

## **1MDB's Lodin spews misinformation again**

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**If there is one thing that 1Malaysia Development Bhd or 1MDB needs to be praised for it is tenacity — tenacity in spewing out the same, trite replies to questions over and over again. They don't seem to realise that the public has wised up already.**

Really, 1MDB chairman Lodin Wok Kamaruddin, as a long time corporate chieftain, should know better than to ascribe the company's cash flow problems to the postponement of the listing of its energy assets.

He said other things besides but this stands out in what he said to the Business Times, the business section of the New Straits Times. And despite what he maintains, 1MDB is not a case of the public perceiving it wrongly — the fact is that 1MDB has done many things wrongly as we shall show.

This is not the first time Lodin is spewing out misinformation. We took issue with another instance [here](#).

Let's look in detail at [what he said](#) this time. He said that if 1MDB had been successful in listing its energy assets in 2014, things would have turned out differently for the strategic development fund — “had the initial public offering gone ahead, it would have strengthened 1MDB's cash flow.”

Lodin said that listing Edra Energy Global Bhd on Bursa Malaysia remains on the agenda for 1MDB, in order to raise cash for expansion and reduce its borrowings. He said it aims to raise about RM11 billion from the IPO.

Let's remember that 1MDB had RM42 billion in borrowings as at end March 2014. According to its own statement just last week, it paid RM12 billion for the power assets which had their own debt of RM6 billion. Knocking RM12 billion off the debt, 1MDB still has RM30 billion to play around with.

Surely if it has invested the remainder money properly it would have had plenty of cash flow left because property involves long-gestation projects that require little money to be invested now. So the cash flow problem can only be due to mismanagement, or worse, fraud, by 1MDB

By almost all accounts 1MDB overpaid for these energy assets, some of which were expiring pretty soon. The amount overpaid could be as high as RM3 billion on RM12 billion worth of assets. In the accounts for the year ended March 31, 2014, an amount for impairment loss of RM1.2 billion had already been made on these assets.

Under such circumstances it is extremely doubtful that the listing of the power assets would have gained 1MDB the RM11 billion anticipated from the IPO. Even if it sold all of 1MDB it probably will not be able to obtain RM11 billion at this point of time when the whole world knows that 1MDB is in dire need of cash despite borrowing RM42 billion and showing only RM12 billion in hard assets besides property. In any case the property was acquired cheaply from the government.

Lodin goes on to say that the listing was postponed because the group “wanted to obtain Track 3B (a 2,000 MW coal-fired power plant project) and all the necessary approvals for the listing. The timing was also not right to launch the IPO because of weak market sentiment and the volatile stock market.”

But 1MDB could not proceed with Track 3B for various reasons, including the inability to raise money, with the project now in limbo and Tenaga Nasional contemplating its takeover.

Lodin said the fund’s plans had always been to venture into property development and energy generation from the start. He said “1MDB is basically involved in long-term investments. With the little money we had as paid-up capital totalling RM1 million when we started in 2009, we had to borrow from banks to build the business in Malaysia and overseas.”

Well, with the little money that it had, 1MDB borrowed lots of money without even considering how it is going to repay interest let alone the principal. The rate at which borrowings rose was obscenely high especially since 1MDB had no clear explanation at all for what was being done with the money and the expected returns.

The only hard assets besides property was in energy and for this it paid RM12 billion. Property assets don’t need much cash right now, so what was the necessity to borrow a further RM30 billion on top of the RM42 billion? In what assets has 1MDB invested this money to give a decent return over the cost of its borrowings?

Lodin said he regretted there was a wrong perception of 1MDB and that people are not seeing the true value of 1MDB.

He said “I am sorry that there is a wrong perception of 1MDB. People do not see the true value of 1MDB and how we have invested. 1MDB, through Edra, has 15 independent power producers (IPP) in Malaysia, Pakistan, Egypt and Bangladesh with a collective 5,500 MW capacity. Compared with Malakoff Corp which only has 5,300 MW capacity, we are bigger.”

Sure, but Malakoff has a market value of only RM9.3 billion for just 200 MW less in generating capacity. Even if we put the potential market value of 1MDB at RM10 billion, if 1MDB cuts its stake down to 50% as a result of the IPO, it would have just raised RM5 billion.

But given the substantial mistrust of anything to do with 1MDB and its poor, well-deserved reputation, its IPO is not likely to be well received at all. And remember too that Malakoff’s power generation is all in Malaysia under lucrative, iron-clad contracts. That may not be so for 1MDB’s energy assets.

If the entire IPO is valued at RM8 billion instead, the write-down in assets under the new valuation will be a massive RM4 billion from the RM12 billion acquisition price. Perhaps that’s the main reason why 1MDB postponed its IPO. How do you float a successful IPO when you have an albatross already hanging around your neck, weighing you down.

Further, Lodin will do well to explain what was so strategic (1MDB is a self-styled strategic development company which aims to bring strategic investments into the country) about buying over Malaysian-owned energy assets and then putting them back into the market via an IPO.

Sorry, Tan Sri Lodin, you have got it all wrong. It is not a matter of perception — 1MDB has borrowed too much money and it can’t even explain where a huge proportion of them are. At least RM15.4 billion are not even properly accounted for and the financing costs of RM5.4 billion to date are beginning to hurt real bad.

And all of this happened during your watch, Tan Sri Lodin. Instead of spewing out half-truths about 1MDB and dismissing one of Malaysia’s largest scandals as one of wrong perception, you should be spending your time putting 1MDB in order.

You can start by answering just two simple questions. Why did 1MDB need to borrow RM42 billion when eventual hard assets acquired amounted to just RM12 billion?

Where exactly, and we mean exactly, and in what form exactly are all the assets of 1MDB?

If you can't answer these questions you should step down from 1MDB and let someone else take over who can give us some real answers. But remember that does not absolve you or any other member of the 1MDB board from responsibility for the utterly shameful and possibly fraudulent dealings at 1MDB.

It's time to change, the public has long ago wised up to 1MDB's antics.

GRRRRR!!!

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