

## **PKR: 1MDB's purchase of ageing IPPs questionable**

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**By Hafiz Yatim**

PKR has slammed the government's decision to purchase stakes in ageing independent power producers (IPPs) through 1MDB this year as "questionable" and not sensible.

According to the party communications director, Nik Nazmi Nik Ahmad, 1MDB paid RM8.5 billion to buy Tanjung Energy Holdings Sdn Bhd from Ananda Krishnan in March.

NONE1MDB paid another RM2.55 billion to buy Mastika Lagenda Sdn Bhd, that owns a 75 percent stake in the power company Genting Sanyen Power Sdn Bhd, from Genting Bhd.

"The deal resulted in Ananda and Genting walking away and profiting by RM1.9 billion, whereas these are old power plants.

"It would be more profitable for the government to build new power plants on their own rather than paying huge sums to purchase the stakes.

"We question the purchase by 1MDB, whether it is to the benefit of the rakyat or a small segment of the cronies.

"Furthermore, the Energy Commission has announced that the first generation concessions for the IPPs are ending in 2016 and 2017. The Energy Commission announced that any new deals (for a power plant) will be more competitive.

"Hence, the purchase is questionable and does not make sense as Genting has less than three years left until the expiry of its gas purchase agreement with Petronas.

"This is contrary to the commission's statement," he asked.

1MDB is a strategic development company wholly-owned by the government.

Nik Nazmi said if the government waited a little longer, as suggested by the commission, it could have new IPPs bid via an open tender unlike the direct negotiations deal which were done in the past and benefitted these private companies.

Purchased above average than regional IPPs

The PKR communications director said following the questionable purchases, there is wide talk on why this was done, especially as the government ended up paying a lot.

Using Mastika Lagenda as an example, he said the company has a shareholders fund of RM422 million.

"This means the RM2.55 billion paid by 1MDB results in a price-book ratio of about six times. This is above average price book ratios of power (energy) utility stocks in the region.

"Having a car, you would know that the older it gets, it requires maintenance and this Mastika Lagenda plant is 17 years old."

"It would be cheaper to build a brand new plant of the same size than to buy Genting's 17-year-old one," he added.

In comparison to Mastika Lagenda's price-book ratio, Nik Nazmi said in Thailand, the purchase of EGCO was to a book ratio of 1.1, while Glow was 2.7 and the highest in the Philippines was the purchase of Aboitiz, which saw a 3.6 rise in book ratio.

This, he said, makes Mastika's Lagenda's purchase of RM2.55 billion from a book value of RM422 million is six times higher, making it the largest book ratio differential for the purchase of a power company in this region.

"It just does not make sense, and I would want 1MDB to answer this and also on the purchase of Tanjung," he said.

Nik Nazmi said Selangor PKNS has a 25 percent stake in Genting Sangyen and if true 1MDB wants to purchase the whole stake, it should have taken the Selangor PKNS shares also.

"Why purchase Genting's stake but not benefit the Selangor public by purchasing PKNS shares (stake) in Genting Sangyen," he asked.

As with Tanjung Public Limited Company (PLC), he said when Ananda (left) took it private in 2010, the billionaire paid RM8.8 billion for the entire group. Its power business account for 75 per cent of the group's revenue and profits, said Nik Nazmi, adding that this is worth RM6.6 billion of the RM8.5 billion.

"By flipping shares to 1MDB, Ananda has made a profit of RM1.9 billion, similar to that announced by Genting," he said.

Nik Nazmi said he would await the response from 1MDB and was considering lodging a report with the Energy Commission.

In an immediate response, 1MDB's vice-president for corporate affairs, Shahriza Embi, thanked Malaysiakini for the inquiries.

"We regret to inform you that 1MDB does not comment on speculation and market rumours."