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Konsortium set to maintain profitability after disposal

KONSORTIUM Perkapalan Bhd is confident of maintaining profitability after the completion of the US\$220 million (RM836 million) disposal of its shipping business and assets to Malaysian International Shipping Corporation by the end of the year.

Group executive chairman Mirzan Mahathir yesterday said the disposal was expected to be completed by the end of next month.

Konsortium, said Mirzan, would now focus on creating a more integrated logistics network in the region now that the sale of their shipping fleet had been approved.

The proposed sale of shipping business and assets to MISC was approved at the company's extraordinary meeting in Kuala Lumpur yesterday.

"We now plan to focus on our core competencies, which is the logistics business, handling customer inventory from where the goods are produced to where they will be marketed."

On the company's debt following the disposal, Mirzan said Konsortium would be left with a net debt of between RM100 million and RM120 million, compared with total group borrowings of RM2.63 billion as at July 31, 1998.

He added that the bulk of the proceeds from the sale to MISC would be used to repay US-denominated loans and interest amounting to RM198 million, which would give Konsortium interest savings of RM68.47 million a year.

On its transshipment business, Mirzan said it was expected to start contributing profits in 1999, together with its investment in Nhava Sheva Container Terminal Ltd in Bombay, India.

"We will continue to be profitable."

Konsortium group executive vice-chairman Loo Hoi Keat elaborated that Konsortium's joint-venture in the West Port Distribution Park had signed up with an American customer who would take up 70 per cent of the distribution centre's initial capacity.

"They have moved from Hong Kong to make us their hub for the Asia-Pacific region.

"They will bring in their raw material and we will consolidate, package and distribute it to their manufacturing facilities around the region."

Loo said further details would announced soon.

At the meeting, shareholders also approved Konsortium's share buy-back scheme to be conducted when the `signals' were right.

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