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Revival plan for Proton

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KEY ASSET: Need to come up with a car which the market wants, at a very competitive price, says DRB-HICOM

DRB-HICOM Bhd, the country's biggest automotive company, will announce a plan by as early as next month to revive the fortunes of national carmaker Proton Holdings Bhd.

DRB-HICOM's group chief operating officer Datuk Seri Che Khalib Mohamad Noh said that the plan will determine Proton's future competitiveness and sustainability.

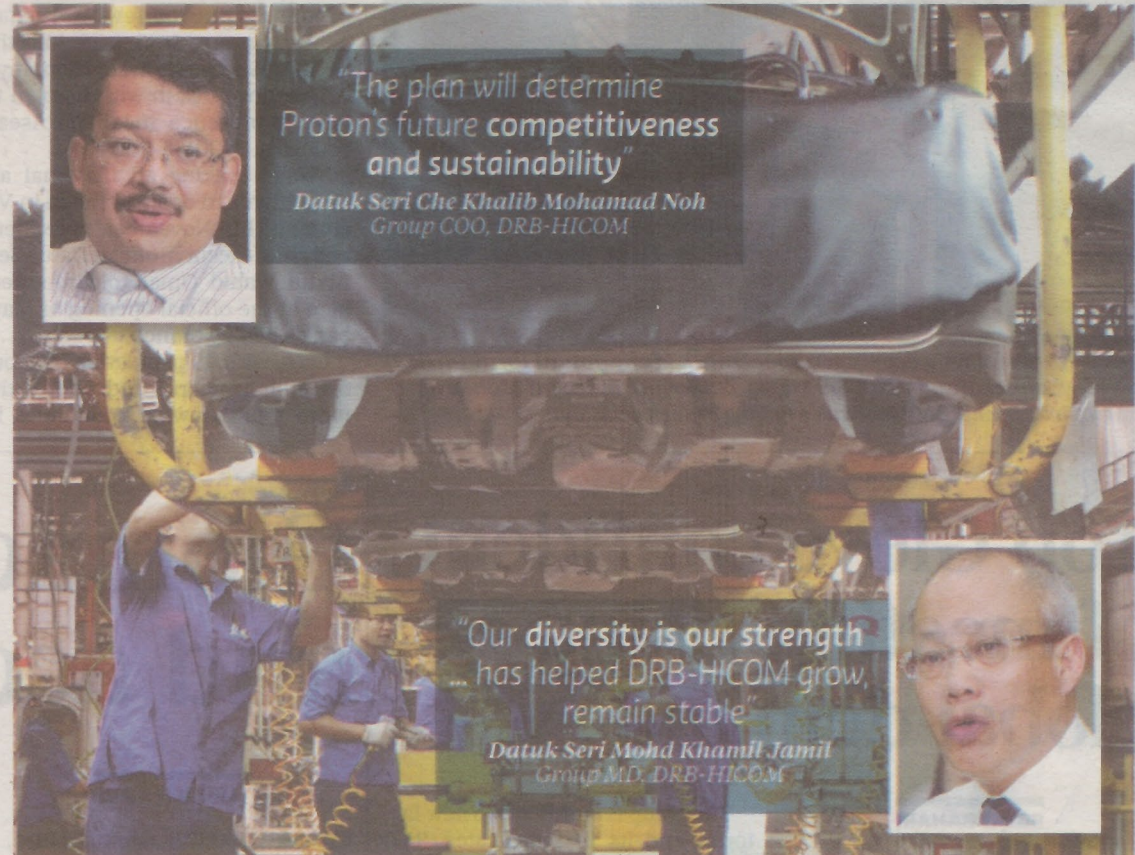
"If we don't solve Proton's problems, not only Proton, but the whole DRB-HICOM group will go down," Che Khalib told newsmen on the sidelines of the Malaysian Institute of Certified Public Accountants-Bursa Malaysia 2012 forum yesterday.

Group managing director Datuk Seri Mohd Khamil Jamil admitted that Proton is very important to DRB-HICOM, but the company is not dependent on a single business entity to ensure its long-term sustainability.

"Our diversity is our strength and that has helped DRB-HICOM grow and remain stable," Mohd Khamil told Business Times.

