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Move to complete Perwaja takeover

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PERWAJA Steel Sdn Bhd is expected to become a wholly-owned subsidiary of construction group Maju Holdings Sdn Bhd by the end of this month once the Government completes the divestment of its 51 per cent stake in the steelmaker.

An industry source told Business Times that Maju and the Ministry of Finance (MOF) are in the final stage of negotiations to transfer the remaining shares in government hands to the private company.

"They are still holding on to the agreement (between Maju and MOF). Maju will completely take over by the first week of July," the source said.

When asked about Switzerland's willingness to aid the Malaysian Government's investigation into Perwaja funds believed to be deposited in Swiss banks by the previous management, the source said the development will have little impact on the steel company's current operations.

"This is the 'new' Perwaja. It has nothing to do with the old one," he said.

Prime Minister Datuk Seri Dr Mahathir Mohamad said on Monday that the Swiss Government had given its assurance that the probe into the Perwaja funds would not be subject to the nation's secretive banking laws.

Authorities are still investigating the RM10 billion losses Perwaja incurred under former chairman Tan Sri Eric Chia prior to its privatization to Maju.

Maju took over the troubled steel producer in June 1997 when it acquired a 49 per cent stake in Perwaja from the Government.

Maju embarked on a major turnaround plan which involved the re-organisation of Perwaja's operations and the reduction of manpower at its Kemaman and Gurun plants, aimed at halting the company's operating losses and meeting the break-even target of mid-2003.

In February, Maju temporarily closed down the two plants to accommodate a voluntary separation scheme, which saw Perwaja's total headcount halved from around 2,300 personnel previously, as well as to conduct extensive repairs on its steelmaking plants. During the closure, Maju also mothballed part of Perwaja's production line, which includes a direct reduction iron ore reactor, several furnaces and billet-making facility it hopes to reopen should demand for steel pick up later.

With the completion of the internal restructuring, Maju plans to concentrate on manufacturing high-quality engineering steel, which has a ready market in the construction industry.

In earlier interviews, Perwaja's chief executive Datuk Abu Talib Mohamed admitted that the task of turning around the steel giant has not been easy, given the past state of operations and negative reports on the previous management.

"It's like marrying a 'Janda' (divorcee). Even if her children are a nuisance, for better or worse you will have to do your best and accept what comes with the package," he said in March.

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