

Advice to accept Petronas offer

Offer at RM5.30 per MISC share provides shareholders opportunity to realise investment

KUALA LUMPUR: AmInvestment Bank Bhd, the independent adviser to the minority shareholders of MISC Bhd, has described Petronas Nasional Bhd's (Petronas) takeover offer as "not fair" but "reasonable" and recommends that shareholders accept the offer.

In a circular to shareholders issued yesterday, it said there were no competing offers for shares of the world's second-largest liquefied natural gas shipping company or any other offer to acquire the assets and liabilities of MISC.

It added that Petronas' offer at RM5.30 per share provided shareholders with an opportunity to realise their investment, which was a premium of between 19.64% and 27.10% over the five-day to three-month volume weighted average market price.

In terms of valuation, AmInvestment Bank said the indica-

The offer price translates to a discount of between 6.9% and 13.1% to the range of the indicative SOPV attributable to each MISC share.

— AMINVESTMENT BANK

tive sum-of-parts valuation (SOPV) of MISC's business ranged from RM5.69 to RM6.10 per MISC share.

"The offer price translates to a discount of between 6.9% and 13.1% to the range of the indicative SOPV attributable to each MISC share," it said.

Based on the Malaysian Code on Takeovers and Mergers 2010, the offer price of RM5.30 was "not fair", as the indicative SOPV of the MISC Group was above the offer price.

In January, Petronas had proposed to take private MISC at a cost of RM8.8bil or 1.1 times its book value.

The offer price by Petronas to buy out MISC has been seen as too low by MISC's other shareholders, including the Employees Provident Fund (EPF).

EPF is the single-largest minority shareholder in MISC, with a 9.66% stake. The other substantial shareholder in MISC is Skim Amanah Saham Bumiputra (ASB), with a 6.35% stake. Petronas is the major shareholder of MISC with a 62.27% stake.

AmInvestment also highlighted the risk in the realisation of market values attributable to vessels.

It said that in deriving the

indicative SOPV, the total value of MISC's loss-making petroleum and chemical shipping businesses of RM7.55bil was based on the estimated market value of the 79 vessels in the open market.

"In reality, it may be difficult to dispose of such a large number of vessels in the open market at the stated market value in a short span of time. These market values, and consequently the indicative SOPV values, may also be affected by the outlook of the shipping industry if weakness persists," said AmInvestment.

On its financial performance, AmInvestment noted that MISC's petroleum and chemical businesses were still loss-making. The petroleum and chemical businesses registered a combined operating loss of RM619mil and RM508mil for the year ended Dec 31, 2011 and Dec 31, 2012, respectively.

The group's operating profit had, in general, deteriorated from RM2.6bil in 2008 to RM845mil in 2011, a decline of 67.5%.

Subsequently, the group's operating profit had recovered significantly to RM1.6bil in 2012, registering an increase of 89.2% despite a marginal increase in operating profit of 6.4% due primarily to one-off gains of RM384mil and lower net impairment charges mainly on vessels recognised by RM451mil.

Meanwhile, the average trading volume and percentage of free float suggests that the liquidity in the shares is low. The substantial shareholders of MISC – Petronas, EPF and ASB – hold about 78.65% of the company.

AmInvestment explained that in assessing the reasonableness of the offer, it had considered the risks and challenges of the shipping industry.

Hong Leong Cap down 12% after issuance of Bursa's UMA query

PETALING JAYA: Hong Leong Capital Bhd (HLCap) tumbled 44 sen, or 12%, to RM3.16 after it was issued with an unusual market activity (UMA) query from Bursa Malaysia, halting the stock's meteoric rise since a takeover was mooted by its parent in January.

The counter slipped as much as 80 sen to a low of RM2.80 yester-

day. Volume, however, was thin at 416,800 shares.

The stock exchange has asked HLCap to explain the sharp rise in its price recently and provide an announcement for public release after enquiring with the firm's directors and major shareholders.

Meanwhile, a separate filing revealed that its substantial share-

holder, Datuk Dr Yu Kuan Chon, had sold 250,000 securities on Thursday in the open market, paring his stake slightly to 8.73% or 21.55 million shares. Yu, the low-profile chairman and executive director of Perak-based YNH Property Bhd, last week held as much as 9% of HLCap.

