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MISC to buy KPB assets, companies (HL)

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MALAYSIA International Shipping Corp (MISC) in a surprise move yesterday has struck a deal with Konsortium Perkapalan Bhd (KPB) to purchase from the latter its shipping assets and companies.

Officials from both companies insisted it was a strictly an arms-length business deal subject to due diligence and denied that it was a move to bail out KPB, which is controlled by Encik Mirzan Mahathir.

Mirzan, the executive chairman of KPB, said although it was not an opportune time to sell the companies, his concern was for the long-term interest of KPB.

He said the sale of the capital-intensive shipping business will help improve KPB's capital structure and cash flow as well as help it to concentrate on developing a competitive regional logistics network.

Mirzan said KPB's debt equity ratio which is more than two times currently will be reduced to "virtually zero" after the completion of the transaction.

He added that KPB will be in a position to benefit significantly when the region's economic expansion resumes, resulting in better returns to its shareholders.

Under the memorandum of understanding (MOU) signed by MISC and KPB yesterday, MISC will acquire the entire issued and paid-up capital of Pacific Basin Bulk Shipping Ltd, a wholly-owned subsidiary of KPB.

It will also buy from KPB's wholly-owned subsidiary, PNSL Bhd, a 51 per cent interest each in Asia LNG Transport Sdn Bhd (ALT) and Asia LNG Transport Dua Sdn Bhd (ALT2), two new panamax bulk carriers which are currently under construction and the entire assets of PNSL Bhd comprising nine ships with a combined tonnage of 242,642 deadweight tonnes.

MISC will assume the debts of US\$200 million (US\$1 = RM4.00) from Pacific Basin and US\$100 of ALT and ALT2.

In separate announcements late yesterday, MISC and KPB both said that the consideration to be paid by MISC for its proposed acquisitions shall be based on the adjusted net asset value of the respective companies (including shipping assets as determined by a reputable independent valuer) less liabilities and shall be fully settled in cash by MISC.

KPB and MISC said they hope to sign the sale and purchase agreement upon completion of the due diligence by MISC on or before April 20 this year or at a later date if mutually agreed between the two parties.

Apart from the MOU with KPB, MISC also signed an MOU with Petronas to acquire the entire issued and paid-up capital of Petronas Tankers Sdn Bhd.

The purchase will be via an issue of new MISC shares.

The purchase consideration for Petronas Tankers shall be based on the company's adjusted net asset value to be derived at based on the total adjusted value of assets (including shipping assets as determined by an independent valuer) less liabilities.

Upon completion of the acquisition of Petronas Tankers, Petronas which currently holds a 29.34 per cent stake in MISC is likely to increase its equity to more than 50 per cent in MISC.

Petronas intends to seek a waiver from having to make a mandatory general offer for MISC shares that it does not already own.

MISC chairman Tan Sri Mohd Hassan Marican, who is also the president and chief executive officer of Petronas, described the proposals as a good deal for MISC and denied that it was to help "bail-out" KPB.

Giving the rationale of the proposals, Mohd Hassan said it will transform MISC into the country's leading shipowner and operator.

Central to the Petronas Tanker deal, it will see the consolidation of all LNG tankers currently on charter to Petronas Group under MISC and the consolidation of Petronas's shipping requirements which will result in better coordination of the charter with Petronas Group and operating efficiencies, he added.

As to why the KPB transaction was for cash, he said: "We feel it's better for that deal to be done in cash in order not to upset too much the shareholders' balance in MISC."

Mohd Hassan added that the debt equity ratio of MISC is very low at about 18 per cent.