

Sime Darby sells sole M'sian power plant to Malakoff

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Sime Darby Bhd is selling its Malaysian power business under Port Dickson Power Bhd (PDP) to Malakoff Corporation Bhd for RM300 million in cash, said the conglomerate today.

Under the deal, Malakoff through its subsidiary Hypergigantic Sdn Bhd would buy the remaining 75% of DP it does not already own along with the entire equity of Sime Darby Biofuels Sdn Bhd, an operation and maintenance subsidiary of Sime Darby Energy Sdn Bhd (SDE), which in turn is wholly owned by Sime Darby group.

According to the group, the RM300 million price tag was derived on a willing buyer, willing seller basis and includes consideration for the projected cash flows of both PDP and Sime Darby Biofuels. The deal is expected to complete by June 30, 2014.

“The power purchase agreement for PDP expires in 2016. Since we are focusing on our five core businesses, the decision was made not to scale up our investments in the power industry,” said Sime Darby president and group chief executive Mohd Bakke Salleh.

In its statement, the group said the sale is consistent with its long-term strategy to be a leader in its core businesses: plantations, industrial equipment, motors, property and energy and utilities.

“We will use the proceeds to strengthen our existing businesses,” added Mohd Bakke.

Located on a 67-acre site in Tanjung Gemuk, Port Dickson in Negeri Sembilan, PDP operates a gas-fired power plant with a total capacity of 440 megawatts (MW). It is Sime Darby's sole power-generation asset in the country.

The plant operates according to the ‘open cycle gas turbine mode’ and supplies power to Tenaga Nasional Bhd (TNB) for peaking and emergency requirements under a 21-year power purchase agreement that expires in January 2016, said the group.

According to a regulatory filing on Bursa Malaysia, for the financial year ended 30 June 2013 PDP recorded a profit after tax of RM77.3 million whilst its net assets were RM221.5 million.

On the other hand, Sime Darby Biofuels is a dormant company, said the group to Bursa Malaysia today. The operation and maintenance business at present is conducted by a department within SDE. Based on SDE's management accounts as at June 30, 2014, the operation and maintenance business recorded a profit-after-tax of RM6.6 million with net assets also at RM6.6 million.

Sime Darby's decision to sell its Malaysian power assets to Malakoff reflects an assessment of its abilities to make optimal use of opportunities in the sectors in which the group has interests, said Ir Jauhari Hamidi, executive vice president of Sime Darby Energy & Utilities' Non-China Operations.

"The dynamics of the power industry have changed considerably since Sime Darby first made its investments in the sector," said Jauhari. "Having said that, our trading and engineering operations which are present in Malaysia, Singapore and Thailand are building capabilities to capture emerging opportunities in these markets."

"Continuous urbanisation and industrialisation are expected to drive demand for engineering products and services," added Jauhari.

The sale is conditional upon TNB's consent to the change in shareholding.

At 5.00pm, Sime Darby closed 4 sen higher at RM9.30.

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