

Have BN States Been Forced To Take Up Stakes In FGVH?

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The Prime Minister, Najib Razak has on 31 May 2012 said that Felda Global Venture Holdings' (FGVH) initial public offering (IPO) will turn the "domestic organisation into a global player" at the launch of the company's prospectus.

According to Bernama, the Prime Minister added that "he was also proud as the move at listing has gained extraordinary acceptance and now Felda is facing a new problem - satisfying all parties applying for the FGVH shares."

However, as listed on FGVH's prospectus (pg 32), 5 Barisan Nasional-ruled states - Pahang (5%), Sabah (5%), Perak (0.4%), Terengganu (0.16%) and Negeri Sembilan (0.28%) will be taking up 10.84% of the FGVH's enlarged share capital.

These states have provided "irrevocable undertakings" to subscribe for the IPO shares. Based on the shares available to be subscribed by investors (60% of the total enlarged share capital), the states are actually taking up 18.1% the funds to be raised, worth approximately RM1.8 billion.

If indeed the demand for FGVH shares is so hot as described by the Prime Minister, why is it that these Barisan Nasional (BN) states are being asked or even forced to give "irrevocable undertakings" to acquire such a substantial portion of the IPO shares on offer?

In fact, the acquisition of such a big stake in FGVH by the respective states add little value to the organization as the shares are being sold by Federal Government-owned FELDA, which plans to reduce its stake in FGVH from 100% to 40%. FELDA which is a statutory body already holds in trust the interest of all Malaysians and Malaysian states in FGVH, so why is there a need to ask for money from the Malaysian states which are by far poorer than the Federal Government?

What makes it more perplexing is, the investment by these states is not meant to fund FGVH's future investment and operations by subscribing to new FGVH shares being issued. These states are acquiring their shares directly from FELDA, which means that the RM1.8 billion raised will go to the Federal Government, and not the company!

The question must be asked as to why is the Federal Government or FELDA is such desperate need for funds, firstly to massively sell down its stake in FGVH from 100% to only 40%, and secondly on why such desperation that it must even draw funds from the Malaysian states?

Both the Government and FELDA has not responded to my earlier statement on what is the intended use of the RM5.5 billion that it will raise for itself from the sale of its shares in FGVH. The sheer lack of transparency does not bode well for FELDA or FGVH as surely, the people will be convinced that there is more than it meets the eye.

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