Even before taking over Proton this year, DRB-HICOM's automotive, motor and military divisions were registering some RM4 billion in sales.

The company's motor and military division is considered a big and stable revenue earner with more than RM8 billion worth of contracts to boost the country's fleet of personnel carriers.



DRB-HICOM bought Khazanah Nasional Bhd's 42.7 per cent stake in the national carmaker in January for RM1.2 billion and subsequently bought the rest of the shares it did not own for a total of RM3 billion.

Che Khalib, meanwhile, said that the domestic car market is very competitive, and as such there is a need for DRB-HICOM to come up

with a car which the market wants, at a very competitive price.

"The new business plan also has to look into the whole ecosystem of Proton which includes the vendors as well as its more than 100,000 workers.

Che Khalib, however, declined to give further details of the plan or comment on the possibility that a foreign partner would be roped in

for Proton.

Mohd Khamil recently said at the group's annual general meeting that the conglomerate plans to introduce a foreign partner to Proton.

It has also raised the domestic sales target for the national carmaker to 200,000 units for the current financial year ending March 31, 2013, from 167,000 previously.



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Home business

Che Khalib: Proton can bring down DRB if problems not fixed

DRB currently working on solutions for its "problem child"

by **Ho Ching-Ling**
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KUALA LUMPUR: DRB-Hicom Bhd has sounded warning bells that the group could be adversely impacted if the problems plaguing Proton Holdings Bhd are not resolved.

The diversified group's chief operating officer Datuk Seri Che Khalib Mohd Noh said that automaker Proton could bring down the whole group if its problems are not addressed.

"If we don't solve the Proton problem, it's not just Proton that will go down, but the whole DRB group," he said at the MICPA-Bursa Malaysia Business Forum yesterday.

Che Khalib, who was one of the speakers at the forum, said DRB-Hicom is currently working on solutions for its "problem child" Proton.

"Yes, we are coming up with solutions for Proton. We plan to announce next month what we have planned for Proton," he said.

During the DRB-Hicom AGM in September, managing director Datuk Seri Mohd Khamil Jamil

revealed that the group is also in initial discussions with potential foreign partners for Proton.

While he did not specify any potential partners, Khamil said there will be "a paradigm shift in Proton" to improve the brand's overall quality.

He added that the group also targets to sell 200,000 units of Proton cars a year, from the previous target of 167,000 for its financial year ending March 2013.

The Malaysian Automotive Association's target for 2012 is about 615,000 cars. For the first half of the year passenger car sales stood at 265,855 units, with Perusahaan Otomobil Kedua Sdn Bhd emerging the top seller with 92,923 units.

With banks tightening lending regulations, auto sales have been severely impacted.

Much of Proton's woes lie with its wholly owned Lotus Group International Ltd, which manufactures Lotus cars. Lotus has been draining Proton's cash reserves as its niche market vehicles struggle for sales.

The auto company has also struggled to penetrate foreign markets with quality concerns on many of its models.

As at end-December last year, Proton had cash and bank balances



Che Khalib says DRB will announce next month what it has planned for Proton.

amounting to RM1.18 billion while on the other side of the balance sheet, the company had RM1.14 billion in short-term debt commitments. Proton's shareholders' funds as at end-December 2011 stood at RM5.3 billion.

Auto industry players say that to come up with a new model, an auto company would have to fork out in excess of RM1 billion.

For its nine months ended

Dec 31, 2011, Proton suffered a net loss of RM68.1 million from RM5.93 billion in sales.

Since then there have been no disclosures of Proton's financials as it was delisted in mid May this year.

There have also been many changes at Proton with many among its top brass, including managing director Datuk Seri Syed Zainal Abidin Syed Mohamed Tahir who had headed the company since 2006, leaving the company.

"Syed Zainal's track record is good. In Malaysia the largest selling car is the Myvi, developed when he [Syed Zainal] was the project director at Perodua. The second largest selling car is the new Proton Saga, developed under his watch at Proton ... he's not an easy man to replace," an auto industry stalwart said when contacted.

Other than Syed Zainal, there were quite a few other top level departures at Proton, leaving the automaker in limbo.

DRB-Hicom to its credit does have an established presence in the auto sector, and has good ties with companies such as Volkswagen AG. However, how this will turn things around at Proton remains to be seen.

