

Game's not over for Gamuda

Its RM10.75b offer stays, will lease assets from PAAB at 6% yearly

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KUALA LUMPUR: Gamuda Bhd has put in a revised bid to break the deadlock in Selangor's water industry consolidation, and this time around it seeks not to own but lease the water assets from Pengurusan Aset Air Bhd (PAAB).

The announcement came almost five weeks after the federal and Se-

langor governments rejected Gamuda's offer as they felt the proposal fell "short" of the intention of the Water Services Industry Act 2006 (WSIA).

Gamuda said yesterday the revised offer, made via its 40%-associate Syarikat Pengeluar Air Sungai Selangor Bhd (Splash), was realigned in response to the federal govern-

ment's view that Splash's earlier offer was not in line with the policy that operators should be "asset light".

However, its previous offer price of RM10.75 billion to all the water concessionaires remains.

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Splash's offer is RM2.6b more than that of PAAB, says Gamuda

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Gamuda said under its revised proposal, PAAB would own and carry all the water assets on its books and lease the assets to Splash.

It noted that PAAB had in March 2010 made an estimated aggregate offer of RM8.18 billion to all the state's water players. "In the realigned offer, Splash has offered to 'top up' PAAB's offer to RM10.75 billion to all the water operators in Selangor, that is an additional offer of RM2.57 billion," it said.

Gamuda said Splash's offer was 24% or RM2.6 billion higher than PAAB's offer of RM8.18 billion.

Under the new proposal, Gamuda said Splash would operate as the operation and maintenance operator under a 30-year concession or licence. Splash will pay PAAB lease rentals of 6% per annum with an annual escalation of 2.5%, the same rate as charged by PAAB to the operating entities in other states.

"All the terms and conditions of Splash's offer dated March 24, 2010 remain the same and unchanged, including the benefit of low consumer tariffs," Gamuda told Bursa

Malaysia Securities.

Following the state and federal governments' rejection of Splash's earlier offer in March, Gamuda had said it was ready to legally challenge the WSIA as its shareholders had mandated it to do so.

Section 114 of WSIA, if invoked, gives the energy, green technology and water minister the power to force water players to hand over the assets in the name of "national interest".

Splash's other major shareholder The Sweet Alliance Sdn Bhd, with a 30% stake, is backing the takeover offer. The remaining 30% stake in Splash is held by state-owned Kumpulan Perangsang Selangor Bhd.

The Selangor government has said all water concession operators should be consolidated into a single entity under the control of the state. Splash's offer of RM10.75 billion is 16% or RM1.53 billion more than the RM9.22 billion offered by Selangor to take over the state's water operations last year.

Syarikat Bekalan Air Selangor Sdn Bhd (Syabas) accounts for more than half of the additional

amount offered by Gamuda compared to the state's proposal.

Under its proposal, Gamuda is offering RM4.14 billion for Syabas, which is RM780 million more than that offered by the state.

Gamuda's offers to acquire Puncak Niaga (M) Sdn Bhd and Konsortium Abbas Sdn Bhd are the same as that offered by the state at RM1.94 billion and RM946 million, respectively. Splash will be getting a total of RM3.73 billion comprising RM2.97 billion for the assets and liabilities, and another RM750 million in compensation to its operations and maintenance operators.

Gamuda has said it will commit to a non-revenue water (NRW) reduction in line with Syabas' targets, at 29% this year, 25% in 2011, and below 20% from 2014.

Upon the takeover, Splash aims to keep consumer tariffs at the current level, with a 2% to 3% annual increase or 9% every three years.

Gamuda has said there is no need for a scheduled tariff increase of 37%, which was the rate proposed by Syabas earlier.