

16/08/2003

Syed Mokhtar: Uncovering the mystique

Joanna Sze

HIS name carries enough clout to command deep respect, rapt attention and keen interest in corporate Malaysia. Even counters on the Kuala Lumpur Stock Exchange (KLSE) see a surge in trading volume when market talk links him to them.

Not bad when you consider that Tan Sri Syed Mokhtar Al-Bukhary, 52, first made headlines only three years ago with the acquisition of a 19.9% stake in Malaysia Mining Corp Bhd (MMC). Today he controls no less than seven listed companies and is said to be on the prowl for more.

After three decades in business, the low-profile tycoon is likely to emerge from the shadows of his growing empire. While he now shuns the corporate limelight and prefers not to sit on the company boards, this is set to change soon. As he puts it in an exclusive interview with Malaysian Business, 'In the immediate future, I will have to surface.'

Bankers and analysts can now heave a sigh of relief. No more guessing games. No more sifting through records at the Registrar of Companies for private entities bearing the address of a three-storey building in Kuala Lumpur - said to serve as Syed Mokhtar's corporate headquarters - to trace his business concerns.

Syed Mokhtar's emergence will be marked by the restructuring of MMC, in which he currently holds about 40%, as the flagship for his conglomerate which had a combined turnover of RM12 billion last year and collectively employs more than 32,000 people.

Despite his low profile, he has established himself as a shrewd entrepreneur, a hands-on manager and a dreamer of big schemes. The country's seventh richest man with a net worth of RM1.67 billion (based on Malaysian Business' list of 40 richest Malaysians), he has his fingers in many pies, from power-production, ports management, logistics and transportation to hotels, publications, manufacturing and apparel.

As Mohamed Sidek Shaik Osman, chief executive of Syed Mokhtar-controlled Port of Tanjung Pelepas (PTP), puts it, 'Most people only talk about MMC and the port, but there is much more to his business empire.'

But all these didn't come together by happenstance. From way back in the 1970s, Syed Mokhtar has been steadily building up himself and his business the old-fashioned way: through hard work and persistence - and some shrewd networking.

'He has gone through the grind; he was not parachuted in,' says Datuk Seri Megat Najmuddin Khas, who is chairman of Pemas International Holdings Bhd, a Syed Mokhtar company. 'He's been involved in the corporate scene for a long time; it's not something new for him.'

Surrounding himself with an implicitly trusted team of advisers, Syed Mokhtar has two groups of corporate planners working full time to chart and spearhead his acquisitions and management moves, while his professional managers run his business entities, both within and outside the country.

He has made an impact on the stock market. Investors see what he can do, and they like what they see so far. 'The whole (MMC) group is an asset play; the earnings for PTP are not coming in yet,' says Pankaj Kumar, research manager of OSK Securities. 'But investors are banking on his ability to deliver, and they are convinced he can. At the end of it, that's how the market will decide.'

Now, for the very first time, Syed Mokhtar speaks to the local media

(see interview story on page 28), giving an insightful and candid glimpse into the man behind the enigma.

Born in 1951 in Alor Star, Kedah, Syed Mokhtar was third in a family of four boys and three girls. His early life was marked by hardship. His family lived in a small wooden house in Kampung Hutan Keriang, now known as Jalan Sultanah. 'We ate, slept and studied on the floor,' he says. 'The kitchen floor was nothing more than compacted mud.'

His first business exposure was as a young schoolboy - he would sell roti canai and homegrown spinach at the morning market before rushing off to school. By age 15, while studying at the St Michael's Secondary School in Alor Star, he was helping out in his father's business, handling the bookkeeping and transportation details. His father was involved in the textile, and later livestock, trade between Kedah, Kelantan and Southern Thailand.

'I must admit that my schooling suffered, but it gave me the courage to consider business as my calling,' Syed Mokhtar says. 'My focus was more on helping my father sustain our growing family. For that reason, my younger brothers and sisters are better educated. In later years when I was fairly established in business, I could send them for university education.'

What he lacked in formal education, he made up for with his wealth of experience no classroom can teach. When his father retired in the early 1970s, after the foot-and-mouth disease wiped out the family's cattle holdings, Syed Mokhtar took over. This time, he traded in meat instead of livestock, albeit on a more modest scale.

'I made enough money helping my father that when I started my own meat business I had my own motor vehicle, a Honda Cub bearing plate number KH719,' he says. 'It was during this period that I met Syed Razak (Datuk Seri Syed Razak Syed Zain, Menteri Besar of Kedah). He, too, was into the meat business.'

Emboldened by his maiden solo enterprise, Syed Mokhtar diversified into the transportation business, starting with four Class A lorry permits. Today, this same business has more than 40 lorries, which transport rice and sugar out of Kedah and bring back wheat flour and iron ore.

'I am emotionally attached to the business because it gave me my first big break and established me as a businessman in what was essentially a Chinese-dominated field,' says Syed Mokhtar. 'I was happy that I could help create jobs. For every lorry we need three drivers; they need to take turns driving since we go long distances.'

