

Mahathir wants lenders to forgive part of loans

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By J.S. Dhaliwall

KUALA LUMPUR: Malaysia wants banks to forgive part of the loans owed by ailing companies as the government looks to speed up efforts to pare RM27.84 billion in overdue corporate debt, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

"When things have gone sour, they have to take a haircut," Mahathir told reporters. "Banks take a risk when they lend, and they must accept that when they lend money, they run the risk."

The move may hurt banks, already reeling from a slowing economy that has cut demand for new credit and seen an increase in bad loans.

Net non-performing loans rose to 7.8% of the total at the end of May from 7.4% in April, the sixth straight month of increases.

The economy grew 3.2% in the first quarter from the year-earlier period, about half the pace of the fourth quarter.

Bank Negara will release second-quarter data on Aug 23.

Bank stocks fell after Mahathir's comments. RHB

Capital Bhd, the third-largest lender, fell five sen, or 2% to RM2.47. AMMB Holdings Bhd, the fifth-largest, fell four sen, or 1.1%, to RM3.60.

Affin Holdings Bhd fell four sen, or 2.8%, to RM1.38. Southern Bank Bhd declined seven sen, or 3.1%, to RM2.21.

The country is stepping up efforts to pare debt at companies to free up banks to lend more to spur a slowing economy.

Last month, a state investment arm offered RM3.7 billion to buy United Engineers (Malaysia) Bhd in a bid to wrest control of parent Renong Bhd,

Malaysia's biggest debtor, from tycoon Halim Saad.

The government plans to speed asset sales at Renong to help trim more than RM20 billion of debt.

Mahathir also said the Renong takeover doesn't mean Halim is under "investigation. There are no questions of (him being) a fall guy."

He said it was the government's duty to restructure companies that were poorly managed or those that were unable to turn around after the Asian financial crisis caused the ringgit and stock market to fall.

"We will look at all companies. We have a duty to restructure not because of any individual but for the workers, as these companies are losing money," he added.

Malaysian Airline System Bhd is investigating contracts signed by its former management and plans to expose any improper activity in a bid to help the national carrier cut costs.

The government bought the airline in February from Naluri Bhd, which controlled by businessman Tajudin Ramli, for RM1.79 billion to help stem four years of losses. - Bloomberg