

DRB-Hicom to drive Proton
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By Izwan Idris

PETALING JAYA (Jan 16, 2012): DRB-Hicom Bhd is back in Proton Holdings Bhd, and this time it is taking over the driver's seat.

After weeks of intense speculation, Khazanah Nasional Bhd yesterday announced it will sell its entire 42.74% in Proton to Tan Sri Syed Mokhtar Al-Bukhary's diversified automotive group for RM5.50 a share, or RM1.29 billion.

That will be the state investment arm's single biggest divestment in size to date.

Khazanah said DRB-Hicom will be obliged to extend that offer to other shareholders of Proton. DRB-Hicom may have to fork out at least RM3 billion to acquire all shares in Proton, and inject millions more to kickstart Proton's faltering fortunes.

"The inking of the deal definitely signifies more exciting times ahead for both DRB-Hicom and Proton," DRB-Hicom's group managing director Datuk Seri Mohd Khamil Jamil said in a statement today.

He said the company had put in "much thought to study and analyse" Proton since 2009 to come out with what he called "a practical and executable business plan" that will transcend the entire automotive value chain.

"The utmost priority for DRB-Hicom at this juncture is to put into action and realise the workable business model for Proton," Mohd Khamil said.

This includes "product renewal and enhancement" project as among the major agenda lined up. Talk of DRB-Hicom being the front runner to bag Khazanah's stake in Proton went into overdrive in recent weeks following a ringing endorsement from former prime minister Tun Dr Mahathir Mohamad, who is Proton's adviser.

In a separate statement, Khazanah said DRB-Hicom's proposed strategy and business plan provides an effective platform to enhance Proton's sustainability and meet its long-term growth needs. "It also submitted an offer price that was acceptable to Khazanah," it said.

Trading in securities related to both Proton and DRB-Hicom were halted from trading yesterday to make way for the announcement. Shares in Proton ended last Friday at RM5.18, while DRB-Hicom stood at RM2.17. The counters will resume trading Wednesday.

DRB-Hicom Bhd, under its previous management, had disposed of a 27% stake in Proton to Petronas in 2000 at an estimated RM7 a share to raise cash and build up its fledgling car assembly business.

Petronas later sold the Proton shares to Khazanah, which was building up a significant stake in the carmaker. Some analysts speculated that Khazanah may have paid at least RM8 a piece for the shares in Proton.

"Over the last five years, Khazanah has received numerous proposals regarding its stake in Proton. A number of proposals were received by Khazanah in recent weeks," it said today.

The state investment arm, which had never said it is looking to make a clean exit from Proton, said it had conducted "comprehensive evaluation of proposals received, " before deciding on the winning bidder.

Mohd Khamil, who took over the helm at DRB-Hicom in 2006, is spearheading the group's massive rebuilding exercise.

DRB-Hicom boast solid tie-ups with global carmakers that include Volkswagen and Honda, and the group is now one of the largest defence contractors in the country.

Its operation includes Islamic banking services under Bank Muamalat Malaysia Bhd, property development and waste collection business under Alam Flora Sdn Bhd.

Last year, DRB-Hicom won a bid to acquire Khazanah's 32.2% stake in Pos Malaysia Bhd.

Mohd Khamil said he will provide the strong leadership needed to steer Proton to "greener pastures" and build upon its competitive edge.

"DRB-Hicom will maintain its intention and interest to safeguard the national car company while at the same time encourage, facilitate, grow and enhance Malaysia's national automotive industry, hence making Malaysia a preferred automotive hub capable of rivalling its neighbours," he said.

Meanwhile, Khazanah said the divestment decision was made with the aim of putting government-linked companies (GLCs) on a stronger and more competitive footing and at the same time enhancing private sector participation and building the entrepreneurial capacity of Malaysian businesses in key economic sectors.

Khazanah's managing director Tan Sri Azman Mokhtar said the assessment was based on several key criteria, including financial ability and resources to undertake the acquisition.

The winning bidder must also have the resources to invest further in the business and promote the transformation of the entire Malaysian automotive industry via Proton and its value chain, as well as maintain the operational integrity of Proton and its industry ecosystem.

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