PATRICK GOH



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TITLE : **Sustainable plan for Proton vital**
Che Khalib says next phase of Pos Malaysia will be
interesting

Sustainable plan for Proton vital

By NG BEI SHAN

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KUALA LUMPUR: Proton Holdings Bhd will drag down its parent DRB-Hicom Bhd if a sustainable plan to turn it around is not in place, according to DRB-Hicom chief operating officer Datuk Seri Che Khalib Mohamad Noh.

"We all know that Proton is a big problem... If we do not solve the problem, not only will Proton go down but the whole DRB group," he said at the *MICPA-Bursa Malaysia Business Forum 2012* here yesterday.

He said the problems had to be resolved as they would affect not only the national carmaker but also cause a ripple effect in the automobile ecosystem including the dealers, distributors and service centres.

He said the whole ecosystem consisted of more than 100,000 people compared with Proton's 11,000 employees.

"Not only do we have to take care of these 100,000 people, we must come out with a business that is viable," he added.

He said a car had many features today compared with its preceding models which implied that margin compression was one of the challenges to be tackled.

"It is going to be a volume game, but Malaysia does not have that kind of numbers.

"We are going to work on some-

> TURN TO PAGE 2



Che Khalib says he does not consider Pos Malaysia a problem child.

Che Khalib says next phase of Pos Malaysia will be interesting

> FROM PAGE 1 *pg - 2 Section - Biz*

thing (for Proton) which will be announced by next month," he said, adding that it needed to produce models that have market demand and competitive prices.

The domestic sales target for Proton was raised to 200,000 units for the current financial year ending March 31, 2013 (FY13) from 167,000 previously.

Hong Leong Investment Bank

(HLIB) Research in a note said the management was tight-lipped on its strategy to achieve 200,000 units in Proton sales in FY13.

"From April to August 2012, Proton sales were only 61,400 units, implying another 138,400 units for the remaining financial year to hit its target," it said.

Che Khalib declined to comment on plans for the ailing luxury marque Lotus and Proton's potential foreign partner. At the conglomerate's AGM

in September, managing director Datuk Seri Mohd Khamil Jamil revealed that it had plans to introduce a foreign partner to Proton.

HLIB Research said DRB-Hicom was still finalising the turnaround plan for Lotus which was expected to be presented to bankers by year-end.

On Pos Malaysia, Che Khalib said he did not consider Pos Malaysia a "problem child" but noted that it needed some transformation.

"We are excited to have Pos Malaysia within the DRB group. The next phase of Pos Malaysia is going to be more interesting with the number of outlets it has."

In a separate report, RHB Research said market re-rating could come from positive traction from ongoing efforts to revamp Proton, including its domestic sales and spare parts dealership network and procurement function, and the long-term transformation of Pos Malaysia.

Biz

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DRB-HICOM Bhd To Come Up With New Business Plan For Proton Next Month

KUALA LUMPUR, Oct 16 (Bernama) -- DRB-HICOM Bhd will come up with a new business plan for Proton next month, said its Chief Operating Officer, Datuk Seri Che Khalib Mohamad Noh.

He, however declined to share details of the plan.

"Everybody is waiting to see what DRB plans to do with Proton. We are working on a plan now and hope to come up with it by next month," he told reporters on the sidelines of the MICPA-Bursa Malaysia Forum 2012 here today.

Che Khalib said as the automotive market was very competitive, there is the need to produce a car that is wanted by it and at a competitive price.

"That is what we are working at now," he added.

He said DRB not only needs to deal with Proton's workers, but also the whole ecosystem of the company.

-- BERNAMA



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DRB-Hicom working out plan to remedy Proton's problems

Wednesday, 17 October 2012 12:38 Azli Jamil [0 Comments](#)

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DRB-Hicom Bhd will announce a working plan to remedy problems faced by national carmaker Perusahaan Otomobil Nasional Bhd (Proton) next month, said its chief operating officer Datuk Seri Che Khalib Mohamad Noh (picture).

The plan is paramount and if not implemented could bring serious negative consequences to DRB, a major investor in Proton, said Che Khalib.

