

# The sky's the Limit

**Malaysian Business' interview with UEM World's Datuk Ahmad Pardas Senin reveals a leader brimming with optimism.**

■ By Norsiah Nurani



**I**T would be almost two years this month since Datuk Ahmad Pardas Senin, 54, took over the helm of UEM World when he was appointed as MD and CEO on July 1, 2004.

To lead such a diverse organisation – and one that had just completed its comprehensive restructuring exercise – is never an easy task.

But then again, Ahmad Pardas is no stranger to the company's business operations, having served in various capacities in the United Engineers (Malaysia) group (UEM) over the past 14 years. UEM is the major shareholder of UEM World.

Prior to his current position, the chartered accountant was seconded to SilTerra Malaysia Sdn Bhd as its executive director. He remains as a non-executive director of the wafer foundry group, a subsidiary of Khazanah Nasional Bhd, which in turn is the ultimate holding company of UEM.

Before joining the UEM group, Ahmad Pardas had a 17-year stint with the British-American Tobacco group, including a three-year spell at its holding company in London.

Since its listing in November 2003, UEM World has been lying low as far as its group corporate developments are concerned, albeit with sporadic news on its listed subsidiaries.

It sprang a surprise in April by holding a briefing themed 'Positioned for Growth' that saw resounding response from both analysts and the media. Giving an insight into UEM World's plans for growth and value creation, Ahmad Pardas indicated that the worst was over for the group and that profitability was on the horizon.

Being a GLC (government-linked company), the group embraces the key objectives of the GLC transformation and has put forth a five-point value creation strategy: productivity of resources, expansion and growth of the business, people and organisational development, systems and process improvement,

and image and perception improvement.

UEM World suffered a group net loss of RM103 million for the financial year ended Dec 31, 2005, mainly due to provisions made for foreseeable overseas project losses at its 51.7% owned subsidiary UEM Builders, which had been its major income generator in the past.

The construction and engineering arm made provisions of RM285 million for FY05, which drove it into the red with a net loss of RM259.3 million. The provision was for the escalating cost of building materials for the Salwa International Highway project in Qatar.

Ahmad Pardas also expressed optimism that the group would be comfortable in meeting its headline KPIs (key performance indicators) for this year, with a revenue growth of 36% and return on equity of 12%. 'No provisioning will be made this year and we will be profitable (this year),' he said at the briefing.

Ahmad Pardas will have to be ready with answers when he faces UEM World's shareholders later this month.

*Malaysian Business* caught up with Ahmad Pardas on the sidelines of the Opus International Group Plc annual general meeting in mid-May. Following are excerpts from the interview:

**It's been almost two years since you've taken over the helm of UEM World from Datuk Abdul Wahid Omar. How has it been?**

I have always believed that this group was underperforming and undervalued for the past few years and that the market capitalisation does not reflect its assets and potential.

Today, based on the results that we have shown, the market and analysts are beginning to change their opinion on UEM World. This group is unique in that we have an assembly of diverse businesses and if all the people we have are able to manage the operations well, they'll produce.

**It is heard the group has been planning a rebranding exercise. Is there a need for rebranding considering that the group undertook one some years ago?**

We're not ready. As an agenda it's still on, but it's not a priority. It's one of those options we are looking at but we may not even do it. We are considering it. When we launched the five-point focus as our strategy, you'll see that the fifth focus is on image and perception. We'll possibly look at rebranding if necessary.

**So, what is your immediate priority?**

Growing the business, that's what we've been doing since last year. In fact, in our five-point focus strategy, the first is productivity of resources and second, to grow the business.

To do that, we need to improve our systems. From late 2004, I've been saying that we need to formulate the strategy and carry on with it. That kind of implementation can't be done overnight – we have to get the right people.

Thank god, with the effort put in, in late 2004/05, and supported by the board, we have seen the results today. Our main asset is the land in Nusajaya.

**The group has put in place a well-thought-out business plan to reposition itself for growth. However, analysts are of the view it may encounter problems in execution. What are your comments?**

Just like baking a cake, you have the recipe, oven, etc, but the proof of the pudding is in the eating. So, that's a fair comment. But last year, we purposely didn't want to say too much to the market because you can easily say, 'You have a nice, beautiful plan but are you up to it?' That's why this year we wanted to do the briefing. If you still have questions, just go and see our projects.