In the mid-1970s, Syed Mokhtar moved into the rice trade with two Chinese partners - Ng Ghiak Gee, a rice trader, and Chua Chong Tan, a rice miller - with himself holding a majority 52% stake. The business was housed in his first shop lot, which he purchased under the Urban Development Authority's (UDA) lease-purchase agreement.

'You could say this was my first corporate deal because I injected my lorries as my contribution to the capital of the new company,' says Syed Mokhtar. 'We called the company Bukhary Sdn Bhd. It was the first time the name Bukhary was used in my business.'

Like many of Syed Mokhtar's other ventures, this was no short-term fling. The business remains to this day, with Ng and Chua's children continuing as business partners. 'We expanded into sugar. We have godowns and other assets. We are doing about RM250 million a year in turnover,' he says.

Syed Mokhtar's oft-touted close ties with Domestic Trade and Consumer Affairs Minister Tan Sri Muhyiddin Yassin can be traced back to this period. At that time, Syed Mokhtar was trying to break into the Chinese-controlled rice wholesale market. He managed to get contracts to supply Felda, Mara (Senama), Pernas Edar and Sergam Sdn Bhd, the trading arm of

the then-Johor State Economic Development Corporation (SEDC). Muhyiddin was its managing director.

'The business relationship with Sergam grew and so did my friendship with Muhyiddin,' says Syed Mokhtar.

Critics have been quick to attribute the businessman's success to his close links with Muhyiddin - who went on to become the Menteri Besar of Johor - especially when Syed Mokhtar built a fortune via land deals and state government-awarded projects. This is a perception Syed Mokhtar seeks to alter.

'As a friend helping another, he gave me opportunities to grow my businesses in Johor. Other businessmen were given opportunities too. Some were very successful,' he says. 'These opportunities were seldom given outright. They were tied to state interests like the Yayasan Pelajaran Johor (Johor Education Foundation) and the Yayasan Islam Johor (Johor Islamic Foundation). But most of these projects did not take off because of the economic slowdown.'

On his links with the Prime Minister, Syed Mokhtar says he did not get to know Datuk Seri Dr Mahathir Mohamad personally until early 1997. 'He gave me an appointment to see him at his office, then in Kuala Lumpur. I had earlier written to him to explain who I was and what I was doing. He heard me out. He was very attentive. I told him what I thought he needed to know about me, from my family background to my Umno membership and my businesses.'

By 1977, Syed Mokhtar had incorporated his first company outside Kedah - Bukhary (KL) Sdn Bhd in Kuala Lumpur - to take advantage of the many government contracts being awarded to Bumiputeras. 'It was then that I started to bid actively for government contracts, mainly to supply the military, as well as travelling around the country to sell rice,' he says. The company obtained the central contract to supply rice, tea, chocolate powder, milk powder and ghee to the government.

Another strategic move for Syed Mokhtar was into manufacturing. When the Defence Ministry called for bids for the supply of military uniform, he put in his and won contracts to supply 120,000 pairs of shoes and 330,000 pairs of camouflage uniforms. He subsequently formed Amtek Shoes Sdn Bhd to manufacture shoes and boots, and Oriental Garments Uniform Division Sdn Bhd, a 70-30 joint venture with Oriental Garment in Seberang Prai, to manufacture the uniforms.

Today, both companies are the core assets of Amtek Holdings Bhd, which was listed on the KLSE Second Board in 1998. Amtek Shoes manufactures military and safety shoes in Port Klang, while the garment operation, now known as Amtek Garments Sdn Bhd, manufactures under licence brands such as Lee Coopers and Lois for the local and export markets.

'I am proud to say that this company was listed as a result of my titik peluh (sweat),' says Syed Mokhtar. 'It was a successful IPO (initial public offering). I used the proceeds to buy into two clothing-related businesses. The first was the rights to Crocodile brand products and the second, Sparks Manshop, both from Chinese owners.'

While things may seem to have been smooth sailing, Syed Mokhtar's high-flying career has had its share of setbacks, too. He lost a lot of money in the mid-Eighties recession. 'I was forced to sell a piece of land I bought (in Alor Star) for less than half the purchase price,' he says. 'I was pretty badly affected. It was a bitter experience, but I survived.'

When the storm blew over, Syed Mokhtar quickly rebuilt and expanded his business. The post-recession period was one of robust growth. He was involved in the listing or Bumiputera restructuring of several companies on the KLSE such as MCL Corp (now Jerasia Capital), Elba Holdings, Padini Holdings, Red Box (M) (now APL Industries), Sriwani Holdings, Pilecon

Engineering, IJM Corporation and Mulpha International.

'You could say that I got my seed money and the courage to go into larger projects as a result of my involvement in the flotation of several public-listed companies,' he says.

When the 1997 regional economic crisis hit, the stakes were much higher. 'Everybody with shares and debts suffered,' he says. 'Before the crash, my shares and assets were worth around RM3 billion. By 1998, they had gone down to around RM600 million. I was in bad shape.'

At that time, he had just begun constructing PTP in Johor and was weighed down by massive US dollar loans. 'People around him were doubtful, saying that this project would wipe him out,' says a close associate. 'But he was determined not to fail, and he was determined to make it happen.'

