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Back to square one for Utama (HL)

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AMID a torrent of public statements yesterday that pointed to the collapse of a proposed merger between RHB Bank and Utama Bank, the latter's stoic silence proved loud and tantalising.

The suspicion that talks between the two banking groups had been in stalemate for months was confirmed by Prime Minister Datuk Seri Dr Mahathir Mohamad when he said the negotiations had "broken down".

"I don't think RHB will merge with Utama."

As such, Utama Banking Group Bhd must find another partner within six months or have its licence revoked, the Prime Minister added.

He was speaking to reporters after attending the Universiti Kebangsaan Malaysia's Career Day.

Earlier, Tan Sri Abdul Rashid Hussain, chairman of Rashid Hussain Bhd, had said at the sidelines of RHB Investors Conference in Kuala Lumpur that as far as he knew, the negotiations were still "officially on".

Contacted later by Bloomberg News for his comments on Dr Mahathir's statement, Rashid said he was glad and would be writing to Bank Negara for confirmation. (see CORRECTION above)

At the investors conference in the morning, Rashid had told Business Times that "it's business as usual" at RHB bank.

"All I wanted was a decision. I have been consistent in what I say. You can't go on indefinitely like this. Make up your mind whether you want it (merger) or you don't want it. In the end if we can't agree, why waste time," he said.

"We have done our best. The deal I have asked for is fair. There's no reason for us to renegotiate."

Utama Banking Group would have to sell its bank to RHB Capital Bhd in order to raise cash for the deal but shareholders were not happy.

Utama shares lost 6 sen or 3.5 per cent to RM1.64 and parent Cahya Mata Sarawak Bhd 5 sen, or 2.2 per cent, to RM2.18 yesterday.

On the converse, RHB rose 11 sen, or 5.2 per cent, to RM2.23 and RHB Sakura Bhd 8 sen, or 3 per cent, to RM2.68. RHB Capital Bhd dipped a sen to RM2.45.

Investors seem to feel that the merger is better off than on for the RHB Group.

It is believed that the talks had been bogged down by pricing and management issues, but Rashid had said he did not mind letting go of his bank at the right price.

In fact, the two banks had agreed on a price, but approval had yet been received from Utama's major shareholder, Cahya Mata Sarawak, he added.

Past reports had said Rashid was asking for RM6.00 a share, or 42 per cent more than the RM3.80 a share that Utama had agreed to acquire a 22.7 percent stake in RHB Bhd from Malaysian Resources Corp Bhd.

"RHB has basically taken the backseat through all this," said a local investment fund manager.

"I don't think Rashid minds keeping the bank, but he will not mind selling it at a good price too."

Meanwhile, Utama looks to be back at square one, and still the only bank yet to merge with an anchor bank.

In addition, it has just missed the Bank Negara deadline of December 31 2001 to increase its shareholders' capital to RM2 billion. As at the end of the September quarter, it had only RM995 million.

With the collapse of talks with RHB, the bank will have to find a new partner by June, or face the possibility of having to sell its banking arm, something which the shareholders are believed to be contemplating.

Analysts said as far as control is concerned, the bank's strong footing in Sabah and Sarawak will count for something, but not everything.

"Its extensive base in Sarawak and Sabah is attractive but not exclusive. No (partner) bank would be willing to give it control just because of that," an analyst said.

Including RHB, Utama has so far talked with four banks, and each time pricing and management matters were a stumbling block. The other banks that it had discussed a merger with were AMMB Holdings Bhd, EON Bank Bhd and Affin Bank Bhd.

CMS owns 51.7 per cent of Utama while RHB Capital Bhd controls 70 per cent of RHB Bank, which in turn is owned by RHB.

Utama and RHB started their talks April 23 last year.

Rashid, meanwhile, confirmed that if the RHB-Utama merger falls through, the deal between Utama and MRCB for the sale of the 22.7 per cent stake in RHB would be off as well.

Utama had announced on July 24 last year that it was buying the 105.13 million RHB shares for RM399.48 million.