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Perodua equity to remain

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PERODUA will remain a majority Malaysian-owned firm even as it rides piggyback on technical partner Daihatsu in the race to capture a chunk of the soon-to-be liberalised regional automobile market.

Daihatsu will only take majority stakes in two Perodua subsidiaries that manufacture the car and engine, said a source in dispelling earlier talk that Daihatsu will raise its equity in Perodua itself as it moves into the regional market.

A memorandum of understanding is due to be signed next month for Daihatsu to form a new 51:49 joint-venture company with Perodua, the source said.

"The new alliance will subscribe for a controlling 51 per cent equity each in Perodua Manufacturing Sdn Bhd and Perodua Engine Manufacturing Sdn Bhd."

This will further strengthen the arrangement Perodua already has with its technical partner of six years to work together to penetrate the regional market. Already Perodua is churning out cars for the Indonesian market.

Daihatsu, whose majority owner is Toyota, one of the world's largest automobile makers, will maintain its current 25 per cent stake in Perodua, the source said.

The source explained that the fresh developments mean Perodua will remain a Malaysian firm while allowing Daihatsu to have a bigger say in Perodua's manufacturing and product programmes.

Other details such as appointments of the chairman and CEO of the new company have yet to be sorted out, he said.

Official negotiations with Daihatsu started on Feb 1 after the Government had in principle approved in early December the Japanese company's move to enlarge its role in Perodua.

The source disclosed that Perodua group managing director Datuk Abdul Rahman Omar had met Prime Minister Datuk Seri Dr Mahathir Mohamad last Tuesday and obtained his 'final consent'.

Abdul Rahman had said that Daihatsu's participation need not mean a disposal of stakes by existing Perodua shareholders.

Other Perodua shareholders are UMW Corp Sdn Bhd with 38 per cent, MBM Resources Bhd (about 20 per cent), PNB Equity Resources Corp Sdn Bhd (10 per cent) and Japanese trading house Mitsui Ltd (seven per cent).

Daihatsu's current 25 per cent stake includes five per cent held through Daihatsu (Malaysia) Sdn Bhd, and the source said a bigger stake could inject the additional muscle needed to enable Perodua to ride the crest of market liberalisation when a freer regional market under Afta comes into being.

Afta will take effect in 2003 but the local automotive sector has won a reprieve until 2005.

A local analyst said Daihatsu's more active role would give an extra kick to Perodua as it prepares for stiffer competition when tariffs for imported cars and components are pared down all the way to zero, with a ceiling of just five per cent.

She added that it would also boost Perodua's vision of becoming a regional player.

The company targeted Indonesia as its first destination for export of CKD packs of the Kancil, with a local party assembling and subsequently

re-exporting the minicar under a new marque.

Perodua is expanding its manufacturing capacity at its Serendah facility in Selangor from 120,000 to 150,000 units a year.

The company produces a one-litre family multi-use mini wagon Kenari, the Kancil sedan, the four-wheel drive Kembara and the multi-utility van Rusa. It will launch another new one-litre car by the end of August.