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33 GLCs to be divested

Govt ready to cut stakes in some companies, list a few and sell the rest

By CECILIA KOK
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KUALA LUMPUR: The Government has identified 33 of its companies as ready for divestment. Under the plan to rationalise the portfolio of government-linked companies (GLCs) in Malaysia, the Government will reduce its stakes in some of these companies, list a few others and sell the rest.

"This action plan would involve the paring down of the Government's stakes in five companies, listing of seven companies and outright sale of 21 companies," said Minister in the Prime Minister's Department Datuk Seri Idris Jala at the seventh Economic Transformation Programme update briefing yesterday.

The move, he added, was part of a Strategic Reform Initiative to define the Government's role in business so that there would be greater liquidity in the capital market and more opportunities for private investment.

"Of the 33 companies identified under the divestment programme, 24 would see the exercise effected on them between this year and 2012," said Idris, who is also the CEO of the Performance Management and Delivery Unit (Pemandu).

According to Pemandu, the recent debut of the Federal Land Development Authority's (Felda) MSM Malaysia Holdings Bhd on Bursa Malaysia had already incorporated four of the seven companies identified for listing under the GLC divestment programme.

This means only three more GLCs were expected to list on Bursa Malaysia by the end of next year.

"The companies will only be listed when the 'strike price' is deemed right by the respective government-linked investment companies, or GLICs," Idris said, while emphasising that the names of the companies involved in the exercise and the levels of "right pricing" could not be revealed at this juncture due to a non-disclosure agreement.

Kumpulan Wang Simpanan

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Pekerja (EPF), Khazanah Nasional Bhd, Permodalan Nasional Bhd (PNB), Lembaga Tabung Haji (LTH), Kumpulan Wang Persaraan (KWAP) and Lembaga Tabung Angkatan Tentera (LTAT) are among the country's main GLICs.

Companies controlled by the Government include the non-listed

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GLC divestment plan is now in progress

Entity	No. of companies	Pare-down	Listing	Outright sale	Action for 2011-12
GLIC 1	4	0	0	4	4
GLIC 2	8	0	0	8	8
GLIC 3	10	0	7	3	5
GLIC 4	3	3	0	0	3
GLIC 5	4	2	0	2	4
GLIC 6	4	0	0	4	0
TOTAL	33	5	7	21	24

Source: Pemandu STARGRAPHIC©2011

Analysts: Move will boost capital market

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Petronas, Felda, KTMB and state-level companies, while listed ones include Affin Holdings Bhd, Axiata Group Bhd, BIMB Holdings Bhd, Chemical Co of Malaysia Bhd, Malaysia Airline System Bhd, Malayan Banking Bhd, Tenaga Nasional Bhd, the UEM Group, TH Plantations Bhd and Sime Darby Bhd, among others.

"We also do not want a 'fire-sale' of any of the companies," he said, adding that the priority when executing such plan was to ensure that the Government could get the maximum value for its assets.

The amount that the Government could potentially raise from its GLC divestment exercise remained a "trade secret."

Nevertheless, Pemandu clarified that proceeds from the exercise would be channelled to the Federal Government Divestment Account or a state account to service the country's deficit, invest in existing funds and facilitate the Government's involvement in certain businesses.

According to Idris, the Government had set four criteria under which its involvement in business would still be required.

These include when the private sector needs co-investment in projects that are gross national income-positive to the nation such as the regional corridor developments; the business has to be owned domestically in the interest of national security, such as defence and rice-production industries; the business involve large capital investment and require long gestation period such as nano-technology; and national infrastructure projects such as renewable energy and public transport system are involved.

Industry observers and analysts welcomed the Government's GLC divestment programme, as they believed the move would help boost the capital market's attractiveness and encourage the GLCs to be more competitive.

"It's definitely good if there were more of sound companies going for listing," an analyst said, pointing to the recent debut of MSM, which was currently around 50% above its initial offering price, as an example.

"And if the Government could let go of its hand in some of the listed GLCs, there would be more liquidity in the market, and that would enhance our market's appeal to many investors, especially the large institutional ones," he added.

At the GLC Open Day held last month, Institute of Strategic and International Studies Malaysia chief executive Datuk Dr Mahani Zainal Abidin had said that the Government should be prepared to reduce substantially its shares in the companies and only exercise influence in major issues and decisions.

She added that GLCs had to be given the flexibility to make their own decisions so that they could respond faster and become more competitive in the international arena.