Syed Mokhtar had no choice but to sell much of his shares to pay creditors, including some RM400 million worth of shares in The Star Publications (M) Bhd. 'But I pleaded with them not to force sell those projects with national and strategic interests such as ports and water supply and those that were important to the Bumiputera policy,' he says. 'They have been extremely helpful. I am grateful to them.'

His survival strategy was to put aside the troubled investments while continuing to nurture the good ones. 'Furthermore, I was quite fortunate in that despite the economic downturn, most of my businesses were in the private sector; I was not totally reliant on government projects,' he says.

As for PTP, what could have become the biggest blotch in his career turned into one of his biggest success stories. Not only was it developed in record time, it was also RM400 million below the original budget of RM2.8 billion, thanks to Khazanah Nasional Bhd, which bought a 40% stake, and falling construction costs. 'With Khazanah putting in RM600 million, we could keep the project going and at the same time draw down our bridging loans,' he says. 'We used the expertise of Johor Port and other companies in our group to build PTP.'

But for all his accomplishments, it was in 2000 when he became the talk of the town - when he acquired a substantial stake in cash-rich MMC from Permodalan Nasional Bhd for RM499 million, outbidding his two nearest competitors by 50 sen and RM1.20 per share respectively.

The deal ensured that those who had not heard of him till then sit up and take notice. Interestingly, at that time, those close to him vehemently denied his involvement in any company linked to MMC. 'He is not involved in any way,' a senior official at the Albukhary Foundation said to Malaysian Business then. 'He is a social worker who is more into Islamic work.'

MMC has since been transformed into a leading power generation concern with the acquisition of a 22.7% stake in Malakoff Bhd for RM744 million from Malaysian Resources Corporation Bhd. In 2001, it went on to acquire 50.1% in PTP, strengthening Syed Mokhtar's control of the company to about 40%.

PTP had, at that time, just made its biggest coup by luring the world's largest container line, Denmark's Maersk Sealand, over from Singapore to take up a 30% stake in the port. The proceeds from the sale to Maersk were used to buy back Khazanah's shares, giving the government's investment body its money back plus a neat RM40 million profit.

'Getting Maersk to shift from Singapore to PTP was a huge challenge,' says Syed Mokhtar. 'It was nearly impossible in the beginning. Singapore put up a tough fight but eventually we won.' Taiwan's Evergreen Marine has also made the shift, making PTP a formidable challenge to its southern neighbour.

All these ventures are not an end in themselves. They are but pieces of

a puzzle, a bigger picture in Syed Mokhtar's grand plans. 'Malakoff and MMC are relevant in the future plans of PTP,' he says. 'We are expanding the port, and we are planning to couple it with the Senai Airport to form a regional sea and air transportation hub, where such activities as repacking and transshipment of goods can take place. We are planning to build a 2,100-MW coal-fired power plant and an oil terminal at Tanjung Bin nearby.'

Syed Mokhtar continues to make headlines with his corporate manoeuvres, and news of him eyeing other concerns - from KTB Bhd to KUB (M) Bhd and more recently, Utusan Melayu (M) Bhd - crop up ever so often, causing more than a ripple of excitement through corporate circles. But certain deals have raised their share of eyebrows. In 2002, he also bought a 32% stake in debt-laden Pernas, a move many considered as foolhardy.

'Many people thought I was crazy; some Chinese friends even considered me as su siau,' he admits. 'I paid RM2.10 per share for the company when the market price was about 70 sen. I am paying RM500 for a company that is RM2.5 billion in debt with losses of between RM500 million and RM600 million. You can say that I am foolish buying Pernas, simply because I have an attachment for the company.'

He says Pernas and Padiberas Nasional Bhd (Bernas), in which he acquired an 18% stake earlier this year, helped him with his business back in the 1970s when they were government agencies. 'I got my rice trading licence from Bernas (then LPN), supplied the commodity to Pernas Edar and followed Pernas trade missions to China,' he says.

Still, he's quick to point out that there's more than sentimentality involved. 'I think I know the businesses of Pernas and Bernas fairly well. Bernas has a very good management team,' he says. 'It is going to be hard work to put Pernas back on its feet. I know we need to have a long-term plan to revive and consolidate Pernas. I'm confident that with sound strategies and management, we can turn the group around.'

Will Syed Mokhtar's corporate coming out change things? Perhaps some of the mystique and intrigue surrounding him may wear off, but one thing is almost certain: the father of two girls and two boys, who is married to Puan Sri Sharifah Zarah, is likely to remain a down-to-earth man with a simple lifestyle.

'He has always been someone who came up from the shop floor, and he has never changed his lifestyle, although he can afford to buy a yacht or a private jet,' says Mohamed Sidek. 'He does not like anything excessive.' Instead, Syed Mokhtar prefers his Proton Perdana and his first Mercedes Benz, long-sleeved batik shirts and teh tarik over luxury cars, lounge suits and fine dining.

Needless to say, it would be even more interesting to see what this entrepreneur extraordinaire will be up to next.

(END)