

# Axiata: What the future holds

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**M**ALAYSIAN telecom company Axiata, one of the leading telecommunication companies in Asia and the majority shareholder for Robi, held its annual planning meeting in Dhaka recently. Some of its shareholders as well as high officials, including Axiata's major shareholder Khazanah National's Managing Director Azman HJ Mokhtar and Axiata Group Chief Executive Officer Jamaluddin Ibrahim, joined the event. Both the officials talked to The Daily Star on the present activities and future plans of Khazanah, Axiata and Robi.

Khazanah National, the investment-holding arm of Malaysian government, is empowered as the strategic investor in new industries and markets. As trustees to the nation's commercial assets, its main objective is to promote eco-

nomic growth and make strategic investments on behalf of the government.

"Khazanah means treasure. Basically it is the treasure of the Malaysian government chaired by the prime minister," said Azman HJ Mokhtar.

Khazanah is a very senior board that manages a \$44 billion industry with investments in over 50 major companies, in both Malaysia and abroad, said Mokhtar.

"It is also tasked to nurture the development of selected strategic industries in Malaysia with the aim of pursuing the nation's long-term economic interests."

Khazanah is the key agency mandated to drive shareholder value creation, efficiency gains and enhance corporate governance in companies controlled by the government, commonly known as Government-Linked Companies.

"I have been with Khazanah for seven years, which is the major shareholder of Axiata. The



Azman HJ Mokhtar

main investment areas of Khazanah are electricity, telecommunications, infrastructure, airlines, and banks."

"We want Robi to be a multinational company all over the world. People from all regions are employed in the company. We have invested almost \$1 billion after the inception of Robi, especially over the last few years," he said.

Khazanah has also invested in Apollo Hospitals in Bangladesh, under a joint venture with India.

On the other hand, Axiata group chief executive Jamaluddin Ibrahim was optimistic about Robi's performance.

"We have done very well over the last three years when Axiata was de-merged from Telecom Malaysia (TM) in April 2008. Axiata is doing business in nine countries," Ibrahim said.

For example, he said, the revenue of the company grew by about 60 percent over the last three years. Profits also witnessed significant growth. There were also marked improvements in company valuation for the last two or three years, he added.

With Robi doing well recently, revenues reached double digits in 2009 and 2010, he said. "In those two years, revenue grew 39 and 31 percent."

On Robi's contribution to the total portfolio of Axiata, he said Robi contributed about 5 to 10 percent in revenues to the group.

On an outlook for the future, he said, "Robi is the fastest growing company we have in this region. So we would like to continue investing in development of human resource, capital expenditure [CAPEX] and operational activities to ensure the company's growth."

Axiata will invest \$110 million this year on CAPEX of Robi and next year it will be slightly more. Last year, the investment stood at \$112 million.

"The investment generally aims at upgrading the capacity for coverage of voice. On the other hand, data (internet service) will be the area of focus for the future," Ibrahim added.

When Robi started its journey in Bangladesh, the market was flat with small growth. But in the last few years, the market has grown rapidly.

The government policy is generally acceptable and pro investment, with exceptions on the issues of SIM tax and 2G-renewal, he said.

The overall tax regime is comparatively very high in Bangladesh, he said. "Forty-five percent of our investment goes to the government as tax. We are encouraged by the SIM tax reduction that is slight actually. It prevents us from selling SIM aggressively."

The process of 2G renewal is generally good, according to the Axiata boss. There were a couple of consultation meetings with the operators, he said. "The government allowed us to present our cases, which is approachable. But the amount of the spectrum fee was shocking for everyone."

"Of course we want reasonable spectrum prices. The end result of spectrum fees is now facing questions. This is not good."

On Robi's prospects of growing mobile broadband in Bangladesh, the Axiata CEO said there is no question that mobile broadband will be the next target for the industry, as fixed broadband is quite limited. "For that, we need to upgrade the network."

As huge investment is needed to upgrade the network and pay 2G renewal fees, Robi may not work for 3G initially. Rather, the company would upgrade its 2G networks for greater internet penetration, he said.

The average revenue per unit (ARPU) in Bangladesh is very low, he said. "We are forced to have low ARPU. But it is not as major an issue as SIM tax, renewal issues and spectrum price."

He said the government was very industry- and investment-friendly initially. "But what is missing today is that the government is not aware about the growth."

"If SIM taxes and spectrum fees were reduced, we could have grown much faster."

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Jamaluddin Ibrahim



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## Khazanah: the treasure

**K**HAZANAH National is the investment holding arm of the Malaysian government and is empowered as the government's strategic investor in new industries and markets. It is a driving force in shaping selected strategic industries in the country, nurturing their development and doing so with the objective of pursuing the

nation's long-term economic interests.

The main objective of Khazanah is to promote economic growth and make strategic investments on behalf of the government, which would contribute towards nation building.

Khazanah is entrusted to explore strategic investment opportunities in new sectors

and new markets. It aims to managing investment portfolios to realise its long-term potential, and at the same time, investing to be the future winners.

Its current investments are distributed among various industries, mainly; finance, telecommunications, utilities, communication services, information technology and trans-

portation. Khazanah also venturing into other promising sectors with the vision to lead and develop strategic industries.

Khazanah is the key agency mandated to drive shareholder value creation, efficiency gains and enhance corporate governance in companies controlled by the government, commonly known as government-linked

companies (GLCs).

### Portfolio companies

Malaysian Agrifood Corporation, PROTON, Cement Industries of Malaysia, ACR Capital Holdings, Bank Muamalat, CIMB Group, CIMB Niaga, Apollo Hospitals Enterprise, International Medical University Malaysia, Pantai Holdings, Pharmaniaga, PLUS Expressways, United Engineers

Group, UEM Builders, Opus Group, Astro All Asia Networks, Telekom Malaysia, Axiata Group, Time dotcom, UEM Land Holdings, Iskandar Investments, Putrajaya Holdings, Malaysian Technology Development Corporation, Silterra Malaysia, Malaysia Airports, Malaysian Airline System, Shuaibah Phase 3 Independent Water and Power Project, Tenaga National.