

DRB-Hicom, Geely deal sign of commitment to Proton turnaround
Free Malaysia Today
May 25, 2017

International Trade and Industry Minister Mustapa Mohamed says Geely's proven track record will help boost Proton's sales performance and bottom-line.

KUALA LUMPUR: The decision made by DRB-Hicom Bhd to partner with Zhejiang Geely Holding Group Co Ltd indicates the strong commitment from Proton Holdings Bhd towards its turnaround plan and to meet the conditions of the RM1.5 billion soft loan approved by the government in April last year.

Yesterday, DRB-Hicom reached an agreement to sell a 49.9% stake in loss-making Proton to the Chinese automotive company and as part of the deal, Geely would also acquire a 51% stake in British automaker Lotus from Proton for £51 million (RM283 million).

International Trade and Industry Minister Mustapa Mohamed said with Geely's proven track record, the group would be able to provide a lot of boost to Proton's sales performance and bottom-line.

"The partnership with Geely will mark the beginning of a new era for Proton. It is still a long road ahead but I believe this is a step in the right direction.

"Last year Proton introduced four new models, and we hope to see continuous improvement in its models as a result of the facilitation to be provided by Geely," he said in a statement in response to the partnership.

Geely, one of the top Chinese automotive companies, saw its sales in China grow 50% last year to 766,000 vehicles. Its acquisition of Volvo in 2010 has been a success with Volvo recording sales of 540,000 vehicles last year, an increase of over 200,000 units sold in 2009 prior to the acquisition.

At the same time, Mustapa hoped the deal would enable Proton to have access to the vast China market, besides other right-hand drive markets in Southeast Asia. He also hoped the move will allow Proton to tap into Geely's technology as well as research and development facilities, including a range of platforms and powertrains.

"More importantly, it could also fully realise the potential of Proton's production plants in Tanjung Malim and Shah Alam which have a combined capacity of 380,000 units. In the last few years, Proton has only been operating at 40% of its full capacity," he said.

Mustapa said since the introduction of the National Automotive Policy in 2006, his ministry had been working hard with all car manufacturers, including Proton to increase car exports to the region and the world.

“Our car export performance has been dismal, with only 33,438 units in total exported last year. Proton exported 301 units last year, while in the past, it used to export around 20,000 units annually.

“With this partnership, it is hoped Proton’s exports will pick up once again and allow it to achieve economies of scale,” Mustapa said.

As for the acquisition of Lotus by Geely, Mustapa hoped it would enhance the British sports car maker’s fortunes globally.

“The total exit of Lotus from Proton would also remove one of the main challenges facing Proton in about a decade. Lotus, which was bought over by Proton in 1996, has been struggling financially,” he said.

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Source: <http://www.freemalaysiatoday.com/category/nation/2017/05/25/dr-b-hicom-geely-deal-sign-of-commitment-to-proton-turnaround/>