

Source: Khazanah prefers to invest in hospitals, not pharmaceuticals

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PETALING JAYA: The decision by Khazanah Nasional Bhd's UEM Group Bhd to hive off Pharmaniaga Bhd does not run counter to its focus on healthcare, a source close to the Government investment arm said.

"Khazanah's preference is to invest in hospitals and not pharmaceuticals. That explains why UEM's stake in Pharmaniaga has been up for sale for some time now," said the source.

Pharmaniaga's main business is in the manufacture of generic pharmaceuticals and it has a concession agreement to supply its products to government hospitals nationwide.

Last Friday, UEM said Boustead Holdings Bhd gave it "the best deal" when the latter proposed to buy 86.81% of the issued and paid-up share capital of Pharmaniaga for RM534mil cash.

The proposal, which works out to RM5.75 per share, would be followed by a mandatory general offer, it said.

The news went down well with the market yesterday with Pharmaniaga shares rising 7.65% to RM5.49 – its highest in five years while Boustead shares climbed 2.79% to RM3.68, a two-month high. Both stocks resumed trading yesterday after being suspended ahead of Friday's announcement.

Analysts in notes to clients yesterday said the buy would be value-accretive for Boustead owing to the inelastic demand and hence defensive nature of the pharmaceuticals business.

Khazanah has clearly stated that healthcare is one of its core investment areas. When it announced its proposal to take up a significant stake in Singapore-listed Parkway Holdings Ltd in 2008, Khazanah managing director Datuk Azman

Mokhtar had said then the acquisition was part of its regional healthcare investment strategy and complemented the company's existing investments in the healthcare sector, namely Pantai Holdings Bhd, the International Medical University (IMU) and India's Apollo Hospitals Enterprise Ltd.

Khazanah has a 12.2% stake in Apollo Hospitals, which is India's largest private hospital group.

At today's market value of Apollo which stands at about 47.3bil rupees or RM3.3bil, Khazanah's stake is worth some RM402.6mil.

The Government investment arms owns 60% in Pantai and a 67.5% stake in private medical college IMU.

Recently, it also made a partial general offer for Singapore's Parkway Holdings to raise its stake from 23% to 51.1%.

Parkway runs 16 hospitals in six countries including Malaysia and owns the remaining 40% in Pantai.

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