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`KPB will remain in black'

Lokman Mansor

KONSORTIUM Perkapalan Bhd (KPB) expects to maintain profitability after it completes the US\$220 million (US\$1 = RM3.80) disposal of its shipping business and assets to Malaysia International Shipping Corporation (MISC) by the middle of November.

Group executive chairman Mirzan Mahathir said after the disposal, KPB will concentrate on providing more integrated and responsive logistics to meet customer needs.

"We will 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," he said at a press conference after KPB's extraordinary general meeting to approve the disposal in Kuala Lumpur yesterday.

Following the disposal, KPB will be left with net debt of between RM100 million and RM120 million, compared with total group borrowings of RM2.63 billion as at July 31 1998.

The bulk of proceeds from the sale to MISC will be used to repay US denominated loans and interest amounting to RM198 million, which will give KPB interest savings of RM68.47 million a year.

Meanwhile, its transshipment business is 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," Mirzan said.

KPB group executive vice chairman Loo Hoi Keat elaborated that KPB's joint venture in the West Port Distribution Park has signed up with a big American customer that will 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. We will announce details of the deal soon," he said.

Loo said KPB is moving away from managing assets towards managing services. Asset acquisition and expansion will only take place when existing resources are insufficient.

"We will use existing warehouses and go into strategic partnerships with transport companies. After all there is overcapacity now. Of course we will select those that meet our requirements and standards that we have established," he said.

At the EGM, shareholders also approved KPB's share buy-back scheme. Commenting on this, Mirzan said the scheme is only an option and does not mean KPB will buy back its shares anytime soon.

"Share buy-backs are good only when the market takes it positively. It is a signalling device. When a company buys back its shares what does it say? It means that to the company the share prices are cheap. So other investors may also buy the shares at that price or higher. That is the theory.

"But share prices now do not reflect companies' fundamentals. There is no signalling effect from share buy-backs at this point of time. There are many other factors that have more impact on share prices than share buy-backs, so what is the point of using our cash resources to put into equity which everyone now knows is risky," Mirzan added.

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