"Proton is in trouble and if we don't solve Proton's problem, not only Proton would go down but the whole DRB will go down," Che Khalib said after his presentation at the Malaysian Institute of Certified Public Accountant-Bursa Malaysia Business Forum in Kuala Lumpur yesterday.

He, however, did not elaborate on the details of the problems faced by Proton. The problems, if not resolved, would affect its 11,000-plus employees and the whole automotive ecosystem surrounding Proton, he said.

Meanwhile, a newswire reported yesterday that DRB's group managing director Datuk Seri Mohd Kamil Jamil said Proton's performance would have an impact on DRB as the acquisition of Proton was a major financial investment for the former.

The report quoted Mohd Khamil as saying that DRB's management can add value to Proton and realise its potential as the national carmaker before finalising a turnaround plan.

It was reported in September that Mohd Khamil said DRB planned to introduce a yet to be announced foreign partner to Proton.

In the same report, it said Proton has raised the domestic sales target to 200,000 units for the current financial year ending March 31, 2013, up from 167,000 previously. Furthermore, Proton has been given an additional RM120 million funding for development of hybrid vehicles.

It is expected to roll out its hybrid electric vehicles (EV) by 2014, according to International Trade and Industry Minister Datuk Seri Mustapa Mohamed in a reply at Parliament end of September.

DRB-Hicom bought a 42.7% stake in Proton from Khazanah Nasional Bhd for RM5.50 per share or RM1.29 billion in January this year. Proton is currently ranked second behind Perusahaan Otomobil Kedua Sdn Bhd (Perodua), losing its number one position in 2006.

According to a newswire report, Perodua has emerged the top selling car maker with 92,923 units sold in the first-half of this year vis-a-vis 79,467 cars sold in the same period last year while Proton is in second spot with fewer cars sold at 72,837 units for the period under review against 85,223 units in the first six months last year.



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next month

DRB-Hicom may unveil turnaround plan for Proton next month

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Premalatha Jayaraman

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KUALA LUMPUR (OCT 16, 2012): DRB-Hicom Bhd expects to unveil a turnaround plan for loss-making Proton Holdings Bhd next month, said its COO Datuk Seri Che Khalib Mohamad Noh.

"Basically everyone and the market are waiting for what DRB-Hicom wants to do with Proton," he told reporters when asked of DRB-Hicom's plans for Proton and Pos Malaysia Bhd, on the sidelines of the MICPA-Bursa Malaysia Business Forum 2012 here today.

"We are actively working on a plan now. Hopefully, we can come up with the plan by next month."

Che Khalib added that "problems" at the national car maker have to be solved first, or else it will also drag the DRB-Hicom group down.

"We need to solve the Proton problem. If we do not solve the Proton problem, it's not just Proton (which) will go down, but the whole DRB Group will (go) down.

"It is not about the 11,000 staff but the whole ecosystem of Proton which involves vendors, dealers, distributors and service centres. So, we must come up with solutions for Proton," he added.

Che Khalib also said the car market has been competitive and there is a need to produce a car that the market wants at a competitive price.

In January this year, DRB-Hicom, controlled by tycoon Tan Sri Syed Mokhtar Al-Bukhary, bought a 42.7% stake in Proton for RM1.29 billion from Khazanah Nasional Bhd and subsequently took the car maker private.

DRB-Hicom's involvement in the automotive industry prior to the Proton buy, has been in the assembly of vehicles for Mercedes-Benz, Volkswagen, Suzuki and Isuzu in Malaysia.

On Pos Malaysia, an acquisition it made last year, Che Khalib refuted that it was a "problem child", saying it was just a matter of how future opportunities for the company are tapped.

He said the national postal services provider has an advantage with an extensive network of more than 700 outlets nationwide. It had recently introduced the Ar-Rahnu, Islamic pawn broking business and brought in banking and insurance services to its outlets.

Under its five-year transformation plan (2012-2017), Pos Malaysia will focus on improving, enhancing, developing and augmenting its domestic core businesses namely mail, courier and retail.

Earlier, Che Khalib was one of two speakers on "Effective Leadership Styles" at the forum. Time dotCom Bhd CEO Afzal Abdul Rahim was the other.

