

30/06/1998

KPB to trim debt with shipping interests sale

Desmond Ngiam

KONSORTIUM Perkapalan Bhd will use the expected US\$220 million (RM836 million) proceeds from the sale of its shipping interests to trim its debt significantly and boost its efforts to be a focused logistics provider, its group executive chairman Mirzan Mahathir said yesterday.

If not utilised for debt settlement, the proceeds will be used to beef up Konsortium Perkapalan's working capital to fuel the expansion of its container haulage business and diversification into other activities such as auto logistics and port operations.

Konsortium Perkapalan's sale of its shipping activities and assets to Malaysian International Shipping Corporation Bhd (MISC) will result in a significant change in its mix of businesses next year, with a restructured container haulage division expected to become a main revenue contributor to the group.

Mirzan told reporters this in Petaling Jaya, Selangor after Konsortium Perkapalan's annual meeting.

"We are still excited with the logistics industry as we have the people and the processes to give us a comparative advantage.

"The sale (of shipping interests) will significantly reduce our debt and help us to establish focused divisions in different logistic segments. There is a lot of scope for growth in the logistics industry," he said.

Mirzan said Konsortium Perkapalan would utilise 70 to 80 per cent of the sale proceeds to reduce the company level debt of US\$230 million (RM874 million) to US\$50 million (RM190 million) by year-end.

This would help Konsortium Perkapalan slash its current debt totalling RM2.5 billion to a targeted RM240 million, finance senior vice president Muhammad Fauzi Abdul Ghani added.

The transfer of Konsortium Perkapalan's shipping interests and debts to MISC is expected to be completed by the end of August.

On group operations this year, Mirzan said the company had set aside a capital expenditure of US\$20 million (RM76 million) to "look into post shipping-sale businesses and to put together the container haulage division for better coordination."

Konsortium Perkapalan is still keen to continue investments in its joint-venture port operation project in Mumbai (formerly Bombay) which is expected to commence in the first quarter of next year.

However, the group will be "careful" in carrying out its freight forwarding activities as there have been some problems in collection from smaller customers, Mirzan said.

"We can grow the logistics business despite the economic scenario. Our focus will be to control our inventories and we will also monitor the container trade and volume for the year," he added.

Still weighing whether it is worth taking up the offer to acquire a 35 per cent stake in Transmile Air Services Sdn Bhd for an estimated RM78.75 million, Mirzan said Konsortium Perkapalan will decide once it considers factors such as the group's capacity to invest, cash flow and use of resources.

"We are in line with the strategy to become a full-fledged logistics provider but the manner in which that will be executed is still to be looked at," he added.

Also, Mirzan declined to elaborate on the group's half-year financial performance but said it has remained profitable for the first five months.

(END)