

Syed Mokhtar cutting losses at Albukhary University?

Kinibiz.com

Apr 18, 2014

By Chan Quan Min

Could Malaysia's seventh richest man, worth billions, be looking to plug a drain on his charitable foundation's finances? If true, it's nothing but a short-term patch job that could cost him his reputation in the long-term. Tiger wades through the thick undergrowth of the corporate jungle to pounce on the answers.

It seems charity is becoming a drag for Syed Mokhtar Albukhary, the wealthy businessman with big cables to the country's top politicians.

While some parts of his business empire appear to be expanding to add assets in national infrastructure and commodities, another is shuttering its doors.

Coincidentally, the unit that is about to be closed down is not one that is known to turn a profit. Instead, it has been a drain on precious resources, or in other words, money.

A point of difference between humans and members of the animal kingdom is the nature of humans to desire a particular object with next to no intrinsic value – money.

Most jungle cats may not bother to play the human game of passing back and forth what are to them worthless shreds of paper but Tiger has long caught on that money equals power and influence.

And one person that seems to have money, power and influence in excess is Malaysia's seventh richest man according to Forbes. Estimates place his net worth at RM10.5 billion but Tiger thinks this may just be the tip of the iceberg.

Syed Mokhtar is extremely media-shy. But over the years he has amassed an incredible list of assets from power plants to seaports to utilities to banks to commodities to automobile assembly and distribution.

The one part of Syed Mokhtar's empire that is not often discussed in corporate circles is his charitable concern, the Albukhary Foundation, which unfortunately has not been getting a whole lot of good press this past week.

An intriguing turn of events in the past months has led to the closure of Albukhary International University, the self-styled 'Humaniversity' in Alor Setar. News reports state the university would be transferring its 600 students, all of them scholars and many of them international students, to other universities beginning this month. At least six of them have a filed legal suit against the university for failing to give notice of closure.

Tiger first caught wind of the “imminent closure” in a report in the News Straits Times, which mentioned staff and lecturers were briefed by management as early as February on the closure.

As is Tiger’s nature, Tiger did some snooping around, calling up the university to chat with the staff. It seems the university has not been emptied out just yet as Tiger’s call was passed around twice. This jungle cat was told the closure was only “temporary” for a round of what appears to be corporate restructuring.

Here comes the million-dollar question. How likely is it that Albukhary Foundation, which funds both Albukhary International University and the Islamic Arts Museum in Kuala Lumpur, is facing financial trouble?

It’s not far fetched. Albukhary International University has in the past relied on donations made from Syed Mokhtar controlled companies Tradewinds (M) Bhd, MMC Corporation Bhd and Bernas (Padiberas Nasional).

In the 2009 financial year, MMC Corp made a RM75 million contribution to Albukhary Foundation, amounting to 11% of pre-tax profit followed by a larger RM100 million donation in the following year at 12% of pre-tax profit. A similar donation of RM20 million was made by Tradewinds in 2009.

At that time, Syed Mokhtar was not the only shareholder of MMC Corp and Tradewinds (delisted September 2013). He continues to own just half of MMC shares.

Minority shareholders were quite understandably incensed at the amount of donations, which made for riotous annual general meetings in 2010 and 2011 for the companies involved. The donations were made without shareholder approval.

The Minority Shareholder Watchdog Group (MSWG) allegedly sent out a letter questioning the RM20 million donation made in 2009 by Tradewinds to Albukhary International University.

A conservative estimate of donations from companies controlled by the tycoon counting only publicly available data from MMC and Tradewinds is RM195 million between 2009 and 2010.

Perhaps owing to shareholder pressure, donations of the same size were not made in later years beginning the 2011 financial year.

Given that it has been a good four years since the bumper crop of donations were made, it would not be a stretch to speculate the university closure had something to do financial troubles.

A June 2010 article in The Edge on the Syed Mokhtar donations quoted an unnamed industry observer as saying, “Giving out to charity or such causes is fine; just ensure the company pays out dividends and then pay it from your own pocket.”

Roar! Whoever you are industry observer; well said. Tiger wonders out loud if a man worth billions could really be so miserly to squeeze donations from companies not entirely his own. All this to save himself reaching into his own pockets for donations to a charitable foundation in his own name.

Sure, Syed Mokhtar may have saved on corporate taxes by making the donations straight out of companies under his control but this would have been at the detriment of shareholder return.

Tiger may not have Syed Mokhtar's stature in the corporate world but he is not afraid of dishing out advice to the billionaire:

Cutting losses, of the monetary variety, by closing a university may seem like good business sense to a shrewd investor but in the long-run such action could make a bigger dent in his reputation.

Recalling an article published by KiniBiz last year, as part of a series on Syed Mokhtar's business holdings, Tiger is reminded how, like the proverbial house of cards, the Syed Mokhtar empire could present a systemic risk to the country's financial system, to the tune of RM28 billion in debt liabilities.

Controversially, what can be termed 'national assets' has in recent years come into his fold. They include the country's largest container seaport terminals the Port of Tanjung Pelepas (PTP) and Penang Port. They also include utilities such as Gas Malaysia and Pos Malaysia. Syed Mokhtar also has a tight grip on basic commodities via monopoly rice importer Bernas (Padiberas Nasional) and sugar processor/trader CSR (Central Sugar Refinery). And let's not forget that Syed Mokhtar also owns Proton, the national carmaker though his majority stake in DRB-Hicom.

Syed Mokhtar's next target is one that is sure to cause a stink. The rags-to-riches businessman is reportedly in advanced negotiations with the government to privatise Indah Water, the nation's sewerage services operator.

Look at it this way, in a game of Monopoly, Syed Mokhtar is probably that pesky player that owns all the utility tiles, collecting 'rent' each and every time another player passes. And its double rent mind you, because he had all the luck to buy up both tiles.

He should also have a fair few property tiles in Monopoly; after all he doesn't just own utilities in real life. Syed Mokhtar is a pretty significant property player.

Land to any savvy businessman is collateral. And collateral can get you what exactly? Cash. To cut it short, you can pledge idle parcels of land to any bank for ringgit, and lots of it. Ah, the wonders of leverage.

Land bank was named as a reason for Syed Mokhtar agreeing to absorb Proton two years back for of the company's sizable patch of dirt in Shah Alam. Tiger seriously doubts anyone would want Proton – which has seen its market share shrivel up to less than Perodua's share – for its manufacturing business.

There are constant rumours Syed Mokhtar will snap up railroads next, among a slew of assets in his sights. Again a common pattern emerges, the national rail company KTM (Keretapi Tanah Melayu) may be bleeding red ink but it also has huge parcels of land in prime locations.

GRRRRR!

Copyright © 1999-2012 Mkini Dotcom Sdn. Bhd

Source: <http://www.kinibiz.com/story/tigertalk/82042/syed-mokhtar-cutting-losses-at-albukhary-university.html>