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PRESS CLIPPING

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TITLE : **Umum Pelan niaga PROTON bulan depan**

Umum pelan niaga PROTON bulan depan

» DRB-HICOM mahu pulih, kembalikan kegemilangan kereta nasional

Oleh Suffian A Bakar
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DRB-HICOM Bhd akan mengumumkan pelan perniagaan baru lebih berdaya maju untuk PROTON Holdings Bhd pada bulan depan dengan matlamat mengembalikan semula era kegemilangan kereta PROTON sebagai kereta paling laris di negara ini.

Ketua Pegawai Operasi Kewangan, Strategi dan Perancangannya, Datuk Seri Che Khalib Mohamad Noh, berkata, memulih dan mengembalikan kegemilangan PROTON adalah agenda paling penting buat DRB-HICOM ketika ini kerana kegagalan berbuat demikian akan turut menjejaskan kumpulan DRB-HICOM.

Beliau menegaskan, selepas membelanjakan berbilion ringgit dan berlatar belakang senario pasaran automotif semasa yang begitu kompetitif, DRB-HICOM perlu melaksanakan satu pelan perniagaan baru yang cukup berdaya maju dan berdaya tahan untuk PROTON bagi membolehkan kenderaan yang dikeluarkannya adalah kompetitif dan memenuhi kehendak pasaran.

"Semua pihak menunggu apa yang DRB-HICOM akan buat de-

“
Kita sedang menyiapkannya dan menjangka pelan perniagaan baru itu akan diumumkan bulan depan”

Che Khalib Mohamad Noh,
Ketua Pegawai Operasi
Kewangan DRB-HICOM

ngan PROTON. Kita sedang menyiapkannya dan menjangka pelan perniagaan baru itu akan diumumkan bulan depan,” katanya pada Forum Perniagaan MICPA-Bursa Malaysia di Kuala Lumpur, semalam.

Che Khalib berkata, jika masalah PROTON Holdings tidak diselesaikan dengan segera, bukan saja pengeluaran kereta nasional itu, malah keseluruhan Kumpulan DRB-HICOM dan pihak yang turut ada kaitannya dengannya akan turut berdepan masalah.

“Justeru, adalah penting bagi kami menyelesaikan masalah PROTON kerana kegagalan melakukannya akan mengundang kemusnahan kepada keseluruhan ekosistem,” katanya.

Beliau menjelaskan, sungguhpun PROTON Holdings memiliki sekitar 11,000 kakitangan, tetapi berdasarkan perkiraan kumpulan itu, lebih 100,000 orang terabit dalam keseluruhan ekosistem syarikat pengeluaran kereta nasional itu.

Ini, katanya termasuk kakitangan vendor, pengedar serta pusat servis bagi kereta nasional itu.

Che Khalib bagaimanapun enggan mengulas apabila ditanya sama ada kehadiran rakan strategik asing dalam PROTON Holdings adalah termasuk dalam pelan perniagaan baru itu.

Pada Mesyuarat Agung Tahunan (AGM) DRB-HICOM bulan lalu, Pengarah Urusannya, Datuk Seri Mohd Khamil Jamil, berkata pihaknya sudah mengenal pasti beberapa rakan strategik asing bagi PROTON Holdings, dan rundingan awal juga sudah berlangsung.

Beliau juga mengesahkan bahawa DRB-HICOM juga sudah menyiapkan audit operasi ke atas PROTON Holdings.

Mengenai Pos Malaysia Bhd, Che Khalib berkata, syarikat itu juga memerlukan hala tuju baru bersesuaian dengan era teknologi semasa yang mana penghantaran surat secara manual tidak lagi berkesan kerana adalah lebih cepat dan murah mengirim surat secara elektronik.

Namun, katanya kekuatan syarikat itu terletak pada jumlah cawangannya di seluruh negara yang berjumlah 700, jauh lebih besar berbanding cawangan bank terbesar negara, Malayan Banking Bhd (Maybank).

Justeru, katanya adalah penting bagi Pos Malaysia untuk memperkenalkan sesuatu yang kreatif bagi memanfaatkan rangkaian cawangannya itu.

“Adalah perlu cawangan runcit itu diubah (fungsinya) kepada sesuatu yang lain,” katanya.

DRB-Hicom kini memegang 100 peratus kepentingan dalam PROTON Holdings dan adalah pemegang saham terbesar dalam Pos Malaysia.