

Time for Perodua to think big

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THINKING small is the secret of success for Malaysia's second carmaker Perodua when it comes to models, but not when it comes to production.

Analysts say Perusahaan Otomobil Kedua Sdn Bhd (Perodua) has found a niche market in Malaysia with its range of small and fuel-efficient models. The latest, the Kenari (canary) mini-station wagon, was unveiled this month.

They say Perodua could find a regional small car market when tariff walls come down in five years.

However, managing director Abdul Rahman Omar says Perodua must expand domestic production and sales before it can export at a competitive price.

Currently, 99 per cent of its vehicles are sold locally.

Highlighting some of the obstacles, he said Perodua was just six years old and depended on its Japanese partner Daihatsu.

"We do not have enough money (for expansion) and our workforce lack skills," he said, adding that Perodua faced capacity problems with the launch of the Kenari.

Perodua also produces the Kancil, a compact car named after the country's mousedeer; Rusa compact van; and Kembara.

The country's main carmaker Proton controls 65 per cent of the market.

Analysts are generally upbeat about Perodua's prospects, even when Malaysia has to scrap its current high tariffs on foreign cars.

The Asean (Association of South-East Asian Nations) Free Trade Area is due to come into force in 2003.

However, Asean ministers last month agreed to Malaysia's request for a two-year extension of the deadline for tariff cuts on cars.

Abdul Rahman said Perodua was talking to all its shareholders about a public listing to raise funds for expansion, following a decision

by the Securities Commission to relax curbs on chain listings.

He ruled out a listing this year, but said it would happen before tariffs are removed.

Daihatsu Japan owns 20 per cent of Perodua and Daihatsu (Malaysia) Sdn Bhd 5 per cent.

The other shareholders are UMW Corp Sdn Bhd (38 per cent), Med-Bumikar Mara Sdn Bhd (20 per cent), PNB Equity Resource Corp Sdn Bhd (10 per cent) and Mitsui (7 per cent).

UMW Holdings Bhd chairman Rahmat Jamari said last Thursday his group would speed up efforts to list Perodua, following the relaxation in the chain listing rules. He gave no target date.

Encik Reza Mutalib, car analyst at Merrill Lynch, said Perodua has strong links with Daihatsu. Daihatsu's owner Toyota hoped to use these links to boost exports to Asean countries.

"Toyota wants to use Daihatsu and Perodua to produce small cars with the aim to penetrate Asean when tariffs are lifted," Reza said.

He said Perodua's outlook was bright by virtue of its Daihatsu-Toyota connections, but it must cut costs and improve quality.

Abdul Rahman said Daihatsu was "very cooperative" with Perodua in terms of technology transfer, and ruled out any other car alliances.

He said Perodua was mapping out a five-year plan with Daihatsu to strengthen the company for the onset of the Asean Free Trade Area.

"If we are not cautious, we will fall over the cliff. We have to find ways and means to survive," he said.

Mr Loke Chee Kien, car analyst with Sarawak Securities, said Perodua must raise production but has a bright future despite liberalisation.

"Perodua has to increase its skilled labour, raise quality and lower costs," he said. — AFP

IMPORTANT MILESTONES IN THE HISTORY OF PERODUA

- **August 1 1994:** The car plant was officially opened by the Prime Minister Datuk Seri Dr Mahathir Mohamad.
- **August 29 1994:** Official launching of Perodua Kancil by Dr Mahathir.
- **October 28 1995:** Official launching of Kancil ERA by Dr Mahathir at the Langkawi International Motor Show.
- **December 22 1995:** The 50,000th Kancil roll-out was officiated by Dr Mahathir.
- **March 4 1996:** Send-off ceremony for first batch of Kancil to Brunei, Perodua's first export destination.
- **March 6 1996:** Launch of Perodua Rusa 1.3-litre, Malaysia's first multi-utility vehicle.
- **January 7 1997:** The 100,000th Kancil produced from the plant.
- **April 28 1997:** Launch of the new Rusa line. Perodua receives the European Community Whole Vehicle Type Approval (ECWVTA), Certificate and Conformity of Production (COP), Certification from the Vehicle Certification Agency (VCA). UK
- **May 15 1997:** Launch of Perodua Rusa 1.6-litre
- **August 27 1997:** Media preview of the new look Kancil
- **January 20 1998:** Perodua receives the ISO 9002 Certification from the VCA, UK
- **August 24 1996:** Launch of Kembara, the nation's first four-wheel drive vehicle. Launch of Perodua's new corporate logo. Perodua receives the prestigious ISO 9001 certification from the VCA. UK
- **September 22 1999:** The 250,000th Kancil rolls-out of the plant
- **June 14 2000:** Launch of the Kenari

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