

Khazanah won't back off in Parkway battle
Almost 30% of Parkway's earnings come from Pantai Hospitals, a
Khazanah unit

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ON Friday, Khazanah Nasional made a partial voluntary offer to shareholders of Parkway Holdings, seeking to raise its interest in the Singapore-listed healthcare provider to 51 per cent from its current 23.3 per cent.

Kuala Lumpur's investment arm made the offer at \$2.78 a Parkway share, which represents a 25 per cent premium over the share's last traded price. It will cost the agency at least \$1.18 billion if its offer is accepted.

Indian healthcare firm Fortis Healthcare, which holds slightly over 25 per cent of Parkway, is the only one that might stand in Khazanah's way.

That the Indian firm is interested is well known. It began raising its stake from 23.8 per cent to slightly over 25 per cent earlier this year and could want more. The question is: will it make a counter bid to shareholders?

Yes, it could, but it would be costly. Singapore law dictates that any party that has bought shares in a firm over the last six months has to make a mandatory general offer for its remaining shares if the acquirer party breaches the 29.9 per cent mark.

Khazanah has not bought any shares in Parkway in the last six months, which is why it can get away with a partial voluntary offer. Fortis has and therefore it will cost them.

That is not to say it cannot afford to. It is the fastest growing healthcare and medical services provider in India and is controlled by billionaire brothers Malvinder and Sukvinder Mohan Singh.

But one suspects that if push came to shove, Khazanah will not back off.



Which begs the question: why does Khazanah want to increase its interest in Parkway in the first place?

Parkway is the jewel in Khazanah's healthcare business, with operations in Singapore, Malaysia, India, China, Brunei and the Middle East. Separately, Khazanah has healthcare operations in Malaysia - Pantai Hospitals and the International Medical College - and India.

Indeed, Parkway's operations in Malaysia overlap Khazanah's through Pantai Hospitals, the largest hospital chain in Malaysia. The company is owned 60 per cent by Khazanah and 40 per cent by Parkway.

And almost 30 per cent of Parkway's earnings come from its interest in Pantai. It explains Khazanah's desire to control the Singapore firm.

A slightly more tangential reason and one that looks further ahead is rooted in changes to the rules in Singapore.

Slightly over a year ago, the Singapore government allowed its citizens to use their savings in their Central Provident Fund accounts for private medical treatment in Malaysia. Where Singaporeans are concerned, this usually means Johor which is just a bus ride away.

The Regis group of hospitals have a hospital in Johor and it has become the hospital of choice for Singaporeans who go there daily by the busloads. Medical treatment is at least 30-40 per cent cheaper in Malaysia compared to the city state.

Parkway does not have a hospital in Johor but that is about to change as Khazanah has explicitly stated that it would expand there in the near future. The investment agency is also the premier developer of the Iskandar region in Johor, so it all ties in.

And the medical trade from Singapore is only just beginning.