
PSMC Privatization – Minister defends sale decision

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Mr Awais Ahmed Khan Leghari Pakistan's Federal Minister for Privatization & Investment said Pakistan's Cabinet Committee on Privatization while approving the reference price had authorized the Privatization Commission prior to holding the bidding for Pakistan Steel Mills Corporation, to issue Letter of Acceptance in case the highest bid is above than the reference price determined by the CCOP.

He said that all standard procedures were observed before and after the bidding of PSMC and the privatization of PSMC was among the most transparent and successful transactions. He said that all the phases of transaction inviting Expression of Interest from all local and international investors including PSMC EMG, pre qualification, due diligence by the investors, pre bid conference and bidding were widely publicized, which kept all the stakeholders well informed.

He explained the process of appointment of Citigroup Global Markets as financial advisor and that standard methods used for valuation were Discounted Cash Flow Basis, Comparable Companies Analysis and Precedents and the financial Projections were prepared for ten years basis with sensitivity analysis, he informed. The value of \$ 362 million received from the highest bidder for a 75 % equity stake (\$ 483 million on 100 % basis) reflected the value of PSMC on a going concern basis, it took into account its ability to generate cash flows in the future after taking into account the substantial investments, he further stated.

The Minister further stated that PSMC received the highest offer above than the approved price, therefore, it could not be termed a sale at a throw away price. The Privatization Commission was bound under its rules and regulation, not to disclose the reference price of any entity at any forum, he replied to a question.

He said that now when the process of privatization of PSMC has been successfully completed, the individuals with vested interest were suggesting new and out of process offers, which would never be considered appropriate, justified and transparent by any economic writer, analyst or critic.

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