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DRB-HICOM's trump card

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AFTER months of speculation on who will bag [Khazanah Nasional Bhd's](#) 32% stake in [Pos Malaysia Bhd](#), it was finally revealed that [Tan Sri Syed Mokhtar Albukhary](#)-controlled [DRB-HICOM Bhd](#) has emerged victor. Now what's in focus is what DRB-HICOM plans to do with the country's postal services company.

For one, the benefits of having some form of tie-up or link with a financial institution are likely to be tapped by the new shareholder.

"Pos Malaysia wants to follow the business model of Deutsche Post, which has a retail bank in Deutsche Postbank," says an analyst.

The rationale behind that is simple. Traditional mail revenue is on a gradual decline. E-mail and courier giants have carved out their own niche and to grow Pos Malaysia, a bank that offers financial services at post offices makes commercial sense in this ever-changing landscape.

In fact, Pos Malaysia was already heading in that direction when it signed up with [RHB Bank Bhd](#) and [Malayan Banking Bhd](#) to offer financial services in selected branches.

As such, most analysts opine that the key factor which worked in favour of DRB-Hicom, which managed to trump several other suitors, is that it owns [Bank Muamalat Malaysia Bhd](#).

"Post offices can act as a financial agent and that can benefit the rural folk," says the analyst.

The synergies are a lot more than that though.

DRB-HICOM group managing director, [Datuk Seri Mohd Khamil Jamil](#) says the company was picked by the evaluation panel of Khazanah for its "comprehensive strategy and business plan".

"There are potentially strong business synergies and opportunities that can be generated between both groups which can leverage on each others' strengths, assets and expertise, and these can further expand and enhance Pos Malaysia's business model," he says in an e-mail response to *StarBizWeek*.

However, he adds that the proposed business plan is still subject to approval from the board of directors of Pos Malaysia.

Having said that, he says, at this point it may be too premature to discuss investments by DRB-HICOM into Pos Malaysia as it is subject to further detailed assessment on the infrastructure and resources available in Pos Malaysia pursuant to its current business transformation plan.

The acquisition, which will add a new business under the umbrella of conglomerate DRB-Hicom, is expected to be completed by June this year.

Current businesses in the group's stable which are likely to benefit from the synergies with Pos Malaysia, apart from Bank Muamalat, are [KL Airport Services Sdn Bhd \(KLAS\)](#) and Uni.Asia (life and general insurance businesses).

Khamil says the additional revenue generated would make DRB-HICOM less reliant on the automotive sector which is far more sensitive to economic cycles.

"The post-office network is an important national infrastructure as it provides convenient access to various government and commercial services at more than 1,000 outlets nationwide. The acquisition is part of DRB-HICOM's overall strategy to enhance the services sector in the group.

Pos Malaysia's extensive network will provide us with the right platform to expand our businesses locally and overseas," he elaborates.

He says DRB-HICOM would want Pos Malaysia to maintain its leading position in the mail business, expand its market share in the competitive courier segment and turnaround its retail business by becoming a virtual retail network and reach out extensively to the public.

Another goal is to revitalise the logistic business in Pos Malaysia, as he points out, the domestic logistics' market size is over RM27bil.

A condition of the deal involves the conversion of 16 plots of identified land owned by the Federal Lands Commissioner and leased to Pos Malaysia for postal services into commercial use. In the event the land is not converted, some RM17.3mil would be reimbursed to DRB-HICOM; that amount is part of the purchase price RM622.79mil.

Analysts say there are five plots of land within Pos that are valuable and able to generate a lot of commercial value and does not fall under the Federal Lands Commissioner (FLC). According to them, the most valuable land which falls under the FLC's ambit is the 3.1 acres of postmen quarters behind the Pudu Jail land re-development.

"At the moment, we are concentrating on building the synergies between both groups and enhancing the new businesses for Pos Malaysia. The land development has not been our main focus or motivator for the acquisition," says Khamil.

"However, as DRB-HICOM is also involved in property development, DRB-HICOM can lend its expertise to Pos Malaysia to assess and unlock the potential values arising from the commercial development when the appropriate time arises."