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Dealers attribute fall in Proton shares to delayed selling

ZURAIMI ABDULLAH

PROTON Holdings Bhd shares closed sharply lower on resuming trade yesterday, after their suspension on March 24 to facilitate the company's reorganisation.

Proton was the day's second top loser, easing 70 sen to close at RM9.15, off its reference price of RM9.85.

The Kuala Lumpur Stock Exchange Composite Index was up 2.85 points to 864.04.

Dealers said the decline was partly due to delayed selling, as Proton's shares were suspended during the market's recent downturn.

Investor sentiments were further dampened by news of a management revamp and the denial by General Motors Corp (GM) that it was in talks to buy a stake in Proton, analysts said.

"The market was excited about the prospects of GM becoming a new foreign shareholder, but this died down with the denial," Commerce Asset Fund Managers Sdn Bhd analyst Nik Hadi Mahmood said.

GM, the world's largest carmaker, clarified on Wednesday that there were ongoing talks between Proton and GM Daewoo in South Korea about possible product and engineering collaboration, and not negotiations about a stake as reported by news wires.

Proton, a new investment firm with four divisions, took over the listing status of Perusahaan Otomobil Nasional Bhd in a one-for-one share swap.

Proton was down 35 sen within 50 minutes of relisting on a volume of 20,500 shares. It closed the day with 695,000 shares changing hands.

Analysts said there is an upside to Proton, provided that the quality of its coming new cars live up to the market's high expectations and the cars are well-received.

"Proton has low valuation, trading at about 25 per cent discount of the sector," said Nik Hadi, who rated the stock a "buy" with a target of RM11.60.

Another analyst said the Gen.2 and two completely new designs Proton plans to introduce this year will trigger a turnaround given that the market has been starved of new models.

Proton, with over RM3 billion in cash, has aggressive plans to compete with others globally.

The plans include putting up to 20 all-new models on the road over the next 10 years.

Nik Hadi has forecast Proton to make a net profit of RM627 million on a turnover of RM7.46 billion for the year ended March 31 2004.

For financial year 2005, the net profit and turnover have been projected at RM976 million and RM8.49 billion respectively.

"We have factored in the contribution from the Gen.2 and cost savings from other new models for our financial year 2005 projection."

The new cars, to be fitted with Proton's own Campro engine at its brand new plant in Tanjung Malim in

Perak, are expected to help cut production cost by 20 to 40 per cent.

Reuters Estimates' poll of 19 brokers has forecast a net profit of RM649.5 million for 2004, considerably lower than the RM1.14 billion Proton made previously.

K&N Kenanga said the foreign participation in Proton is likely to be a long-drawn issue until the Government comes out with a clearer indication

on the Asean Free Trade Area as well as the implications on the car and car parts industries.

K&N is maintaining its "market performer" rating on Proton.

Based on the indication from Proton adviser, former Prime Minister Tun Dr Mahathir Mohamed, the carmaker is unlikely to be sold to a foreign party.

However, Proton is interested in a foreign alliance to assist in engineering and product development.

Dr Mahathir reiterated that the company now needs partnerships, but on its own terms.

"Proton, I think, wants to remain Proton, remain a Malaysian company, but it is not against foreign alliances," he was quoted as saying by Reuters.

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