He has bought HLCap shares in sizeable blocks since its buyout

was announced, keeping the market guessing on what he hoped to achieve with a small but crucial interest in the Hong Leong group's stockbroking, investment banking and asset management arm that is ultimately controlled by banking tycoon Tan Sri Quek Leng Chan.

HLCap had also said in a filing on Wednesday that its shares would be

suspended from trading on April 15 after it failed to meet the 10% free float requirement. This means its final trading day is Friday, April 12.

The counter had traded to a high of RM3.60 on Thursday, more than double Hong Leong Financial Group Bhd's RM1.71 offer price and exactly two times its book value per share of RM1.80 as at Dec 31.

Bank Negara may keep OPR unchanged for entire year

PETALING JAYA: The central bank could keep the overnight policy rate (OPR) unchanged for the entire year, economists believe, with any possible rise only happening in the second half of the year.

In its note to clients, MIDF Research said that despite expectations of higher inflation in 2013, it believed that Bank Negara would most likely keep the OPR unchanged at 3% throughout 2013.

"Based on our probability analysis, at this point in time, it only showed a low 15% chance of Bank Negara raising the policy rate in 2013.

"Should that happen, it is more likely to take place in the second half of this year," it said.

Bank Negara on Thursday maintained the OPR at 3%, with its monetary policy committee considering the current stance to be appropriate, given the outlook for inflation and growth.

The last time it adjusted OPR was in May 2011, when it raised the rate by 25 basis points (bps) to 3%.

CIMB Research in its note said notwithstanding some improvement in the global economy and still-strong domestic growth momentum, the decision to maintain the current monetary stance underscored a delicate balance between supporting steady growth and managing the spillover from very easy global monetary conditions.

"A prolonged low interest rate environment could harm returns for savers and investors, as well as fuel asset price bubbles.

"We expect rate normalisation



in the second half of this year, if economic conditions permit," the research outfit said, adding that it was keeping its end-2013 policy rate at 3.00%-3.25%.

Maybank IB Research, meanwhile, said it was maintaining its forecast of a 25-bps hike in OPR in the fourth quarter, premised on its expectations that the monthly inflation rate would accelerate to 2.5% this year from 1.6% last year.

The underlying assumptions for the inflation rate view is the impact of the minimum wage, which came into effect on Jan 1, and the resumption of the subsidy ration-

alisation programme in the second half of this year, taking the cue from Budget 2013's lower allocation for fuel subsidies, implying adjustments in fuel (petrol and diesel) prices, it said.

Maybank said there was also the recalibration in gas prices with the scheduled commencement of Malacca's regasification plant in mid-2013 that would process and supply imported gas to the domestic market. This will eventually be followed by a revision in electricity tariff.

MIDF opined that Malaysia's headline inflation should

nudge-up at a modest pace, driven by domestic pressures and higher selected global food prices.

CIMB Research said inflationary expectations were capped as inflation was expected to rise at a "moderate and gradual" pace throughout 2013 on the back of upside risks, given global commodity prices due to the supply disruptions.

Malaysia's economy recorded a spectacular performance in the last quarter of 2012, growing 6.4%. This was the highest quarterly growth since 2½ years ago and was buoyed by the robust manufacturing and construction sectors.

Berjaya hosts groundbreaking of phase 1 Jeju Airst City

KUALA LUMPUR: Berjaya Jeju Resort Ltd (BJR) hosted a groundbreaking ceremony for Gotjawal Village, the first phase of its integrated resort development project Jeju Airst City in South Korea's Jeju island.

BJR is a joint-venture company between Berjaya Corp Bhd and a South Korean government agency, Jeju Free International City Development Centre, a quasi-commercial subsidiary of the Ministry of Land, Transport and Maritime Affairs.

"We have come a long way to host today's (yesterday's) ceremony, yet it is still the beginning. I look forward to the successful completion of this project and lead in Jeju becoming a free international city," said Berjaya Land Bhd and BJR chief executive officer Datuk Francis Ng.

In a statement, Berjaya said Jeju Airst City was an integrated resort located by the sparkling coastline of Yerae-dong, Seogwipo City, on a vast 744,207 sq m site.

It said the project, comprising luxury hotels, condominiums, retail and shopping mall, medical centre and entertainment sports facilities, was the island's largest resort development with a gross development value of US\$2.4bil (RM7.45bil) and one of South Korea's highest foreign direct investments.

Infrastructure works at the entire site had been fully completed, it added. — Bernama