

Malaysia's DRB-Hicom To Buy Carmaker Proton

Eileen Ng, Associated Press

KUALA LUMPUR, Malaysia (AP) — Malaysian conglomerate DRB-Hicom Berhad said Monday it will buy national carmaker Proton in a 3 billion ringgit (\$957 million) deal that could help revive Proton's flagging fortunes.

DRB-Hicom said it would pay 1.29 billion ringgit (\$412 million) for government investment arm Khazanah Nasional's 43 percent stake in Proton. It will then make an offer for all Proton shares it doesn't own at 5.50 ringgit (\$1.80) a share. Analysts said this would bring the total deal to around 3 billion ringgit.

Khazanah said the share sale would help put Proton on a more competitive footing. Analysts said it could help turnaround the struggling carmaker, which has failed in recent years to seal tie-ups with foreign carmakers including Volkswagen AG due to the government's insistence on maintaining control over a high profile local company.

DRB-Hicom, controlled by billionaire tycoon Syed Mokhtar Al-Bukhary, distributes and assembles vehicles for Volkswagen, Daimler AG's Mercedes-Benz and Honda Motor Co. The group is also involved in banking, services and property sectors.

"It's a fair deal. It bodes well and will open new doors for Proton," said Ahmad Maghfur, analyst with OSK Research.

Trading of Proton and DRB-Hicom shares was suspended early Monday. Proton's share price has nearly doubled in the past two months, closing Friday at 5.18 ringgit (\$1.70). DRB-Hicom last traded at 2.17 ringgit (70 cents).

DRB-Hicom pledged in a statement to safeguard Proton as a national car company. At the same time, it said it would seek to grow Proton in the regional market and help make Malaysia a preferred auto manufacturing center.

Once the king of the road, Proton's fortunes have dwindled with its market share falling to around 30 percent from more than two-thirds just over five years ago due to greater competition as Malaysia liberalized its auto market.

It has been on the hunt for a foreign partner since Japan's Mitsubishi Motors Corp., which helped set up Proton in the early 1980s, sold its stake in 2004 due to financial problems. But previous alliance talks with Volkswagen and General Motors collapsed.

Analysts have said Proton, which also owns British sports car maker Lotus, would need to tie-up with a large auto manufacturer to cut costs, gain new technology and penetrate the global market.

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OSK's Ahmad said DRB-Hicom's entry would boost Proton with cash injection and new businesses that would add capacity at one of its plants in northern Perak state that is greatly underutilized.

earlier this year paid 623 million ringgit (\$199 million) to buy Khazanah's stake in national postal company POS Malaysia.

"For DRB-Hicom, it will mean short-term pain for long-term gain," Ahmad said.

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