

Utama given until end of June to find partner

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THE Utama Banking Group would be given until the end of June to find a merger partner following the failure of its controlling shareholder, Cahya Mata Sarawak Bhd (CMS), to approve the deal to buy a controlling stake in Rashid Hussain Bhd (RHB), Prime Minister Datuk Seri Dr Mahathir Mohamad said.

"Well, we have to deal with the situation because Utama has not qualified to become an anchor bank. It does not have sufficient capital," he told reporters after opening a Puteri Umno community centre in Taman Manja, Petaling Jaya yesterday.

He ruled out the possibility of allowing 11 anchor banks to accommodate Utama Banking Group. "It will be 10 banks, no more."

Earlier, Bank Negara had given CMS and its banking arm, Utama Banking Group, until the end of last week to agree to buy 22.7% in RHB from Malaysian Resources Corp Bhd (MRCB) and 23.9% in RHB from Tan Sri Rashid Hussain. RHB controls RHB Capital Bhd, which in turn owns 70% of RHB

Bank Bhd.

Sources close to the negotiations said the board of Utama Banking Group is agreeable to the terms of the purchase of RHB from MRCB and Rashid. However, the CMS board, which met last Tuesday, was split over the terms.

Utama Banking Group had earlier agreed to buy the MRCB stake in RHB for RM3.80 per share, while it was prepared to buy Rashid's stake at RM6 per share. MRCB subsequently re-entered into discussions with Utama and it is believed that Utama is agreeable to raise the price to RM4.80 for the MRCB stake.

Analysts interpret Dr Mahathir's comments to mean that the government has given the CMS/Utama group more time to explore various options.

They say basically the CMS/Utama group has three options: first, find and join a new anchor bank; and in this context, Alliance Bank has been mentioned as a possible partner; second, raise its paid-up capital to RM2bil from its current RM995mil and lobby for anchor bank status for itself; and if the two scenarios fail, the third option would be to be absorbed by an anchor bank nominat-

ed by Bank Negara.

"The first two options are preferable to Utama. If it's the third option, where Bank Negara were to find another anchor bank for Bank Utama, there will be no serious disagreements over pricing as there is a formula for the valuation of banks in mergers," said an analyst.

The Prime Minister made no mention of the future for RHB Bank.

However, sources said the likely scenario is for RHB shareholders to revive their preliminary discussions with Bumiputra-Commerce Bank Bhd (BCB) on a takeover of RHB.

"Rashid can still negotiate with BCB, in which case he may get a better deal," a source said, noting that his meetings with officials from BCB had been more amicable and less drawn out than his discussions with Utama.

RHB Bank has been linked to a merger with BCB on a few occasions in the past.

"There is an outside chance that RHB Bank can still operate on its own as an anchor bank," said a source, who cautioned that the situation is fluid.