

POWER TYCOON

After making it big in Malaysia, the YTL group is looking at Africa and the rest of Asia

By Matthew Fletcher and Steven K.C. Poh / Kuala Lumpur

FRANCIS YEOH SOCK PING, managing director of Malaysia's YTL Corp., isn't shy about showing off his friends. The walls of his Kuala Lumpur headquarters are lined with pictures of him meeting Chinese leaders Li Peng and Zhu Rongji. Other photographs have Yeoh pressing the flesh with South African President Nelson Mandela and Zimbabwe's Robert Mugabe. They represent countries where the tycoon does business -- or would like to. So why is world-renowned tenor Luciano Pavarotti part of the gallery? That's business too. Yeoh, 43, hired the singer in 1993 to serenade Malaysian Prime Minister Mahathir Mohamad, whose backing can open doors at home and abroad.

But the infrastructure magnate's commercial dealings do not always develop picture-perfectly. Yeoh's regional plans suffered a setback in October when he failed to pull off a \$2.6-billion deal that would have given YTL 80% of Gordon Wu's Hong Kong-based Consolidated Electric Power Asia (CEPA) -- and would have turned the Malaysian company into Asia's largest independent power producer. Yeoh had intended to bundle CEPA's power units in China and the Philippines with his two Malaysian plants. He would then list them as YTL Power International in Kuala Lumpur. The plan was aborted when Yeoh declined to engage in a bidding war for CEPA with America's Southern Co., which ended up paying \$2.7 billion for the shares.

Yeoh went ahead with the listing in late May. But YTL Power's initial public offering ignited few sparks. Priced at \$1.36, the stock initially hit a high of \$1.80, and then fell 36%. It was trading at \$1.27 June 30. "It looks like Yeoh has been humbled by the market," says a Kuala Lumpur analyst. Not helping was a bourse that has been stuck in the doldrums in recent months. Yeoh also attributes the lukewarm response to YTL Power's refusal to inflate its prospects. "We did not hype any of our future projects," says the tycoon. "We had a prospectus that basically said 'you can't put any money on our future; you have to count on our track record.' That record shows we are a growth company."

Holding firm YTL Corp. -- the initials stand for Yeoh's father and company founder Yeoh Tiong Lay -- has been a consistent money spinner. It had profits of \$122.4 million on sales of \$639 million last year. YTL Corp. owns 60% of YTL Power. The power arm earned \$148.4 million in 1996, bigger than CEPA's profit of \$73 million in fiscal 1995 (CEPA was delisted after Southern's takeover). The third public company, 53.2%-owned YTL Cement, made \$6 million. Boasts Yeoh: "I'm making money to the extent of being accused of making too much."

He could use the cash. Competition is mounting at home, where more than 10 independent power producers are competing with the state company Tenaga Nasional to meet Malaysia's energy needs. Kuala Lumpur intends to award future power supply contracts through open bidding, squeezing margins even further. That's why YTL Power is stepping out. The goal: to become a "truly pan-Asian power company" that will generate 5,000 megawatts of electricity by 2000.

Will Yeoh succeed? "YTL's overseas projects do not look like shots in the dark," says Hisham Hamdan of Peregrine Research in Kuala Lumpur. "Yeoh has done his homework. And so far, he has proved he can get things done." But that's in Malaysia, where the tycoon is a major player.

He was recently conferred the title of Tan Sri, one of Malaysia's highest honors, almost at the same time that Gordon Wu was granted a knighthood in the last Hong Kong birthday list of Britain's Queen Elizabeth II. Critics say he is getting over-ambitious. Business is rarely smooth in emerging countries. YTL Power, for example, has a joint venture with China Power International Holdings, a Hong Kong arm of the Ministry of Electric Power. Despite the strong backing, negotiations for its first acquisition -- 60% of a power plant in Jiangxi province -- are not showing much progress.

Tell that to Yeoh. The self-assured British-trained civil engineer took over his father's company at 25 and turned it into one of Malaysia's leading construction firms in ten years. Listed in Kuala Lumpur and Tokyo, YTL Corp. is now an infrastructure player with cement, property development and hotel operations. An articulate businessman who likes to read management books, he takes a hands-on approach to the running of his companies. One example of his style: Yeoh holds "cabinet meetings" with his team of 30 senior managers every Monday at 10 a.m. on the dot. He praises his executives' capabilities. "But I would not want to be so professional that you lose entrepreneurship," says Yeoh. "An organization must always have a balance between enterprise and management."

Add connections to that mix. Yeoh knows that it helps to have friends in high places. In Malaysia, none ranks higher than Mahathir Mohamad, the country's visionary prime minister. Yeoh is an ethnic Chinese and a born-again Christian in a predominantly Muslim country. But the PM likes achievers, and Yeoh makes it a point of honor to be one. "He delivers," says a fund manager. "Perhaps that's why the PM likes him so much."

On a trade mission to Turkey in 1991, for instance, Mahathir was impressed by a fancy resort restaurant located out in the boondocks. So Yeoh obliged by building a similar eatery on the Malaysian backwater-turned-resort island of Langkawi in Mahathir's home state of Kedah. YTL Power's two power plants -- they have a combined generating capacity of 1,212 megawatts -- were finished in record time in 1994 and 1995. The company has also kept costs down. Says Yeoh: "We are selling to Tenaga Nasional at [a price that] is 25% cheaper than other regional independent power producers."

Yeoh plays down his ties with Mahathir, saying: "Many people still think that YTL's success hinges on the PM. That's not fair to the man or to the company. The perception was that we had a fantastic power purchase agreement with Tenaga. [Tenaga is obligated to buy all the electricity that YTL produces, a take-or-pay contract not granted to all independent power operators.] But it's absolutely not the reason for our success." The key was raising funds from Malaysian state institutions and in Malaysian ringgit, avoiding the cost of hedging for foreign-exchange or political upheaval. What about the government's promise to contribute \$1 billion for YTL's October plan to buy CEPA? Says Yeoh: "Why shouldn't the government encourage business? That's the way of Malaysia Inc."

The Mahathir connection may be a factor in YTL Power's push into southern Africa. The Malaysian leader is close to Zimbabwe's Mugabe. There was a public outcry against YTL's proposal to buy into the country's Hwange power plant after charges of irregularities in the bidding process. But Yeoh says a deal is imminent. He wants to turn the 920 MW plant into a 1,580 MW facility. YTL will own 51% of the venture with the Zimbabwe Electricity Supply Authority as minority partner. The long-term aim is to build a grid that will allow YTL to export electricity. "In the power business you don't stumble upon opportunities," says Yeoh. "You have to look for areas where per-capita electricity consumption is low. In Africa, coal is abundant and cheap, so you can offer a lower tariff."

He has not forgotten Asia, whose power market is estimated to be worth \$500 billion a year. Yeoh says Malaysia, Thailand and Singapore alone would require an extra 4,000 MW a year, "almost half of China's growth." The Malaysian government has agreed in principle to grant YTL a license

to supply electricity to Singapore through a proposed 500-MW gas-fired plant in Johor state near the Lion City. "YTL Power hopes that successful deals with Singapore and Thailand will give rise to the establishment of a very ambitious ASEAN grid," says Koh Huat Soon, an analyst at brokerage SocGen-Crosby. But it has yet to sign power purchase accords with the governments concerned.

Next up: South Asia. "I'm not very much into India at the moment, even though we have met up with some people there," says Yeoh. "But surely India would want lower tariffs and we have solutions to offer." Isn't he taking on too much? "We can't ignore these areas even if we have our plate full at the moment," argues Yeoh. "The whole of Asia needs power." And he knows just the company that can provide it.