**So, you chose to keep quiet?**

Yes, it's part of my strategy. I had two strategies last year. One was to just say enough, to just give the market some indication of where we were heading. Secondly, I wanted our companies, our managing directors, to be talking more to the market. So, last year you saw Noorizah (Noorizah Hamid, managing director of Faber Group) come out to speak.

They are the people who are running the respective businesses. They should be engaging with the analysts and media more. They have a story to tell too. They are all expanding the businesses. UEM World is a composition of all the businesses. For the group to grow, our units have to grow.

**Can we expect to see further rationalisation within the group to enhance its resources? With the rise in the share prices of UEM World and UEM Builders recently, the market speculated that the group may consider taking some of its units private or even sell them.**

We don't do it for the sake of doing it. If we go back to our five-point strategy, at number three is people and organisational development. That includes rationalisation of operations. If

we have three or four companies doing the same businesses, we'll try to ensure they work together. If need be, if the shareholdings need to be rationalised, we'll do it. But we'll do it for a strategic reason and not for the purpose of creating excitement.

**So you don't have plans to take any of the units private?**

It's an ongoing thing. Whenever there's duplication in operations, for example, if there are five people doing the same business, it's ideal to bring them together.

**What assurance can you give that the financial problems/provisioning at UEM Builders will not recur?**

To give a 100% guarantee, well, I cannot do that. But you can see what we are doing today at UEM Builders. Firstly we put in a new management headed by Ridza Abdoh Salleh. Also, we have not taken any new offshore business. What we have today are the same ones we had last year, such as the Salwa Expressway in Qatar.

UEM group took a very, very conservative and prudent stance by estimating the worst-case scenario and putting all the provisioning last year. This year, if we are successful, we could even make some recovery from the provisioning, depending on the projects.

Physically, the Salwa project is progressing well. Now we have an existing order book of over RM3 billion – we're doing the PLUS lane-widening which is very different from offshore projects. The KTM double-tracking project is moving very smoothly, other jobs like the IJN (Institut Jantung Negara) extension, Bandar Nusajaya and others are all progressing well.

**What are the projects the group is bidding for under the Ninth Malaysia Plan?**

We'll bid for everything... put in propositions for as many projects as we can. Realistically, you can't expect to get them all but what I would want is a fair share and at the level we can deliver. Getting the job is easy but making the job successful... that's the challenge.

**Among the KPIs (key performance indicators) for the group is the targeted revenue growth of 36% for this year and 12% return on equity. Is this achievable considering that the group's revenue grew only 14% last year?**

As presented at the recent briefing, we showed where the growth would come from. Part of it will come from the fact that we'll now have a full-year benefit from the higher stake in Pharmaniaga. That's one. The other is what is happening in Bandar Nusajaya plus the environment business. Those are the real numbers. We are quite confident we'll make it.

**The group has upped its stake in Gapima Sdn Bhd. Where does it figure in the whole mix and would it be a key division in the future?**

Firstly, Gapima has been in the group for a long time, although it is still a small business. We see the logistic business as an expanding sector. In fact, it's a sunrise industry especially in the context of the development of the country. But logistics is not just about transportation of goods, there are tremendous opportunities in it.

Gapima comprises a small group of 30-40 people churning out revenue of RM30 million a year. Now, we give them a new challenge. Last year the team managed to double revenue.

I think we want to do more both for business in the group and the country. To make that process faster, we increased our stake in Gapima. So, instead of just owning 30%, if I wanted to increase value there, I might as well own more. At the same time, the other shareholders also want to sell their shares, so we bought their portions.

Now Gapima is 100% owned by the group. I won't say it will be key in terms of size but in terms of growth, yes. It'll grow very fast.

**The PLUS (Projek Lebuhraya Utara-Selatan) bonds will mature this year. Would it be able to redeem the bonds?**

There's no problem with that. PLUS has some RM2.5 billion cash. It's well covered. Its debt covenant is very secure. 