and product specifications that met the Japanese standards, Perwaja Steel not only could satisfy local demand but also export its beam and section products to neighbouring countries.

He said Perwaja Steel had strengthen its marketing techniques and strategies by creating one special centre to undertake that function.

It was also organising seminars to expand information about this marketing component in order for the construction industry to move forward to exploit not only the advantages of the steel section but also make consumers realise the ability of local manufacturers to compete with foreign manufacturers.

He said the Perwaja Steel complex in Gurun was planned to be an extension to Perwaja Steel complex in Kemaman, Terengganu. It had started with the bar and wire factory, then the manufacture of nails and later moving forward to beams and sections. -- BERNAMA

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